

# Annual Report 2015

**BANKNORDIK**

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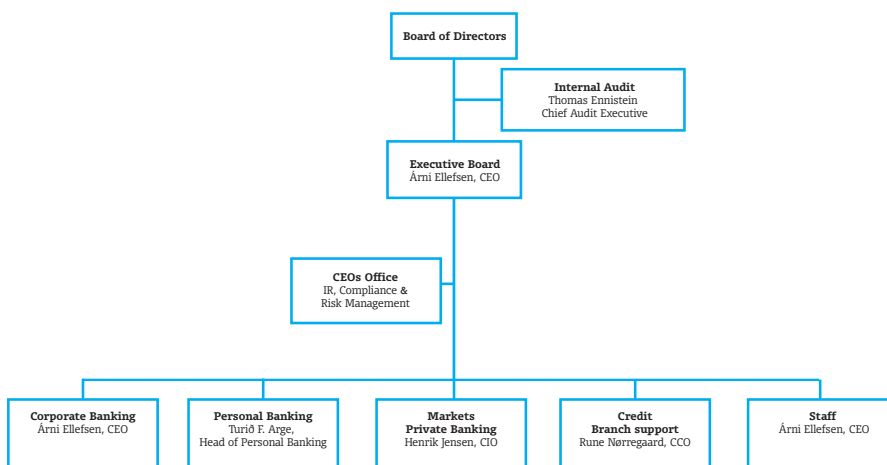
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# Annual Report 2015

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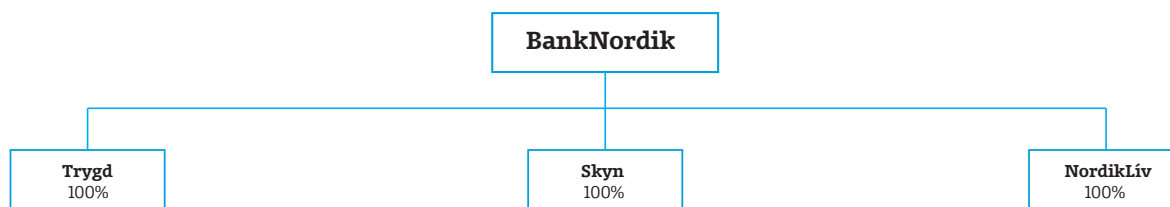
## BankNordik Organisation



## Subsidiaries



# Overview of the Group



Banking is the principal business activity under the BankNordik brand in the Faroe Islands, Denmark and Greenland. The Group has non-life and life insurance operations in the Faroe Islands under the Trygd and NordikLív brands. Other activities include Skyn, a Faroese estate agency.

Vørður has been classified as assets held for sale due to the pending sale to Arion Bank. Its activities have been retrospectively extracted from the consolidated income statement and instead appear as a single-line item.



## Highlights, ratios and key figures – BankNordik Group

Highlights	Full year	Full year	Index	Q4	Q3	Q2	Q1	Q4
	2015	2014		15 / 14	2015	2015	2015	2015
DKK 1,000								
Net interest income	468,652	497,751	94	110,945	116,000	122,122	119,586	122,279
Dividends from shares and other investments	9,244	6,938	133	62	95	7,868	1,218	328
Net fee and commission income	216,839	189,190	115	52,014	51,908	59,237	53,681	50,366
Net interest and fee income	694,735	693,878	100	163,021	168,002	189,226	174,486	172,974
Net insurance income	27,857	29,185	95	7,788	10,271	10,245	-446	6,284
Interest and fee income and income from insurance activities, net	722,593	723,063	100	170,809	178,273	199,471	174,040	179,257
Market value adjustments	-38,751	9,540	0	-4,432	-20,040	-48,209	33,930	-12,594
Other operating income	58,499	43,703	134	26,494	20,160	7,906	3,938	9,202
Staff cost and administrative expenses	514,003	476,373	108	127,629	127,452	136,928	121,994	124,660
Depreciation and impairment of property, plant and equipment	514,151	271,417	189	498,864	5,175	5,071	5,040	255,010
Impairment charges on loans and advances etc.	59,655	111,014	54	26,091	11,500	-273	22,338	34,475
Net profit continued operations	-254,562	-145,934	0	-323,829	24,638	-339	44,969	-246,292
Net profit discontinued operations	33,553	18,523	181	15,819	11,358	2,759	3,616	16,327
Net profit	-221,009	-127,411	173	-308,010	35,996	2,421	48,584	-229,966
Loans and advances	10,675,180	10,491,509	102	10,675,180	10,668,988	10,680,198	10,630,050	10,491,509
Bonds at fair value	3,398,816	3,534,678	96	3,398,816	3,751,795	3,669,471	3,268,476	3,534,678
Intangible assets	0	529,730	0	0	470,878	523,455	526,420	529,730
Assets held for sale	35,402	51,771	68	35,402	40,079	35,390	23,349	51,771
Assets in disposals groups classified as held for sale	581,280	0	0	581,280	572,260	0	0	0
Total assets	16,247,814	16,535,501	98	16,247,814	16,873,278	16,914,900	16,421,100	16,535,501
Due to credit institutions and central banks	574,791	591,347	97	574,791	568,444	671,736	581,139	591,347
Deposits and other debt	12,680,157	12,603,533	101	12,680,157	12,753,863	12,836,162	12,343,925	12,603,533
Total shareholders' equity	1,766,335	1,999,195	88	1,766,335	2,073,294	2,041,226	2,035,116	1,999,195
	Dec. 31	Dec. 31		Dec. 31	Sept. 30	June 30	March 31	Dec. 31
<b>Ratios and key figures</b>	2015	2014		2015	2015	2015	2015	2014
<b>Solvency</b>								
Solvency ratio, %	16.8	14.8		16.8	15.6	15.0	14.6	14.8
Core capital ratio, %	14.8	12.9		14.8	13.6	13.2	12.8	12.9
Core capital ratio excl. hybrid core capital, end of period, %	13.9	11.8		13.9	12.7	12.2	11.7	11.8
Risk-weighted Items, DKK mill	11,463	11,943		11,463	11,989	12,129	12,089	11,943
<b>Profitability</b>								
Return on equity after tax, %	-11.7	-6.1		-16.0	1.8	0.3	2.6	-10.9
Cost / income, %	149.8	114.9		340.9	83.8	93.6	73.1	239.5
Cost / income, % (excl. value adjustm. and impairments)	134.7	101.7		320.1	69.5	71.8	74.4	205.2
Return on assets	-1.4	-0.8		-1.9	0.2	0.0	0.3	-1.4
<b>Market risk</b>								
Interest rate risk, %	2.2	3.0		2.2	3.7	2.6	3.3	3.0
Foreign exchange position, %	9.5	8.6		9.5	10.3	8.3	9.3	8.6
<b>Liquidity</b>								
Excess cover relative to statutory liquidity requirements, %	166.8	182.2		166.8	174.9	173.1	157.4	182.2
<b>Credit risk</b>								
Growth on loans and advances, %	1.8	0.3		0.1	-0.1	0.5	1.4	1.7
Gearing of loans and advances	6.0	5.2		6.0	5.1	5.2	5.2	5.2
Impairment and provisioning ratio, end of period, %	4.9	4.8		4.9	4.5	4.4	4.5	4.8
Write-off and provisioning ratio, %	0.4	0.8		0.2	0.1	-0.0	0.2	0.2
Share of amounts due on which interest rates have been reduced, end of period, %	1.1	1.6		1.1	1.3	1.4	1.4	1.6
<b>Shares</b>								
Earnings per share after tax (nom. DKK 20), DKK	-22.4	-12.9		-31.2	3.6	0.2	4.9	-23.3
Market price per share (nom. DKK 20), DKK	128	105		128	154	122	122	105
Book value per share (nom. DKK 20), DKK	179	203		179	210	207	206	203
<b>Other</b>								
Number of full-time employees, end of period	446	506		446	476	490	504	506

# Refocusing BankNordik

Despite a continuously challenging economic environment experienced throughout BankNordik's geographical exposure in 2015, we were pleased to achieve financial results before goodwill impairments fully in line with expectations.

The year 2015 brought a series of events, resulting in a refocused business strategy to be implemented by a new executive management. Today, BankNordik has a defined growth platform that we believe will provide long-term benefits to our customers, shareholders and employees.

## **Strategic adjustments followed by organisational changes**

In March 2015, new members were elected to the Board of Directors. These changes highlighted the beginning of a reframed strategy, involving the conditional sale of insurance company Vørður, the unwinding of the Danish corporate portfolio, and the narrowing of activities in Denmark to exclusively target personal and private banking. During fall, a new executive management was appointed to carry forward the revised strategy and strengthening BankNordik's position in the North Atlantic region.

## **Low interest rates offset by strong fee earnings**

Financially, a persistent pressure on the interest margin throughout 2015 was offset by higher fee income, resulting in a flat top-line compared to 2014. Lending volume increased modestly by 1.8% in comparison to an overall flat market, while net fee and commission income increased 15%, driven by higher investment management activity and mortgage broking services. Operating costs increased marginally in 2015, while we experienced substantially lower impairment charges compared to previous years. Further goodwill impairments of DKK 468m were also charged, related to activities in Denmark and Greenland.

The customer loyalty program, Nordik360, introduced in 2013 has proven valuable to our retail banking operations: it is simple, effective, and price competitive in a way that provides incentive for customers to gather their finances in one place.

## **Upcoming dividend payments**

As of 31 December 2015, BankNordik had a CET1 ratio of 13.9%, confirming that our CET1 target of 13% has been reached. At the upcoming Annual General Meeting, the Board will propose a dividend payment of DKK 20m for

2015 (DKK 2 per share). For 2016, a new dividend policy will be introduced: The Board of Directors will target a dividend pay-out ratio of 40%, while simultaneously initiating a share buyback program that will continuously adjust the share capital to better reflect the Bank's capital targets. In addition, the conditional sale of Vørður and the unwinding of the Danish corporate loan portfolio will enable BankNordik to pay extraordinary dividends of approximately DKK 300m in step with the increase in the Bank's core equity. The distribution of extraordinary dividends is therefore likely to be settled in more than one payment.

## **Expectations for 2016**

In 2016, we will continue our efforts to shape an effective, customer-friendly and competent financial institution. Our goal is to retain and build new and profitable customer relationships, while keeping a tight grip on costs. Even though a series of undertakings to streamline our processes have been successfully executed during recent years, we believe there is further room for improvement. Therefore, operational efficiency will still be a top priority for us in 2016 by means of improved IT-systems combined with centralization of tasks and simplified processes across the North Atlantic region.

In recent years, customer attitude has changed considerably towards digital banking solutions, and BankNordik is determined to meet the growing expectations of its customers by investing in the improvement of selected digital capabilities. Moreover, increased accessibility and the strengthening of employee skills through development programs will be on the agenda in 2016, as part of accelerating our focus on the personal banking market in the Faroe Islands, Denmark and Greenland.

Bearing in mind the series of events that occurred in 2015, now is the time to find consistency and ensure that the implementation of new initiatives will create long-term value for our shareholders. The management at BankNordik and our talented and dedicated colleagues are looking forward to an exciting 2016.

Best regards,  
**Árni Ellefsen**  
Chief Executive Officer

# Financial Review

Income statement, Group										
DKKm	2015	2014	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	469	498	111	116	122	120	122	122	123	130
Net fee and commission income	226	196	52	52	67	55	51	46	52	47
Net insurance income	28	29	8	10	10	-0	6	13	5	6
Other operating income	11	14	4	2	3	2	3	3	4	3
<b>Operating income</b>	<b>734</b>	<b>737</b>	<b>175</b>	<b>180</b>	<b>203</b>	<b>176</b>	<b>183</b>	<b>184</b>	<b>184</b>	<b>186</b>
Operating costs	-499	-484	-122	-122	-128	-127	-120	-116	-125	-122
Sector costs	-21	-23	-5	-5	-6	-5	-5	-6	-6	-6
<b>Profit before impairment charges</b>	<b>214</b>	<b>230</b>	<b>47</b>	<b>54</b>	<b>69</b>	<b>43</b>	<b>58</b>	<b>62</b>	<b>52</b>	<b>58</b>
Impairment charges, net	-20	-85	-11	7	5	-20	-29	-17	-19	-21
<b>Operating profit</b>	<b>194</b>	<b>145</b>	<b>36</b>	<b>60</b>	<b>74</b>	<b>23</b>	<b>29</b>	<b>45</b>	<b>34</b>	<b>37</b>
Impairment charges, intangible assets	-468	-250	-468	0	0	0	-250	0	0	0
Non-recurring items	-54	-13	-29	-11	-14	0	-12	0	1	-2
<b>Profit before value adjustments and tax</b>	<b>-328</b>	<b>-117</b>	<b>-461</b>	<b>49</b>	<b>60</b>	<b>23</b>	<b>-233</b>	<b>45</b>	<b>35</b>	<b>35</b>
Market value adjustments*	-41	3	-4	-20	-50	34	-13	-7	12	11
<b>Profit before tax, continuing operations</b>	<b>-369</b>	<b>-115</b>	<b>-465</b>	<b>29</b>	<b>10</b>	<b>57</b>	<b>-245</b>	<b>39</b>	<b>47</b>	<b>45</b>
<b>Profit before tax, discontinued operations (Vørður)</b>	<b>37</b>	<b>22</b>	<b>18</b>	<b>13</b>	<b>2</b>	<b>4</b>	<b>19</b>	<b>10</b>	<b>7</b>	<b>-15</b>
<b>Profit before tax, total</b>	<b>-332</b>	<b>-92</b>	<b>-447</b>	<b>42</b>	<b>12</b>	<b>61</b>	<b>-226</b>	<b>49</b>	<b>54</b>	<b>31</b>
Operating cost/income, %	68	66	70	67	63	72	66	63	68	66
Number of FTE, end of period (incl. Vørður)	446	506	446	478	490	504	506	513	510	512
*Incl. Net income from investment activities										

The BankNordik Group delivered profit before impairments, non-recurring costs, value adjustments and tax of DKK 214m for 2015 compared to DKK 230m for 2014, mainly caused by a decreasing interest income and higher operating costs. The profit is in line with the original full-year guidance of DKK 200-240m, and the adjusted guidance of DKK 200-220m announced in the Q3 2015 interim report. Net impairments were DKK 20m in 2015 compared to DKK 85m in 2014. This is in line with the announcement at Q3 2015, and better than year-end 2014 when the bank expected impairments to be at the same level as in 2014. Loans and advances were DKK 10,675m in 2015 compared to DKK 10,492 in 2014. The increase in lending is in the Faroe Islands, while there has been a marginal decline in lending in Denmark and Greenland.

The figures in the summary income statement set out above have been adjusted for non-recurring items in each relevant quarter. Vørður is not included in the figures, and is only shown as discontinuing operations. Figures for 2014 have also been restated accordingly.

The following comments relate to the adjusted figures and are generally stated relative to 2014.

## Income statement

Vørður has been classified as assets held for sale due to the pending sale to Arion Bank. Its activities have been retrospectively extracted from the consolidated income statement and instead appear as a single-line item instead. See note 16 for further information.



### **Operating income**

Net interest income amounted to DKK 469m in 2015 compared to DKK 498m in 2014. The decrease in net interest income was a consequence of the ever increasing competition affecting interest margins offsetting the 1.8% increase in net lending in 2015. Net fee and commission income increased by DKK 30m, from DKK 196m in 2014 to DKK 226m in 2015. The increase was driven by strong remortgaging activity on home loans in Denmark due to the low Interest rates.

The Insurance segment was stable. Net insurance income decreased by DKK 1m from DKK 29m to DKK 28m.

### **Operating costs**

Operating costs increased to DKK 499m in 2015 from DKK 484m in 2014. The increase in operating costs is mainly explained by the discontinuation of a discount on IT services agreed when Amagerbanken converted to the SDC platform, and partly by IT investments and direct costs triggered by an increase in mortgage broking services. This is a reflection of the many initiatives taken to increase efficiency and centralise customer services in the restructuring process. The Group has reduced the numbers of employees(FTE) from 506 in 2014 to 446 at year-end 2015.

### **Net impairment charges**

Net impairment charges amounted to DKK 20m in 2015 relative to DKK 85m in 2014. This is a relatively low figure compared to the historical average level for impairment charges but reflects the current low level of impairment charges in the market.

### **Operating profit**

Operating profit was DKK 194m in 2015 compared to DKK 145m in 2014, an increase of 34%. The increase is mainly explained by the decrease in net impairment charges

### **Non-recurring costs**

Non-recurring costs are costs unrelated to ordinary operations and believed not to be recurring. Non-recurring costs related to the acquisition of Amagerbanken have been phased out. Non-recurring costs were mainly related to DKK 22m in impairment charges of the newly built headquarter and severance costs. DKK 54m in 2015 compared to DKK 13m in 2014.

### **Goodwill impairments**

Due to changed macroeconomic conditions, higher capital requirements, and changes in the portfolio caused by the unwinding of corporate lending in Denmark, goodwill impairments of DKK 468m were made relating to the activities in Denmark and Greenland compared to DKK 250m in 2014.

### **Market value adjustments**

Market value adjustments were DKK -41m in 2015 compared to DKK 3m in 2014. The negative adjustments are a consequence of the financial market developments.

### **Profit before tax and goodwill impairments**

Profit before tax and goodwill impairments was DKK 136m in 2015 compared to DKK 158m in 2014. The decline in revenue due to very low interest rates and increased operating costs was partially offset by lower loan losses.

### **Profit before tax**

Profit before tax was DKK -332m in 2015 compared to DKK -92m in 2014.

The decline in revenue due to very low interest rates and increased operating costs was partially offset by lower loan losses. Profit before tax was affected by goodwill impairments of DKK 468m (DKK 250m in 2014).

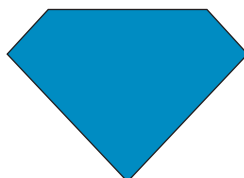
## The Supervisory Diamond

### Sum of large exposures < 125%

2015	2014
65.0%	81.1%

### Loan growth < 20%

2015	2014
1.8%	0.3%



### Funding-ratio < 1.0

2015	2014
0.70	0.68

### Property exposure < 25%

2015	2014
7.9%	8.6%

### Excess liquidity > 50%

2015	2014
166.8%	182.2%

## Balance sheet

### Lending

Loans and advances amounted to DKK 10,675m in 2015 compared to DKK 10,492m in 2014, an increase of 1.8%. The down-ward trend in loans and advances has stabilised and the item increased in 2015.

### Deposits

Total deposits amounted to DKK 12,680m at the end of 2015 a 0.3% increase from DKK 12,604m in 2014.

### Capital and solvency

BankNordik's total capital was DKK 1,921m at 31 December 2015 compared to 1,763m at 31 December 2014, an increase of DKK 158m. The core capital was DKK 1,692mm at 31 December 2015, a 155m increase from DKK 1,537m at 31 December 2014.

The Group's solvency requirement was 8.8% at year-end 2015 compared to 8.9% at year-end 2014. The Group's solvency was 16.8% in 2015 compared to 14.8% in 2014. The CET1 ratio was 13.9% compared to 11.8% in 2014. The Bank's solvency surplus at the end of 2015 is 7.9%.

The Group targets an excess liquidity cover relative to statutory requirements of 100%. Due to its large deposit surplus BankNordik has a healthy liquidity with a surplus coverage at year-end 2015 of 166.8% above the required level compared to 182% at the beginning of the year.

Furthermore, as a consequence of the of the designation to SIFI institution the LCR requirements are fully implemented at the end of 2015. Thus the LCR requirements are a liquidity buffer of 100%. At the end of 2015 the banks liquidity coverage ratio (LCR) was 141%.

## Financial Results for Q4

Profit before tax and goodwill impairments amounted to DKK 21m compared to a profit of DKK 42m in Q3 2015, partially caused by non-recurring costs of DKK 29m, and compared to a profit of DKK 24m in Q4 2014.

### Operating income

Net interest income in Q4 was DKK 111m, compared to DKK 116m in Q3. Net fee and commission income was DKK 52m in Q4 the same as in Q3. Net insurance income was DKK 8m in Q4 compared to DKK 6m in Q4 2014.

### Operating costs

Operating costs amounted to DKK 122m in Q4 the same as in Q3, and a small increase compared to Q4 2014 (DKK 120m).

### **Non-recurring costs**

Non-recurring costs related to goodwill impairments amounted to DKK 468m compared to DKK 250m in Q4 2014. Other non-recurring costs amounted to DKK 29m compared to DKK 12m in Q4 2014, and were mainly related to restructuring and severance costs.

### **Lending**

In Q4 2015, loans and advances amounted to DKK 10,675m, compared to DKK 10,669m in Q3, reflecting that net lending is stable.

### **Net impairment charges**

Net impairments of DKK 11m were recognised in the fourth quarter. This was DKK 18m higher than in Q3 (DKK 7m in net reversals) and DKK 18m lower than in Q4 2014 (DKK 29m).

### **Deposits**

Deposits fell by DKK 90m to DKK 12,680m in Q4 from DKK 12,754m in Q3, mainly caused by the ordinary withdrawals of corporate customers deposits in connection with the unwinding of the corporate portfolio in Denmark.

## **Other issues**

### **Obligations towards the Guarantee**

#### **Scheme for Depositors and Investors**

The Depositor and Investor Guarantee Scheme was established under Bank Package IV to resolve solvency problems in the banking sector. Such sector-related costs are recognised under other operating expenses. In 2015 BankNordik paid DKK 21m to the Guarantee scheme for Depositors and Investors in relation to distressed banks. Compared to 2014, the amount was largely unchanged.

### **Supervisory Diamond**

The Supervisory Diamond is used to measure the risk profile of banks. The model identifies five areas that if not within certain limits are considered to be indicators of increased risk. As shown in the figure, the Bank meets by a wide margin all areas (large exposures, exposures towards property, excess liquidity, stable funding and loan growth). The sum of large exposures decreased from 81% to 65.0%. This is well

below the limit of 125%. All large exposures are of good quality.

### **Dividends proposed**

The Board of Directors will propose at the forthcoming Annual General Meeting that DKK 20m, that is 2.0 per share, be paid out as dividends for 2015 the same as in 2014. More information on the dividend policy is available by visiting the webpage [www.banknordik.com/dp](http://www.banknordik.com/dp).

### **Outlook**

In 2016, BankNordik continues to develop the Bank in line with its business strategy.

On the revenue side, the Bank targets a marginal increase in lending on all continuing markets in 2016, while the winding up of corporate banking in Denmark will lead to a decrease in total lending. Given the continuously competitive market, the interest margin is expected to further decrease in 2016. Similarly, interest income from the investment portfolio will also decrease in accordance with a move down the yield curve.

Fee and commission income from continuing core business is expected to increase in 2016. Total net fee and commission income will, however, decrease in 2016 due to the un-winding of the Danish corporate portfolio and a likely normalisation of income from remortgaging activity.

As a result, operating income is expected to decrease in 2016.

Operating costs, too, are expected to decrease in 2016 due to the discontinuation of corporate activities in Denmark and the general reduction in FTE throughout 2015, which takes full effect in 2016.

Combined, the BankNordik Group projects 2016 pre-tax profit before impairments, non-recurring items and value adjustments to be in the range of DKK 150-190m (2015: DKK 214m). Impairments on loans and advances, including reversals of acquired OEI impairments, are estimated to be approximately at the same level in 2016 as in 2015 (DKK 20m).

## Management review

# Growth areas defined – time to focus on leaner organization

## Strategic revisions

Two significant strategic decisions were made in 2015 as BankNordik narrowed its focus away from insurance in Iceland and corporate banking in Denmark. The extent of the capital release resulting from these transactions has led to an increased focus on dividend payments.

BankNordik expects to sell off its Icelandic insurance company Vörður to Arion Bank in H1 2016, and BankNordik and Arion Bank are now working on structuring the sale to meet the Icelandic authorities demands.

Second, BankNordik made a strategic decision in September to divest its corporate banking business in Denmark. However, after having considered indicative bids, it was assessed more economic attractive to carry out a controlled winding-up of the activities. Approximately two thirds of the Danish corporate book value of loans is expected wound-up by July 2016 and the remaining part is expected to remain for gradual wind-up over the coming years or to stay on the books due to commercial motives.

Additionally, in January 2016 BankNordik announced several initiatives to be carried out during the year in relation to reorganising internal processes and the branch network.

- Branch support will be consolidated by closing the branch support unit in Copenhagen and transferring its function to the Faroe Islands.

- Branches in Denmark and Greenland will then be singlehandedly supported from headquarters in Tórshavn with the purpose of optimising internal processes and achieving cross-border synergies through the concentration of skills and resources.

- In response to declining demand for physical transaction and the costumers' increased digital capabilities, branches in Jutland will be consolidated from six to four personal banking centres located in Aarhus, Kolding, Esbjerg, and Haderslev.

All the same, the Bank is upsizing its personal customer business in all three countries in 2016 in combination with more stringent customer segmentation, improved accessibility, and a scale-up of the use of alternate communication channels e.g.

In September 2015, BankNordik moved into new headquarters in Tórshavn. A total of 160 employees – including subsidiaries Skyn and Trygd – previously spread out in several locations are now gathered under one roof, facilitating enhanced internal communication, centralized operations, and cross-selling.

## Lending growth in challenged markets

Despite the Bank's presence within three relatively interrelated economies, there was a certain degree of economic disparity between them. The Faroese economy saw continuous high growth in 2015 of more than 6%, while Denmark had another year of low to moderate growth around 1.5%. In Greenland, growth seemed to re-emerge in 2015 in the level

of 2.5% after three years of consecutive negative real growth rates. Loan demand through domestic banks, however, remained subdued in all markets. Take the example of considerable growth in housing prices in Denmark, while aggregate mortgage volumes stayed approximately even over the course of the year – indicating the borrowers' propensity to amortize. Nevertheless, BankNordik managed to increase its loans and advances by 1.8% in 2015, which is satisfactory considering overall demand.

Regardless of a continuously competitive market, BankNordik has maintained its credit policy standards. With effective due diligence procedures as well as continuous top-down monitoring to ensure a pertinent industrial and geographical composition, the loan portfolio remains financially strong and well diversified.

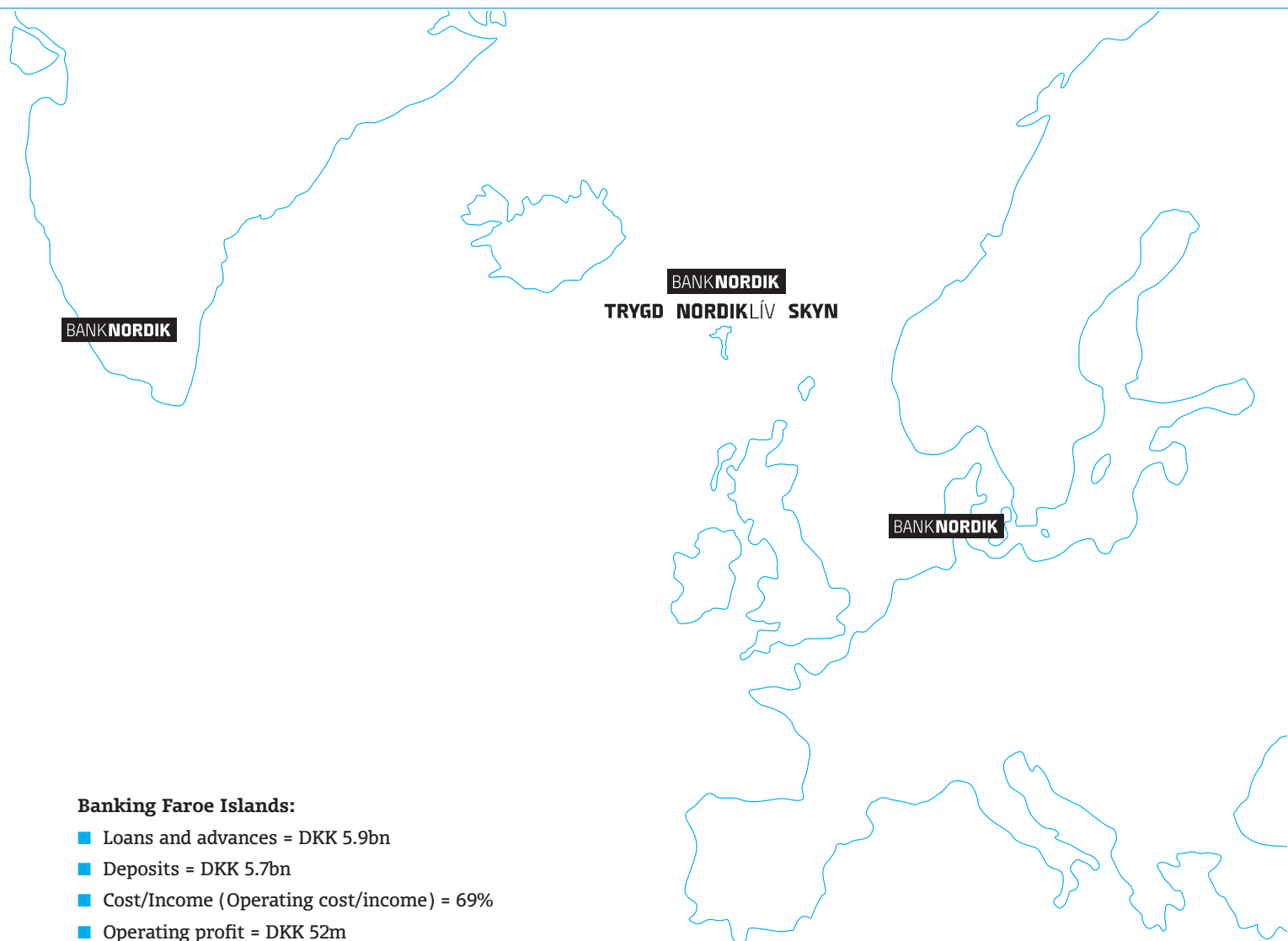
## New capital requirements

Effective from November 2015, BankNordik was designated as a systematically important financial institution in the Faroe Islands. The Bank is subject to a SIFI-buffer requirement of 2% in CET1 capital, phased in during the period 2015-2019. The designation reflects BankNordiks systemic importance to the Faroese economy.

The new capital adequacy rules (CRD IV) have also been implemented in 2015. Applying the new rules, the Group had a year-end core capital ratio of 13.9%. The banks capital adequacy targets is to have a CET1 ratio of 13% and a solvency ratio of 16.5%. Seeing that BankNordik is already beyond fulfilling its capital requirements, the new regulation is not expected to affect the Bank's ability to pay dividends during the period.

In 2016, the Group has in sight to repay all of its current subordinated debt of DKK 452m, and raise DKK 200-250m in new CRD IV compliant subordinated debt.

# Segments



## Banking Faroe Islands:

- Loans and advances = DKK 5.9bn
- Deposits = DKK 5.7bn
- Cost/Income (Operating cost/income) = 69%
- Operating profit = DKK 52m

## Banking Denmark:

- Loans and advances = DKK 4.1bn
- Deposits = DKK 6.6bn
- Cost/Income (Operating cost/income) = 68%
- Operating profit = DKK 117m

## Banking Greenland:

- Loans and advances = DKK 0.6bn
- Deposits = DKK 0.5bn
- Cost/Income (Operating cost/income) = 58%
- Operating profit = DKK 13m

## Vørður:

- Discontinuing operations

## Trygd:

- Premium, net of reinsurance = DKK 82m
- Combined ratio = 90%
- Claims Ratio = 65%
- Profit before tax = DKK 29m

# Banking

Income statement, Banking												
DKKm	2015		2014		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2015	2014	2015	2014	2015	2015	2015	2015	2014	2014	2014	2014
Net interest income	467	496	111	116	122	119	122	122	122	122	122	130
Net fees, commission income & dividends	226	196	52	52	67	55	51	46	52	47	47	47
Other operating income	4	10	2	1	2	0	3	2	3	2	3	2
<b>Operating income</b>	<b>698</b>	<b>701</b>	<b>164</b>	<b>168</b>	<b>190</b>	<b>174</b>	<b>175</b>	<b>170</b>	<b>178</b>	<b>178</b>	<b>178</b>	<b>179</b>
Operating cost	-475	-465	-115	-115	-123	-122	-116	-110	-120	-118	-120	-118
Sector costs	-21	-23	-5	-5	-6	-5	-5	-6	-6	-6	-6	-6
<b>Profit before impairment charges</b>	<b>201</b>	<b>213</b>	<b>44</b>	<b>48</b>	<b>62</b>	<b>47</b>	<b>54</b>	<b>53</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>55</b>
Impairment charges, net	-20	-85	-11	7	5	-20	-29	-17	-19	-21	-19	-21
<b>Operating profit</b>	<b>181</b>	<b>128</b>	<b>33</b>	<b>55</b>	<b>67</b>	<b>26</b>	<b>26</b>	<b>36</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>34</b>
Impairment charges, intangible assets	-468	-250	-468	0	0	0	-250	0	0	0	0	0
Non-recurring items	-54	-13	-29	-11	-14	0	-12	0	1	-2	1	-2
<b>Profit before value adjustments and tax</b>	<b>-341</b>	<b>-135</b>	<b>-464</b>	<b>44</b>	<b>53</b>	<b>26</b>	<b>-236</b>	<b>36</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>32</b>
Market value adjustments	-37	9	-5	-19	-47	34	-11	-7	11	17	11	17
<b>Profit before tax</b>	<b>-378</b>	<b>-125</b>	<b>-469</b>	<b>24</b>	<b>6</b>	<b>61</b>	<b>-247</b>	<b>29</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>48</b>
Loans and advances	10,675	10,492	10,675	10,669	10,680	10,630	10,492	10,315	10,207	10,392	10,207	10,392
Deposits and other debt	12,739	12,690	12,739	12,829	12,935	12,411	12,690	12,421	12,364	12,132	12,364	12,132
Operating cost/income, %	68	66	70	68	64	70	66	65	68	66	68	66
Number of FTE, end of period	363	412	363	383	389	411	412	420	420	420	420	420

In 2015 we delivered on developing new and profitable banking relationships. Our loyalty program is attracting customers for being amongst the most competitive on the market, encouraging the gathering of the customers' personal finances at BankNordik to enjoy the greatest benefits. On the corporate level, lending to Faroese small- and medium sized corporations picked up in the fourth quarter.

In spite of a 1.8% growth in loans and advances, further pressure on interest margins pulled down net interest income in 2015 to DKK 467m. In contrast, fee and commission income grew quite considerably to DKK 226m, mainly due to increased asset management activity and mortgage brokering services. The net result was marginally decreased operating income of DKK 698m.

Net impairment charges dropped to the lowest in years, indicating a better than average year, but in-

disputably mirroring the strong credit quality of our loan portfolio. As a result, operating profit increased DKK 63m.

Non-recurring items is higher than previous years, caused by the severance packages offered to previous employees in light of organizational changes made throughout the year. The investment portfolio experienced relatively high volatility, resulting in negative market value adjustments in 2015 and a risk-off positioning in the third quarter.

The un-winding of the Danish corporate loan portfolio has not yet taken material effect as of 31 December 2015, but will decrease loan volume in 2016.

The annual impairment test warranted a DKK 468 write-down of goodwill related to activities in Denmark and Greenland. The impairments are of a technical nature and do not affect capital or liquidity levels.

# Banking, Faroe Islands

Income statement, Faroe Islands										
DKKm	2015	2014	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	209	212	48	50	56	55	53	52	51	56
Net fees, commission income & dividends	57	61	13	14	18	13	14	13	20	14
Other operating income	1	8	1	0	1	0	2	2	1	2
<b>Total Operating income</b>	<b>268</b>	<b>281</b>	<b>62</b>	<b>64</b>	<b>74</b>	<b>68</b>	<b>70</b>	<b>67</b>	<b>72</b>	<b>72</b>
Operating cost	-186	-167	-49	-45	-48	-44	-42	-41	-43	-42
Sector costs	-7	-10	-2	-1	-2	-2	-2	-3	-2	-3
<b>Profit before impairment charges</b>	<b>75</b>	<b>104</b>	<b>11</b>	<b>17</b>	<b>24</b>	<b>23</b>	<b>27</b>	<b>23</b>	<b>27</b>	<b>27</b>
Impairment charges, net	-23	-43	-11	-14	1	1	-8	-11	-7	-17
<b>Operating profit</b>	<b>52</b>	<b>61</b>	<b>1</b>	<b>3</b>	<b>25</b>	<b>23</b>	<b>18</b>	<b>13</b>	<b>20</b>	<b>10</b>
Non-recurring items	-34	-8	-22	-11	-1	0	-5	0	-2	-2
<b>Profit before value adjustments and tax</b>	<b>18</b>	<b>53</b>	<b>-21</b>	<b>-8</b>	<b>24</b>	<b>23</b>	<b>14</b>	<b>13</b>	<b>19</b>	<b>8</b>
Market value adjustments	-37	9	-5	-19	-47	34	-11	-7	11	17
<b>Profit before tax</b>	<b>-19</b>	<b>62</b>	<b>-26</b>	<b>-27</b>	<b>-23</b>	<b>57</b>	<b>2</b>	<b>6</b>	<b>29</b>	<b>24</b>
Loans and advances	5,936	5,707	5,936	5,781	5,834	5,797	5,707	5,727	5,763	5,759
Deposits and other debt	5,656	5,847	5,656	5,814	5,782	5,646	5,847	5,572	5,337	5,295
Operating cost/income, %	69	60	79	70	65	64	60	61	59	58
Number of FTE, end of period	154	158	154	154	160	159	158	167	166	163

In spite of high economic growth in the Faroe Islands over recent years, deleveraging has remained high on the agenda for both retail and corporate customers. In 2015 the trend stabilized and BankNordik saw a resurgence in lending volumes in the Faroe Islands. Private consumption picked up and is expected to increase by 3.6% in 2015, the main industries performed well, and housing prices increased, but competition remained fierce and is expected to stay that way in the foreseeable future, amplifying the effect of the low interest rate environment. Consequently, operating income decreased by 4.6% to DKK 268m. IT-expenditures pushed up operating costs, while net impairment charges on loans were extraordinary low in 2015. Non-recurring items were DKK 34m, caused by the severance packages offered to previous employees in light of organizational changes made throughout the year and impairments on domicile property of DKK 22m.

Asset management is a comparatively immature market in the Faroe Islands with potential for growth. In 2012, a political focus on the importance of personal retirement savings resulted in obligatory pension accounts, funded by employers as part of salary payments. The full effect of these changes will be phased in over the next years, and therefore aggregate pension savings in the Faroe Islands are poised for growth. Assets under management at BankNordik increased 40% in the Faroe Islands in 2015, attributed partially to bullish markets and partially to new inflows.

At year-end 2015, BankNordik had a 45% market share of total lending in the Faroe Islands.



# Banking, Denmark

Income statement, Denmark										
DKKm			Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2015	2014	2015	2015	2015	2015	2014	2014	2014	2014
Net interest income	224	249	54	57	58	56	61	62	62	64
Net fees, commission income & dividends	158	125	36	36	46	40	34	31	30	31
Other operating income	2	1	1	0	1	-0	-0	-1	1	0
<b>Total Operating income</b>	<b>384</b>	<b>375</b>	<b>91</b>	<b>93</b>	<b>105</b>	<b>96</b>	<b>95</b>	<b>92</b>	<b>94</b>	<b>95</b>
Operating cost	-263	-271	-60	-64	-68	-72	-68	-63	-70	-69
Sector costs	-13	-12	-3	-3	-3	-3	-3	-3	-3	-3
<b>Profit before impairment charges</b>	<b>108</b>	<b>92</b>	<b>28</b>	<b>26</b>	<b>34</b>	<b>21</b>	<b>24</b>	<b>26</b>	<b>20</b>	<b>22</b>
Impairment charges, net	9	-36	-1	26	4	-20	-18	-6	-10	-2
<b>Operating profit</b>	<b>117</b>	<b>56</b>	<b>27</b>	<b>52</b>	<b>37</b>	<b>0</b>	<b>5</b>	<b>20</b>	<b>10</b>	<b>20</b>
Impairment charges, intangible assets	-398	-200	-398	0	0	0	-200	0	0	0
Non-recurring items	-20	-4	-7	0	-13	0	-7	0	3	0
<b>Profit before value adjustments and tax</b>	<b>-302</b>	<b>-148</b>	<b>-379</b>	<b>52</b>	<b>24</b>	<b>0</b>	<b>-202</b>	<b>20</b>	<b>13</b>	<b>20</b>
Market value adjustments	0	0	0	0	0	0	0	0	0	0
<b>Profit before tax</b>	<b>-302</b>	<b>-148</b>	<b>-379</b>	<b>52</b>	<b>24</b>	<b>0</b>	<b>-202</b>	<b>20</b>	<b>13</b>	<b>20</b>
Loans and advances	4,098	4,130	4,098	4,213	4,157	4,167	4,130	3,882	3,707	3,892
Deposits and other debt	6,559	6,376	6,559	6,543	6,682	6,318	6,376	6,371	6,501	6,407
Operating cost/income, %	68	72	66	69	65	75	72	68	75	73
Number of FTE, end of period	194	234	194	213	211	233	234	232	236	238

Despite a further squeeze on net interest income and a 1% decrease in lending volume, 2015 was considerably more profitable compared to 2014. Net interest income fell by DKK 25m, while the increase in fee and commission income increased by DKK 33m, resulting in a 2% growth in operating income. Operating costs decreased by DKK 8m, mainly attributable to a decrease in FTE. Net impairment charges on loans were DKK 9m in reverse for the year, contributing to an increase in operating profit of DKK 61m.

The Nordik360 loyalty program was supportive of attracting new core business in the personal banking market, particularly reflected in higher mortgage sales and increased assets under management. The Private Banking division, too, showed positive developments by increasing activities quite markedly in most business areas.

Goodwill impairments of DKK 398m were made relating to activities in Denmark.

# Banking, Greenland

Income statement, Greenland										
DKKm			Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2015	2014	2015	2015	2015	2015	2014	2014	2014	2014
Net interest income	34	35	9	9	9	8	8	8	9	10
Net fees, commission income & dividends	11	9	3	3	3	2	2	2	2	3
Other operating income	1	1	0	0	0	0	0	0	0	0
<b>Total Operating income</b>	<b>45</b>	<b>45</b>	<b>12</b>	<b>11</b>	<b>12</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>13</b>
Operating cost	-26	-27	-7	-6	-7	-7	-6	-7	-7	-7
Sector costs	-1	-1	-0	-0	-0	-0	-0	-0	-0	-0
<b>Profit before impairment charges</b>	<b>18</b>	<b>18</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>6</b>
Impairment charges, net	-5	-6	1	-6	0	-1	-2	0	-2	-2
<b>Operating profit</b>	<b>13</b>	<b>11</b>	<b>5</b>	<b>-1</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>3</b>
Impairment charges, intangible assets	-70	-50	-70	0	0	0	-50	0	0	0
Non-recurring items	0	0	0	0	0	0	0	0	0	0
<b>Profit before value adjustments and tax</b>	<b>-57</b>	<b>-39</b>	<b>-64</b>	<b>-1</b>	<b>5</b>	<b>3</b>	<b>-48</b>	<b>4</b>	<b>2</b>	<b>3</b>
Market value adjustments	0	0	0	0	0	0	0	0	0	0
<b>Profit before tax</b>	<b>-57</b>	<b>-39</b>	<b>-64</b>	<b>-1</b>	<b>5</b>	<b>3</b>	<b>-48</b>	<b>4</b>	<b>2</b>	<b>3</b>
Loans and advances	641	654	641	674	689	666	654	705	736	741
Deposits and other debt	524	467	524	472	470	447	467	478	526	429
Operating cost/income, %	58	59	57	54	56	66	57	64	62	54
Number of FTE, end of period	15	20	15	16	18	19	20	21	18	19

Financially, BankNordik had a satisfactory result in Greenland with only marginal differences from the previous year but an improved operating profit of DKK 2m. Lending volume decreased by DKK 13m, while FTE decreased by 5.

Goodwill impairments of DKK 70m were made relating to activities in Greenland.

Following negative GDP growth rates in Greenland since 2012, the year of 2015 has seen improvements in the economy. The Economic Council of Greenland estimates 2.7% real growth in 2015, driven by higher fish prices and an increase in investments.

At year-end 2015, BankNordik had a 18% market share of total lending in Greenland.

# Insurance, Faroe Islands

Income statement, Trygd										
DKKm	2015	2014	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Premium income, net of reinsurance	82	79	20	21	21	20	20	20	20	19
Claims, net of reinsurance	-54	-49	-12	-11	-11	-20	-14	-7	-15	-13
<b>Net insurance income</b>	<b>29</b>	<b>30</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>6</b>	<b>13</b>	<b>5</b>	<b>6</b>
Net income from investment activities	-0	3	0	-0	-1	0	-0	1	1	1
<b>Operating income</b>	<b>29</b>	<b>33</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>1</b>	<b>6</b>	<b>13</b>	<b>6</b>	<b>8</b>
Operating cost	-21	-18	-5	-6	-5	-5	-4	-5	-5	-4
<b>Profit before tax</b>	<b>8</b>	<b>15</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>-4</b>	<b>2</b>	<b>9</b>	<b>1</b>	<b>3</b>
Combined ratio	90	84	88	79	73	123	89	61	99	89
Claims ratio	65	62	61	51	51	99	68	37	75	67
Number of FTE, end of period	25	25	25	25	25	25	25	26	25	25

Net premium income increased by DKK 3m mainly due to a net inflow of private costumers, while claims increased by DKK 5m primarily because of higher damages on private property.

Equally, operating costs increased by DKK 3m, but this was due to a technical change in internal provision settlement. Starting from 2015, BankNordik received annual sales provision from Trygd rather than a one-time sales provision for insurance sales. This has no effect on the combined financial statements of the

Group. Profit before tax decreased by DKK 7m in 2015. Recent years have introduced significantly lower insurance premiums as competition has hardened. Nevertheless, throughout this period Trygd has effectively gained market share and 2015 was no exception. In particular, the Nordik360 loyalty program has facilitated cross-selling by providing incentives for costumers to gather their insurances at Trygd.

Dividends of DKK 2m will be paid to BankNordik for the year 2015.

# Other activities

## Vørður

BankNordik expects to sell off its Icelandic insurance company Vørður to Arion Bank in H1 2016, and BankNordik and Arion Bank are now working on structuring the sale to meet the Icelandic authorities demands.

Consequently, Vørður has been classified as assets held for sale. Its activities have been retrospectively extracted from the consolidated income statement and instead appear as a single-line item. See note 16 for further information.

## Skyn

Founded in 2007, Skyn employs 6 people and is the largest real estate agency in the Faroe Islands in terms of transactions. It is wholly owned by the BankNordik group.

In 2015, Skyn had by far its best performance to date with profits before tax of DKK 3.3m, compared to DKK 1.9m in 2014.

## NordikLív

The company was established in 2015 as wholly owned subsidiary of BankNordik and are licensed to issue life insurances on the Faroese market. The company was not active before 1. January 2016.

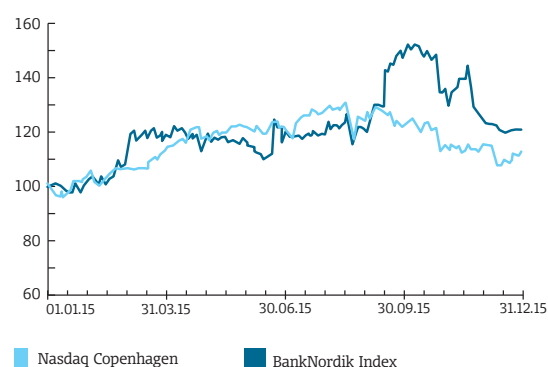
# Shareholders

## BankNordik share performance

The closing price of BankNordik's shares at 30 December 2015 on Nasdaq Copenhagen was DKK 127,5, which was 22 pct. higher than the closing price of DKK 104,5 at 30 December 2014. The turnover in BankNordik's shares on Nasdaq Copenhagen was DKK 199m in 2015 compared to 132m in 2014. Turnover on Nasdaq Iceland was 23m in 2015 compared to 8m in 2014.

Developments in the BankNordik share and the Nasdaq Copenhagen Banks on Nasdaq Copenhagen in 2015:

BankNordik share vs. Copenhagen Bank Index



## Shareholder structure

At the time of publication of the Annual Report 2015, the following shareholders had notified the relevant authorities that they held 5% or more of the Bank's shares:

- Fíggjargrunnurin frá 1992 (Faroese Government), Tórshavn, holds 33% of the shares
- Lind Invest, Aarhus, holds 10% of the shares

The majority of shareholders are based in the Faroe Islands.

Country	% of nominal shareholdings
Faroe Islands	52
Denmark	23
Iceland	14
Luxembourg	3
Others	8
<b>Total</b>	<b>100</b>

The Board of Directors has been authorised to allow the Bank to acquire up to 10% of the Bank's nominal share capital in the period until the next annual general meeting. On 31 December 2015, BankNordik held 1.37% of the share capital.

BankNordik's investor relations policy can be found on the bank's webpage [www.banknordik.com/ir](http://www.banknordik.com/ir)

# Organisation and management

## Corporate governance at BankNordik

The overall aim of BankNordik's corporate governance policy is to ensure responsible corporate management and to safeguard the interests of the Bank's shareholders, customers and employees. Strong corporate governance is about having clear and systemic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management and transparency. Commitment to BankNordik's mission and vision requires the integration of sound corporate governance with the framework under which the Bank is governed and managed.

BankNordik is a Faroese public limited company listed on the Nasdaq stock exchanges in Iceland and Copenhagen, respectively; with Iceland as the primary listing. Corporate governance at BankNordik follows generally adopted principles of corporate governance. The external framework that regulates corporate governance work includes the Nasdaq's rules for each stock exchange, the Faroese Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Securities Companies, rules issued by the relevant financial supervisory authorities, and the rules and principles of the Code – Corporate Governance Recommendations. For further information regarding the Bank's compliance with the Corporate Governance Recommendations, see the Bank's Corporate Governance Report which is available on [www.banknordik.com/cg](http://www.banknordik.com/cg).

## General meeting

The general meeting is the Bank's highest decision-making body. The Annual General Meeting shall be

held within 3 months of the financial year-end. In 2016, the meeting will be held on the 30th of March in Tórshavn. The minutes of the meeting will be available at [www.banknordik.com](http://www.banknordik.com).

## Voting rights

All shareholders have equal voting rights and each share carries one vote. However, no shareholder may, neither in respect of his own shares nor when acting as proxy for other shareholders, cast votes representing more than 10 % (ten per cent) of the total share capital, regardless of the shareholding. Proxy votes given to the board of directors are not subject to these restrictions.

Any resolution to amend the Articles of Association or to wind up the Bank by voluntary liquidation or to adopt a merger is subject to no less than two-thirds of the share capital being represented at the general meeting and the proposed resolution being adopted by two-thirds of the votes cast and of the voting share capital represented at the general meeting.

Any proposal to amend or revoke the quorum may be adopted by two-thirds of both the votes cast and of the share capital represented at the general meeting. For the purpose of voting on such proposals, restrictions on voting rights and voting by proxy do not apply.

The Bank's Articles of Association are available at [www.banknordik.com/aa](http://www.banknordik.com/aa).

## Board of Directors

The Board currently comprises six members, for which four have been elected by the general meeting

and two by the employees. Board members elected by the shareholders at the AGM hold office until the next annual general meeting, while the statutory provisions on employee representation in Faroese legislation entitle employees to elect representatives to serve on the Board of Directors for four-year terms. The age limit for election and re-election of board members is 70 years.

The primary duty of the Bank's board of Directors is to determine the strategic framework for the Bank and its activities. The Bank places emphasis on ensuring that the Board of Directors possesses the necessary and relevant experience and qualifications to adequately fulfil its duties as a Board of Directors. Each year a performance evaluation of the members of the board takes place, including questionnaires, personal dialogue, and individual feedback from the chairman. The findings and results are then presented and discussed by the board.

## Remuneration

The Board Remuneration Committee is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the BankNordik Remuneration Policy and underlying instructions to be decided by the AGM.

The Bank's remuneration policy reflects the Bank's objectives of good governance and supports the Bank's ability to recruit, develop and retain competent, high-performing and highly motivated employees in a competitive market.

The AGM annually decides on remuneration for the Board of Directors. Members of the Board of Directors receive a fixed salary only. They are not covered by incentive programmes and do not receive variable

or performance-based remuneration or pension contribution.

The remuneration of the CEO and executive officers is determined by the Board of Directors. Remuneration in line with market levels constitutes the overriding principle for compensation for the CEO and executive officers at BankNordik. Compensation for the CEO and executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract BankNordik's long term interests. Remuneration of the CEO and executive officers consists of fixed salary including and variable salary consisting of a bonus scheme that rewards predetermined targets at Group, business area/group function and individual level. The effect on long term result is to be considered when determining the targets.

Performance-based remuneration is limited to 25% of the members' fixed remuneration. Additional information on the remuneration of the Board of Directors, the CEO and executives officers can be found in note 11. For further information regarding the Bank's remuneration policy, see [www.banknordik.com/rm](http://www.banknordik.com/rm).

## Risk management

The Board of Directors always gives the Bank's various risks and the Bank's aggregated risk profile its full attention, and follows up on risks on a regular basis. Risk appetite within BankNordik is defined as the level and nature of risk that the Bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders. The Board of Directors is ultimately responsible for the Group's overall risk appetite and for setting principles regarding how risk appetite is managed.

The Group Risk Manager is responsible for the risk management framework and processes, including identifying; controlling and monitoring the Bank's various risks with the object to make risk assessments on both individual and aggregated level. For further information on the Bank's risk management, see the Group's Risk Management Report 2015 at [www.banknordik.com/rm](http://www.banknordik.com/rm).

## **Corporate social responsibility**

Corporate responsibility remains an important part of BankNordik's strategy. BankNordik wants to create long-term value for all our stakeholders, and we want them to feel confident that we manage our business with proper attention to social, ethical and governance issues. This also applies to the Bank's contribution to financial stability and economic growth. The Group considers responsible business conduct a precondition for long-term value creation.

CSR is also an opportunity to use our skills, expertise, knowledge and relationships to make a positive

difference to individuals and society. Building trust, being open and approachable, and acting with integrity is vital to achieving this objective. BankNordik is a source of finance and a trusted financial partner, generating financial value directly for our customers, suppliers, business partners, employees, shareholders and other stakeholders. The Bank also generates social value through the benefits the Bank's products bring to our customers; through the taxes paid; and through the Bank's community programmes.

The Bank's CSR initiatives will yield the best results if there is a natural connection between such activities and the Bank's business strategy and core competences. Therefore, the Bank's CSR activities and initiatives are strategically rooted in the Bank's vision, business strategy, core competencies and business values. As BankNordik will further develop the Bank's CSR programme in the years ahead, the Bank aims to create a positive impact through the Bank's different roles in society and generate even more value for all of the Bank's stakeholders.





## Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the annual report of P/F BankNordik for the financial year 2015.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the annual report has been prepared in accordance with requirements of Nasdaq in Iceland/Copenhagen and additional Faroese disclosure requirements for listed financial undertakings.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on 1 January and ending on 31 December 2015. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Tórshavn, 25 February 2016

### Executive Board

Árni Ellefsen  
CEO

### Board of Directors

Stine Bosse  
Chairman

Rúni Vang Poulsen  
Deputy Chairman

Súsanna Poulsen

Jógvan Jespersen

Tórhallur Olsen

Kenneth M. Samuelsen

Adopted by the General meeting at / 2016

Chairman of the meeting

## Internal auditors' report

We have audited the consolidated financial statements and the Parent Company's financial statements of BankNordik P/F, pp. 30–109, for the financial year 2015. The consolidated financial statements and the Parent Company's financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with requirements of Nasdaq in Iceland/Copenhagen and Faroese disclosure requirements for listed financial institutions.

Management is responsible for the preparation of consolidated financial statements and Parent Company financial statements. Our responsibility is to express an opinion on the consolidated financial statements and the parent Company financial statements.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing and additional requirements under Faroese audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements and the Parent Company's financial statements that

give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit did not result in any qualification.

### **Opinion**

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and Parent Company's assets, liabilities, shareholders' equity and financial position at December 31, 2015, and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2015 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Faroese Financial Business Act in respect of the Parent Company's financial statements, requirements of Nasdaq in Iceland/Copenhagen and in accordance with Faroese disclosure requirements for listed financial institutions.

### **Statement on Management's Report**

We have read Management's Report in accordance with the Faroese Financial Business Act. We have not performed any procedures additional to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, in our opinion, the information provided in the Management's Report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Tórshavn, 25 February 2016

**Thomas Ennistein**

Chief Auditor, Executive

## Independent auditors' report

### **To the shareholders of BankNordik Independent auditors' report on the consolidated financial statements and the Parent Company's financial statements**

We have audited the consolidated financial statements and the Parent Company's financial statements of BankNordik P/F, pp. 30–109, for the financial year 2015. The consolidated financial statements and the Parent Company's financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with requirements of Nasdaq in Iceland/Copenhagen and Faroese disclosure requirements for listed financial institutions.

### **Management's responsibility for the consolidated financial statements and the Parent Company's financial statements**

Management is responsible for the preparation of the consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Faroese Financial Business Act (the Parent Company's financial statements) requirements of Nasdaq in Iceland/Copenhagen and Faroese disclosure requirements for listed financial institutions and for such internal control that management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company's financial statements based on our audit. We

conducted our audit in accordance with International Standards on Auditing and additional requirements under Faroese audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements and the Parent Company's financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

### **Opinion**

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and Parent Company's assets, liabilities, shareholders' equity and financial position at December 31, 2015, and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2015 in

accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Faroese Financial Business Act in respect of the Parent Company's financial statements, requirements of Nasdaq in Iceland/Copenhagen and in accordance with Faroese disclosure requirements for listed financial institutions.

#### **Statement on Management's Report**

We have read Management's Report in accordance with the Faroese Financial Business Act. We have not performed any procedures additional to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, in our opinion, the information provided in the Management's Report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Tórshavn, 25 February 2016

#### **JANUAR P/F**

Løggilt grannskoðanarvirki

#### **Heini Thomsen**

state authorised public accountant

#### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR NR. 33771231

#### **H.C. Krogh**

state authorised public accountant

#### **Christian F. Jakobsen**

state authorised public accountant



# Financial statement

## BankNordik

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## Income statement – BankNordik

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
3, 4	Interest income	549,388	620,263	547,946	618,521
3, 5	Interest expenses	80,736	122,513	80,839	123,016
	<b>Net interest income</b>	<b>468,652</b>	<b>497,751</b>	<b>467,107</b>	<b>495,505</b>
3	Dividends from shares and other investments	9,244	6,938	9,244	6,938
6	Fee and commission income	232,418	205,424	232,418	205,424
6	Fee and commissions paid	15,579	16,234	15,579	16,234
	<b>Net dividend, fee and commission income</b>	<b>226,083</b>	<b>196,127</b>	<b>226,083</b>	<b>196,127</b>
	<b>Net interest and fee income</b>	<b>694,735</b>	<b>693,878</b>	<b>693,190</b>	<b>691,632</b>
7	Premium income, net of reinsurance	81,438	78,346		
8	Claims, net of reinsurance	53,580	49,162		
	<b>Interest and fee income and income from insurance activities, net</b>	<b>722,593</b>	<b>723,063</b>	<b>693,190</b>	<b>691,632</b>
3, 9	Market value adjustments	-38,751	9,540	-37,067	9,438
10	Other operating income	58,499	43,703	51,535	39,386
11, 12	Staff costs and administrative expenses	514,003	476,373	490,696	458,249
27, 29, 30	Amortisation, depreciation and impairment charges	514,151	271,417	513,677	270,855
13	Other operating expenses	21,478	25,411	21,478	25,411
14	Impairment charges on loans and advances etc.	59,655	111,014	59,655	111,014
25, 26	Income from investments accounted for under the equity method	-1,908	-6,739	40,583	25,843
	<b>Profit before tax</b>	<b>-368,854</b>	<b>-114,649</b>	<b>-337,266</b>	<b>-99,230</b>
15	Tax	-114,293	31,287	-116,257	28,182
	<b>Net profit from continuing operations</b>	<b>-254,562</b>	<b>-145,935</b>	<b>-221,009</b>	<b>-127,412</b>
16	Profit on discontinued operations, net of tax	33,553	18,523	0	0
	<b>Net profit</b>	<b>-221,009</b>	<b>-127,412</b>	<b>-221,009</b>	<b>-127,412</b>
	Portion attributable to				
	Shareholders of BankNordik P/F	-221,009	-127,412	-221,009	-127,412
	<b>Net profit</b>	<b>-221,009</b>	<b>-127,412</b>	<b>-221,009</b>	<b>-127,412</b>
	EPS Basic for the period, discontinuing operations, DKK*	3.40	1.88	3.40	1.88
	EPS Diluted for the period, discontinuing operations, DKK*	3.40	1.88	3.40	1.88
	EPS Basic for the period, continuing operations, DKK*	-25.81	-14.80	-25.81	-14.80
	EPS Diluted for the period, continuing operations, DKK*	-25.81	-14.80	-25.81	-14.80
	EPS Basic for the period, total, DKK*	-22.41	-12.92	-22.41	-12.92
	EPS Diluted for the period, total, DKK*	-22.41	-12.92	-22.41	-12.92

\*Based on average number of shares outstanding, see the specification of shareholders equity



## Statement of comprehensive income – BankNordik

DKK 1,000	Group		BankNordik	
	2015	2014	2015	2014
Net profit	-221,009	-127,412	-221,009	-127,412
Other comprehensive income				
Items which will subsequently be recycled to the income statement if certain conditions are met:				
Translation of non-Faroese subsidiaries	7,208	-14,779	8,060	-14,782
Items which will not subsequently be recycled:				
Revaluation of property	-10,756	0	-10,756	0
Tax on other comprehensive income	1,936	0	1,936	0
Total other comprehensive income	-1,612	-14,779	-760	-14,782
<b>Total comprehensive income</b>	<b>-222,621</b>	<b>-142,190</b>	<b>-221,769</b>	<b>-142,194</b>
Portion attributable to				
Shareholders of BankNordik P/F	-222,621	-142,190	-221,769	-142,194
<b>Total comprehensive income</b>	<b>-222,621</b>	<b>-142,190</b>	<b>-221,769</b>	<b>-142,194</b>

## Balance Sheet – BankNordik

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
	<b>Assets</b>				
17	Cash in hand and demand deposits with central banks	360,872	439,492	360,824	359,475
18, 19	Due from credit institutions and central banks	410,550	521,276	410,550	502,401
14, 20, 21	Loans and advances at fair value	670,936	756,070	670,936	756,070
14, 20, 21	Loans and advances at amortised cost	10,004,244	9,735,439	10,004,244	9,735,439
22	Bonds at fair value	3,398,816	3,534,678	3,274,870	3,237,238
23	Shares, etc.	239,995	354,797	239,995	284,821
24, 48	Assets under insurance contracts	20,263	78,403	0	0
25	Holdings in associates	5,543	7,451	5,543	7,451
26	Holdings in subsidiaries	0	0	105,908	237,616
27	Intangible assets	0	529,730	0	520,672
	Total land and buildings	189,477	280,345	187,473	278,320
28	investment property	25,299	64,863	25,299	64,863
29	domicile property	164,178	215,483	162,173	213,458
30	Other property, plant and equipment	28,640	30,598	27,854	26,943
	Current tax assets	3,720	3,896	3,667	3,896
31	Deferred tax assets	66,320	27,431	66,278	18,384
32	Assets held for sale	35,402	51,771	35,402	51,771
33	Other assets	194,370	152,188	191,318	146,925
	Prepayments	37,386	31,935	35,990	30,487
16	Assets in disposal groups classified as held for sale	581,280	0	204,778	0
	<b>Total assets</b>	<b>16,247,814</b>	<b>16,535,501</b>	<b>15,825,630</b>	<b>16,197,909</b>

## Balance Sheet – BankNordik

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
		<b>Shareholders' equity and liabilities</b>			
		<b>Liabilities other than provisions</b>			
34, 35	Due to credit institutions and central banks	574,791	591,347	574,791	591,347
36, 37	Deposits and other debt	12,680,157	12,603,533	12,739,229	12,690,011
38, 48	Liabilities under insurance contracts	70,433	366,858	0	0
	Current tax liabilities	17,778	11,704	15,405	7,920
39	Other liabilities	245,840	349,348	233,912	317,241
	Deferred income	24,403	18,285	4,347	4,577
	Liabilities directly associated with assets in Disposal groups classified as assets held for sale	369,705	0	0	0
	<b>Total liabilities other than provisions</b>	<b>13,983,107</b>	<b>13,941,074</b>	<b>13,567,684</b>	<b>13,611,095</b>
		<b>Provisions for liabilities</b>			
31	Provisions for deferred tax	0	86,189	0	86,189
14	Provisions for losses on guarantees	39,884	45,216	39,884	45,216
	Provisions for other liabilities	6,312	5,148	6,312	5,148
	<b>Total provisions for liabilities</b>	<b>46,196</b>	<b>136,552</b>	<b>46,196</b>	<b>136,552</b>
		<b>Subordinated debt</b>			
40	Subordinated debt	452,177	458,680	452,177	458,680
	<b>Total liabilities</b>	<b>14,481,479</b>	<b>14,536,306</b>	<b>14,066,056</b>	<b>14,206,327</b>
		<b>Shareholders' equity</b>			
	Share capital	200,000	200,000	200,000	200,000
	Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	22,642	15,434	22,988	14,928
	Reserve, Equity Method	0	0	115,548	114,486
	Revaluation reserve	0	8,820	0	8,820
	Retained earnings	1,523,694	1,754,941	1,401,038	1,633,347
	Proposed dividends	20,000	20,000	20,000	20,000
	<b>Total shareholders' equity</b>	<b>1,766,335</b>	<b>1,999,195</b>	<b>1,759,575</b>	<b>1,991,582</b>
	<b>Total liabilities and equity</b>	<b>16,247,814</b>	<b>16,535,501</b>	<b>15,825,630</b>	<b>16,197,909</b>

## Statement of capital – Group

Shareholders of P/f BankNordik Group

Changes in shareholders' equity:						
DKK 1,000	Share capital	Foreign currency translation reserve	Revaluation Reserve	Proposed dividends	Retained earnings	Total
<b>Shareholders' equity at Jan. 1, 2015</b>	<b>200,000</b>	<b>15,434</b>	<b>8,820</b>	<b>20,000</b>	<b>1,754,941</b>	<b>1,999,195</b>
Revaluation of assets	0	0	-10,756	0	10,756	0
Translation of foreign units	0	7,208	0	0	0	7,208
Other comprehensive income	0	0	1,936	0	-1,936	0
Net profit	0	0	0	20,000	-241,009	-221,009
<b>Total comprehensive income</b>	<b>0</b>	<b>7,208</b>	<b>-8,820</b>	<b>20,000</b>	<b>-232,189</b>	<b>-213,801</b>
Acquisition of own shares	0	0	0	0	-27,190	-27,190
Sale of own shares	0	0	0	0	27,190	27,190
Share-based remuneration-programme	0	0	0	0	667	667
Dividends payed	0	0	0	-20,000	274	-19,726
<b>Shareholders' equity at December 31, 2015</b>	<b>200,000</b>	<b>22,642</b>	<b>0</b>	<b>20,000</b>	<b>1,523,694</b>	<b>1,766,335</b>

Changes in shareholders' equity:						
DKK 1,000	Share capital	Foreign currency translation reserve	Revaluation Reserve	Proposed dividends	Retained earnings	Total
<b>Shareholders' equity at Jan. 1, 2014</b>	<b>200,000</b>	<b>29,853</b>	<b>8,820</b>	<b>15,000</b>	<b>1,902,324</b>	<b>2,155,998</b>
Revaluation of assets						0
Translation of foreign units	0	-14,419	0	0	-360	-14,779
Net profit	0	0	0	20,000	-147,411	-127,411
<b>Total comprehensive income</b>	<b>0</b>	<b>-14,419</b>	<b>0</b>	<b>20,000</b>	<b>-147,771</b>	<b>-142,190</b>
Acquisition of own shares	0	0	0	0	-18,903	-18,903
Sale of own shares	0	0	0	0	18,903	18,903
Share-based remuneration-programme	0	0	0	0	178	178
Dividends payed	0	0	0	-15,000	209	-14,791
<b>Shareholders' equity at December 31, 2014</b>	<b>200,000</b>	<b>15,434</b>	<b>8,820</b>	<b>20,000</b>	<b>1,754,941</b>	<b>1,999,195</b>

## Statement of capital – BankNordik P/F

Shareholders of P/f BankNordik (The Parent Company)

Changes in shareholders' equity:							
DKK 1,000	Share capital	Foreign currency translation reserve	Revaluation Reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
<b>Shareholders' equity at January 1, 2015</b>	<b>200,000</b>	<b>14,928</b>	<b>8,820</b>	<b>114,486</b>	<b>20,000</b>	<b>1,633,347</b>	<b>1,991,582</b>
Revaluation of assets	0	0	-10,756	0	0	10,756	0
Translation of foreign units	0	8,060	0	0	0	0	8,060
Other comprehensive income	0	0	1,936	0	0	-1,936	0
Net profit	0	0	0	40,583	20,000	-281,592	-221,009
<b>Total comprehensive income</b>	<b>0</b>	<b>8,060</b>	<b>-8,820</b>	<b>40,583</b>	<b>20,000</b>	<b>-272,772</b>	<b>-212,949</b>
Acquisition of own shares	0	0	0	0	0	-27,190	-27,190
Sale of own shares	0	0	0	0	0	27,190	27,190
Share-based remuneration-programme	0	0	0	0	0	667	667
Dividends paid	0	0	0	0	-20,000	274	-19,726
Dividends received	0	0	0	-39,521	0	39,521	0
<b>Shareholders' equity at December 31, 2015</b>	<b>200,000</b>	<b>22,988</b>	<b>0</b>	<b>115,548</b>	<b>20,000</b>	<b>1,401,038</b>	<b>1,759,575</b>

Changes in shareholders' equity:							
DKK 1,000	Share capital	Foreign currency translation reserve	Revaluation Reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
<b>Shareholders' equity at January 1, 2014</b>	<b>200,000</b>	<b>29,348</b>	<b>8,820</b>	<b>88,643</b>	<b>15,000</b>	<b>1,806,577</b>	<b>2,148,388</b>
Translation of foreign units	0	-14,420	0	0	0	-362	-14,782
Net profit	0	0	0	25,843	20,000	-173,255	-127,411
<b>Total comprehensive income</b>	<b>0</b>	<b>-14,420</b>	<b>0</b>	<b>25,843</b>	<b>20,000</b>	<b>-173,617</b>	<b>-142,193</b>
Acquisition of own shares	0	0	0	0	0	-18,903	-18,903
Sale of own shares	0	0	0	0	0	18,903	18,903
Share-based remuneration-programme	0	0	0	0	0	178	178
Dividends paid	0	0	0	0	-15,000	209	-14,791
<b>Shareholders' equity at December 31, 2014</b>	<b>200,000</b>	<b>14,928</b>	<b>8,820</b>	<b>114,486</b>	<b>20,000</b>	<b>1,633,347</b>	<b>1,991,582</b>

## Statement of capital – P/F BankNordik

Solvency	Full year 2015	Full year 2014
DKK 1,000		
Core capital	1,691,998	1,537,244
Total capital	1,921,252	1,763,130
Risk-weighted items not included in the trading portfolio	8,951,646	9,219,956
Risk-weighted items with market risk etc.	1,006,711	1,248,885
Risk-weighted items with operational risk	1,504,345	1,473,793
Total risk-weighted items	11,462,702	11,942,635
Core capital ratio, excl. hybrid core capital	13.9%	11.8%
Core capital ratio	14.8%	12.9%
Solvency ratio	16.8%	14.8%
<b>Core Capital and Shareholders' equity</b>		
Share capital	200,000	200,000
Reserves	138,536	138,234
Net profit	-221,009	-127,411
Retained earnings, previous years	1,642,047	1,780,758
<b>Shareholders' equity</b>	<b>1,759,575</b>	<b>1,991,582</b>
Deduction of dividend	20,000	20,000
Deduction of Foreign currency translation reserve	0	14,928
Deduction of holdings of own shares and significant investments in entities in the financial sector	38,244	0
Deduction of intangible assets	41,275	520,672
Deduction of revaluation reserve	0	8,820
Deduction of deferred tax assets	66,278	18,384
<b>Core capital exclusive of hybrid core capital</b>	<b>1,593,777</b>	<b>1,408,777</b>
Deduction of insurance subsidiaries	0	56,574
Hybrid core capital before deductions	180,903	185,040
Deductions in Hybrid core capital	82,683	185,040
<b>Core capital</b>	<b>1,691,998</b>	<b>1,537,244</b>
<b>Total capital</b>		
Core capital	1,691,998	1,537,244
Addition of revaluation reserve	0	8,820
Subordinated loan capital, before deductions	271,273	273,640
Deductions in Subordinated loan capital	42,019	273,640
Deduction of insurance subsidiaries	0	56,574
<b>Total capital</b>	<b>1,921,252</b>	<b>1,763,130</b>

The BankNordik Group holds a license to operate as a bank and is therefore subject to the capital requirements under CRR. The capital requirement stipulate a minimum capital of 8% of the identified risks. A detailed body of rules determines the calculation of capital as well as risks (risk-weighted items). The capital comprises core capital and subordinated loan capital. The core capital corresponds largely to the carrying amount of equity, not including intangible items, investments in insurance subsidiaries, holdings in credit institutions etc.

## Cash flow statement – BankNordik

DKK 1,000	2015	2014
<b>Cash flow from operations</b>		
Net profit for the period	-221,009	-127,411
Amortisation and impairment charges for intangible assets	480,126	262,568
Depreciation and impairment charges of tangible assets	35,604	10,281
Impairment of loans and advances/guarantees	62,476	117,306
Tax charged to the income statement	-114,293	35,257
Other non-cash operating items	-32,783	-13,557
<b>Total</b>	<b>210,121</b>	<b>284,444</b>
<b>Changes in operating capital</b>		
Change in loans at fair value	73,933	-63,039
Change in loans at amortised cost	-331,281	-74,063
Change in holding of bonds	-37,403	-49,602
Change in holding of shares	-64,204	754
Change in deposits	73,294	410,785
Due to credit institutions and central banks	-16,556	939
Change in other assets / liabilities	-57,894	10,977
Assets/liabilities under insurance contracts	33,056	-8,267
Prepayments	667	-13,224
<b>Cash flow from operations</b>	<b>-116,267</b>	<b>499,705</b>
<b>Cash flow from investing activities</b>		
Dividends received	9,244	7,487
Acquisition of tangible assets	-44,205	-87,777
Sale of tangible assets	68,633	15,194
<b>Cash flow from investing activities</b>	<b>33,671</b>	<b>-65,096</b>
<b>Cash flow from financing activities</b>		
Change in loans from central banks and credit institutions	0	-700,000
Change in subordinated debt	0	-63,138
Acquisition of own shares	-27,190	-18,903
Sale of own shares	27,190	18,903
Payment of dividends	-20,000	-15,000
<b>Cash flow from financing activities</b>	<b>-20,000</b>	<b>-778,138</b>
<b>Cash flow</b>	<b>-102,596</b>	<b>-343,530</b>
<b>Cash in hand and demand deposits with central banks, and due from credit institutions, etc. at the beginning of the year</b>	<b>960,768</b>	<b>1,304,047</b>
Foreign currency translation	9,824	250
Cash flow	-102,689	-343,530
<b>Cash and due etc.</b>	<b>867,996</b>	<b>960,768</b>
<b>Cash and due etc.</b>		
Cash in hand and demand deposits with central banks	457,446	439,492
Due from credit institutions, etc.	410,550	521,276
<b>Total</b>	<b>867,996</b>	<b>960,768</b>

Cash and due etc. include cash from Vörður, DKK 96.6m, see also note 16.

## Notes

Note

**Accounting policies**

1

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**1 Basis of preparation**

The BankNordik Group presents its consolidated financial statements in accordance with IFRSs as adopted by EU and issued by the International Accounting Standards Board (IASB). Furthermore, the consolidated financial statements comply with the requirements for annual reports formulated by Nasdaq OMX Reykjavik and Nasdaq OMX Copenhagen and with the Faroese Financial Business Act and the executive order regarding the application of IFRS standards in financial institutions which applies for the Faroes issued by the Danish FSA.

The preparation of the consolidated financial statements requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable but that are inherently uncertain and unpredictable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off balance sheet items, as well as income and expenses in the financial statements presented.

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report.

Changes and effects from implementation of new standards and amendments are explained in the following under the heading Adoption of new standards in 2015.



## Notes

### Note **Discontinued operations**

1  
(cont'd) As a part of the Group's intentions to reduce its geographic span, the Group announced on 22 June 2015 that it had initiated an active program to identify a buyer for the Icelandic insurance group Vörður. Consequently, Vörður's financial performance for 2015, the associated assets and liabilities, and cash flow information for the period are presented as held for sale.

#### 1) **Estimates and assumptions**

Estimates and assumptions of significance to the financial statements include the determination of:

- impairment charges of loans and advances
- fair value of investment and domicile properties
- fair value of financial instruments
- goodwill
- assets held for sale

The assumptions may be incomplete or inaccurate, and unexpected future events or situations may occur. Such estimates and assessments are therefore difficult to make and will always entail uncertainty, even under stable macroeconomic conditions, when they involve transactions with customers and other counterparties.

#### A) **Impairment charges of loans and advances**

The Group makes impairment charges to account for impairment of loans and advances that occur after initial recognition. Impairment charges are based on a combination of individual and collective impairment and are subject to a number of estimates, including assessments of the loans and portfolio of loans where objective evidence of impairment exists, expected future cash flows and the value of collateral. The note 14 provides details on the amounts recognised and note 49 also provides more details on impairment charges for loans and advances.

#### B) **Fair value of investment and domicile properties**

The income based approach is used to measure real property at fair value. For domicile properties the fair value is estimated on the basis of various assumptions and a major parameter is the potential rental value. The potential rental income are based on the Group's best estimate of the future profit on ordinary operations and the required rate of return for each individual property when taking into account such factors as location and maintenance. Valuations from the Group's internal valuation experts are obtained to support such estimates regarding the investment properties. A number of these assumptions and estimates have a major impact on the calculations and include such parameters as developments in rent, costs and required rate of return. Any changes to these parameters as a result of changed market conditions will affect the expected return, and thus the fair value of the investment and domicile properties. The estimation of fair value conducted at the end of 2015 resulted in impairment charges of DKK 22m regarding the banks domicile property. The notes 29 and 30 provide details on the amounts recognised.

#### C) **Fair value of financial instruments**

The Group measures a number of financial instruments at fair value, including all derivative instruments as well as shares, bonds and certain loans.

## Notes

Note 1 Assessments are made in connection with determining the fair value of financial instruments in the following areas:  
(cont'd)

- choosing valuation method
- determining when available listed prices do not reflect the fair value
- calculating fair-value adjustments to provide for relevant risk factors, such as credit
- model and liquidity risks
- assessing which market parameters are to be taken into account
- making estimates of future cash flows and return requirements for unlisted shares

The Group's loans and advances are not traded in an active market. Therefore there is no market price to determine the loans fair value. The fair value has to be determined using a valuation technique, which estimates the market price between qualified, willing and independent parties. The valuation technique has to include all the relevant elements such as credit risk, market rates etc. Note 3 and 14 provide details on the amounts recognised for loans measured at fair value.

As part of its day-to-day operations, the Group has acquired strategic equity investments. These shares are measured at fair value based on the information available about trading in the relevant company's equity investments or, in the alternative, by using a valuation model based on generally accepted methods and current market data, including an assessment of expected future earnings and cash flows.

If a reliable fair value cannot be identified for an equity instrument, the investment will be valued at cost less any write-downs for impairment. Details on the amounts recognised are provided in note 23.

### D) Goodwill and customer relations

Goodwill on acquisition is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, interest rates, customer behavior, the unwinding of the corporate portfolio in Denmark and competition. The impairment test conducted in 2015 resulted in goodwill and customer relations impairment charges of DKK 398m related to Denmark and DKK 70m related to Greenland, mainly because of the worsening of the long-term economic outlook and related decrease in interest rates. At 31 December 2015, the carrying amount of goodwill after impairment amounts to DKK 0.

Refer to note 27 for a further discussion of the sensitivity to changes in key assumptions.

### E) Fair value of assets held for sale

Assets held for sale are tangible assets and assets of group undertakings actively marketed for sale within 12 months, for example assets and businesses taken over under non-performing loan agreements. Assets held for sale not expected to be sold within in 12 months on an active marked are reclassified to other items for example investment properties.

Such assets are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. Details on the amounts recognised are provided in note 32.

## Notes

Note **2) Adoption of new standards in 2015**

1 The following new standards and amendments to standards and interpretations which are relevant for the  
(cont'd) Group are mandatory for the first time for the financial year beginning 1 January 2015:

Annual Improvements 2010 – 2012 and 2011 – 2013 cycles comprising minor amendments to a number of existing standards.

The new and amended standards have no impact on the financial statements.

**3) Changes in IFRSs not yet applied by BankNordik**

The following New standards, amendments and interpretations issued and not yet endorsed by EU are relevant for the BankNordik Group:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard introduces an expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' is a comprehensive standard on revenue recognition. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018

IFRS 16 'Leases' introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The effective date is January 1, 2019

Management is currently analyzing the potential impact from adoption of the above mentioned standards. At this stage it is expected that the impact of the implementation of the expected loss model will result in higher loan loss provisioning.

**4) Consolidation**

The consolidated financial statements comprise the parent company, P/F BankNordik and its subsidiaries. Subsidiaries are entities over which BankNordik has power, is exposed to variability in returns, and has the ability to use its power to affect the return. Control is said to exist if P/F BankNordik directly or indirectly holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Operating policy control may be exercised through agreements about the undertaking's activities. Potential voting rights that are exercisable on the balance sheet date are included in the assessment of whether P/F BankNordik controls an undertaking.

## Notes

Note 1 (cont'd) The consolidated financial statements combine the financial statements of the parent and the individual subsidiaries in accordance with the Group's accounting policies, in which intragroup income and costs, shareholdings, balances and dividends as well as realised and unrealised gains and losses on intragroup transactions have been eliminated.

Acquired subsidiaries are included from the date of acquisition.

The assets of acquired subsidiaries, including identifiable intangible assets, as well as liabilities and contingent liabilities, are recognised at the date of acquisition at fair value in accordance with the acquisition method.

Goodwill is recognised as follows:

- For acquisitions completed before 1 January 2010: The excess of the cost price including direct transaction costs over the fair value of the net assets acquired.
- For acquisitions completed 1 January 2010 or later: The excess of the fair value of the consideration transferred over the fair value of the net assets acquired.

Goodwill is recognised at the functional currency of the undertaking acquired. Where the fair value of net assets exceeds the cost (negative goodwill), the difference will be recognised as income in the income statement at the date of acquisition. The portion of the acquisition that is attributable to non-controlling interests does not include goodwill.

Disposed subsidiaries are included until the date of disposal.

### 5) Segment information

The Group consists of a number of business units and resource and support functions. The business units are segmented according to legislation, product and services characteristics and geographic. The information provided on operating segments is regularly reviewed by the management making decisions about resources to be allocated to the segments and assessing their performance, and for which discrete financial information is available. Operating segments are not aggregated. Segment reporting complies with the Group's significant accounting policies.

Segment revenue and expenses as well as segment assets and liabilities comprise the items that are directly attributable to or reasonably allocable to a segment. Non-allocated items primarily comprise assets and liabilities, revenue and expenses relating to the Group's administrative functions as well as income taxes etc.

### 6) Foreign currency translation

The consolidated financial statements are presented in thousands DKK. The functional currency of each of the Group's units is the currency of the country in which the unit is domiciled, as most income and expenses are recognised in the currency of that country.

Transactions in foreign currencies are translated at the exchange rate of the functional currency at the transaction date. Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

## Notes

Note 1  
(cont'd) Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates applying at the transaction date and at the balance sheet date are recognised in the income statement.

Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the date of transaction.

### 7) Translation of foreign subsidiaries

Income and expenses are translated at the exchange rates at the date of transaction. Exchange rate gains and losses arising at the translation of net investments in foreign subsidiaries are recognised in the equity reserve Translation of foreign units. Net investments include the net assets and goodwill of the units.

The Icelandic Krona is under a capital restriction and the currency is not floating against other currencies in a currency market. Instead, Seðlabankinn is publishing an official exchange rate for the Icelandic Krona against the Danish Krona. However, in some cases it is possible to exchange the Icelandic Krona by an auction arranged by Seðlabankinn and the exchange rate at these auctions is typically lower than the official exchange rate.

The Icelandic authorities have in Q1 2014 informed the Group that when exchanging the initial investment in the Icelandic subsidiaries the currency auction should be used but net results after the initial investment was carried out can be exchanged by the official exchange rate published by Seðlabankinn if net results are paid as dividends from the Icelandic subsidiaries to the Parent Company.

Hence, in the balance sheet the initial investment in the Icelandic subsidiaries is translated from Icelandic Krona to Danish Krona by using the latest exchange rate realized at a currency auction and the accumulated results from the Icelandic subsidiaries are translated from Icelandic Krona to Danish Krona by using the official exchange rate published by Seðlabankinn. In the income statement net results from the Icelandic subsidiaries are translated from Icelandic Krona to Danish Krona using the official exchange rate published by Seðlabankinn.

### 8) Offsetting

Amounts due to and from the Group are offset when the Group has a legally enforceable right to set off a recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 2 Critical accounting policies

### 1 Income statement

#### 1) Income criteria

Income and expenses are accrued over the periods to which they relate and are recognised in the Income Statement at the amounts relevant to the accounting period.

## Notes

### Note 2) **Interest income and expenses**

1  
(cont'd) Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost are recognised in the income statement according to the effective interest method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and the amortisation of any other differences between cost price and redemption price.

Interest income and expenses also includes interest on financial instruments measured at fair value with the exception of interest relating to assets and deposits under pooled schemes which are recognized under market-value adjustments. The interests are recognised in the income statement according to the effective interest method on the basis of the cost of the individual financial instrument.

Interest on loans and advances subject to impairment is recognised on the basis of the impaired value.

### 3) **Dividends on shares**

Dividends on shares are recognised in the income statement on the date the Group is entitled to receive the dividend. This will normally be when the dividend has been approved at the annual general meeting.

### 4) **Fees and commission income**

Fees and commission income comprises fees and commission income that is not included as part of the amortised cost of a financial instrument. The income is accrued during the service period. The income includes fees from securities dealing, money transmission services and loans as well as guarantee commission. Income arising from the execution of a significant act is recognized when the act is executed.

### 5) **Fees and commission expenses incurred**

Fees and commission expenses comprises fees and commission expenses paid that are not included as part of the amortised cost of a financial instrument. The costs include guarantee commissions and trading commissions.

### 6) **Premium income from non-life insurance, net of reinsurance**

Gross premium from non-life insurance comprises insurance premiums due. Net premium income from non-life insurance comprises gross premiums for the period adjusted for changes in premium provisions less reinsurance.

### 7) **Claims incurred related to non-life insurance, net of reinsurance**

Claims incurred comprise the claims incurred for the year adjusted for changes in provisions for claims corresponding to known and expected claims incurred for the year. In addition, the item includes run-off results regarding previous years.

Amounts to cover internal and external costs for inspecting, assessing and containing claims and other direct and indirect costs associated with the handling of claims incurred are included in this item.

In addition, the item covers premiums paid and reinsurance coverage received.

## Notes

Note **8) Market value adjustments**

1  
(cont'd) Market value adjustments comprise all value adjustments of financial assets and liabilities that are measured at fair value through profit or loss and investment property. Excluded are adjustments on loans and advances at fair value, recorded as fair value adjustments under Impairment charges on loans and advances and provisions for guarantees etc. note 14.

**9) Other operating income**

Other operating income includes other income that is not ascribable to other income statements items, including income from the company's investment property activities.

**10) Staff costs**

Salaries and other remuneration the Group expects to pay. Remuneration is recognized along with delivery of service and are classified as staff costs. This item includes salaries, bonuses, holiday allowances, anniversary bonuses, pension costs and other remuneration.

**11) Pension obligations**

The Group's contributions to defined contribution plans are recognised in the income statement as they are earned by the employees. Changes in the capitalised value of the few defined benefit pension contracts that exist are recognised continuously in the Income Statement.

**12) Depreciation and impairment of property, plant and equipment**

Depreciation and write-downs of tangible assets comprise the depreciation and write-downs on tangible assets for the period.

**13) Other operating expenses**

Other operating expenses include other expenses that are not ascribable to other income statement items, including expenses from the company's investment property activities.

**14) Impairment charges on loans and advances etc.**

Impairment charges on loans etc. includes impairment losses on and charges for loans and advances and amounts due from credit institutions and other receivables involving a credit risk as well as provisions for guarantees and unused credit facilities.

**15) Tax**

Faroese consolidated entities are not subject to compulsory joint taxation, but can opt for joint taxation provided that certain conditions are complied with. P/F BankNordik has opted for joint taxation with the subsidiary P/F Skyn. Corporation tax on income subject to joint taxation is fully distributed on payment of joint taxation contributions between the consolidated entities.

Tax for the year includes tax on taxable profit for the year, adjustment of deferred tax as well as adjustment of tax for previous years. Tax for the year is recognised in the income statement as regards the elements that can be attributed to profit for the year and directly in equity as regards the elements that can be attributed to items recognised directly in equity.

## Notes

Note 1  
(cont'd)

Current tax liabilities and current tax assets are recognised in the balance sheet as calculated tax on taxable profit for the year, adjusted for tax on taxable profit of previous years.

Provisions for deferred tax or deferred tax assets are based on the balance sheet liability method and include temporary differences between the carrying amounts and tax bases of the balance sheets of each consolidated entity as well as tax loss carry forwards that are expected to be realised. Calculation of deferred tax is based on current tax law and tax rates at the balance sheet date.

Deferred taxes are recognised in the balance sheet under the items "Deferred tax assets" and "Provisions for deferred tax".

## 2 Balance sheet – Assets

### 1) Due from credit institutions and central banks

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and time deposits with central banks and are measured at amortised cost, as described under Financial instruments / loans and advances at amortised cost.

### 2) Financial instruments – general

Purchases and sales of financial instruments are recognised and measured at their fair value at the settlement date. The fair value is usually the same as the transaction price. Changes in the value of financial instruments are recognised up to the settlement date.

### 3) Financial instruments – Classification

The Group's financial assets are at initial recognition divided into the following three categories:

- loans and advances measured at amortised cost
- trading portfolio measured at fair value
- financial assets designated at fair value with value adjustments through profit and loss

#### 3.1) Loans and advances measured at amortised cost

Loans and advances consist of conventional loans and advances disbursed directly to borrowers. Initial recognition of amounts due from credit institutions and central banks as well as loans and advances is at fair value plus transaction costs and less origination fees and other charges received.

Subsequently they are measured at amortised cost, according to the effective interest method, less any impairment charges.

The difference between the value at initial recognition and the nominal value is amortised over the term to maturity and recognised under "Interest income"

#### Impairment charges

Amounts due from credit institutions and central banks at amortised cost are all assessed individually to determine whether objective evidence of impairment exists. Significant loans and advances are also assessed individually to determine whether objective evidence of impairment exists.



## Notes

Note 1 Objective evidence of impairment of loans and advances exists if at least one of the following events has occurred:

(cont'd)

- the borrower is experiencing significant financial difficulty
- the borrower's actions, such as default on interest or principal payments, lead to a breach of contract
- the Group, for reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Group would not otherwise have granted
- it becomes probable that the borrower will enter bankruptcy or another type of financial reorganisation

If objective evidence of impairment of a loan, an advance or an amount due exists, and the impairment event or events effects the expected cash flow from the asset and the effects on the expected cash flow is reliably measurable, the Group determines the impairment charge individually. The impairment charge equals the difference between the carrying amount and the present value of the most likely future cash flow from the asset, including the net realisable value of any collateral.

Loans and advances that are not individually charged for impairment are included in groups which are collectively subject to an impairment assessment.

The group assessment is based on groups of loans and receivables with similar credit risk characteristics. The Bank operates with a total of three groups, divided into one group of public authorities, one group of private customers and one group of corporate customers.

The group assessment is made using a statistical segmentation model developed by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter), which is responsible for the ongoing maintenance and development. The segmentation model determines the correlation in the individual groups between losses identified and a number of significant explanatory macroeconomic variables via a linear regression analysis. The explaining macro-economic variables include interest rates, the industrial energy consumption, total payroll in the fishing industry, petrol price index etc.

This assessment has resulted in an adjustment of the estimates of the model to BankNordik's own loan portfolio situation. Therefore it is the adjusted estimates which form the basis of the calculation of the group impairment charge. The adjusted estimates may be further adjusted to reflect any events or circumstances incurred but not yet reflected in the model.

An estimate appears for each group of loans and advances which expresses the impairment as a percentage attached to a specific group of loans and advances at the balance sheet date. By comparing the individual loans current risk of loss with the loans original risk of loss and the loans risk of loss at the start of the current accounting period, the contribution of the individual loan to the group impairment charge appears. The impairment charge is calculated as the difference between the book value and the discounted value of the expected future payments.

The impairment charge is recognised on an allowance account and set off against the loans and advances. Changes in the allowance account are recognised in the Income Statement under the item "Impairment charges on loans and advances etc". If subsequent events show that impairment is not permanent, the impairment charge is reversed.

## Notes

Note 1  
(cont'd) Loans and advances that are considered uncollectible are written off. Write-offs are debited to the allowance account. Loans and advances are written off once the usual collection procedure has been completed and the loss on the individual loan or advance can be calculated.

In accordance with the effective interest method, interest is recognised on the basis of the value of the loans and advances less impairment charges.

### 3.2) Trading portfolio measured at fair value

The trading portfolio includes financial assets acquired which the Group intends to sell or repurchase in the near term. The trading portfolio also contains financial assets managed collectively for which a pattern of short-term profit taking exists. Some securities and all derivatives are part of the trading portfolio.

Assets in the trading portfolio comprise the shares, bonds and derivatives with positive fair value held by the Group's trading departments.

At initial recognition, the trading portfolio is measured at fair value, excluding transaction costs. Subsequently, the portfolio is measured at fair value and the value adjustments are recognised in the Income Statement.

#### Determination of fair value

The fair value of financial assets is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the balance sheet date. If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

If no active market for standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, exists, generally accepted valuation techniques rely on market-based parameters for measuring fair value. The results of calculations made on the basis of valuation techniques are often estimates because exact values cannot be determined from market observations. Consequently, additional parameters, such as liquidity risk and counterparty risk, are sometimes used for measuring fair value.

### 3.3) Financial assets designated at fair value with value adjustments through profit and loss

Financial assets designated at fair value comprise fixed-rate loans, loans capped and shares which are not a part of the trading portfolio, including some sector shares managed on a fair value basis but without short-term profit-taking.

The interest rate risk on these loans is eliminated or significantly reduced by entering into interest rate swaps. The market value adjustment of these interest rate swaps generates immediate asymmetry in the financial statements if the fixed-rate loans and loans capped were measured at amortised cost. To eliminate the inconsistency recognising the gains and losses on the loans and related swaps the fixed rate loans and loans capped are measured at fair value with value adjustments through profit and loss.

## Notes

### Note **Determination of fair value of shares**

1 Fair value is determined according to the following order of priorities:  
(cont'd)

- Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category
- Financial instruments valued substantially on the basis of other observable input are recognised in the Observable and illiquid mortgage bonds valued by reference to the value of similar liquid bonds
- Other financial instruments are recognised in the Non-observable input category. This category covers unlisted shares and derivatives, and valuation relies on extrapolation of yield curves, correlations or other model input of material importance to valuation

#### **4) Assets under insurance contracts**

Assets under insurance contracts comprise reinsurance assets and receivables from insurance contracts. Reinsurance assets are measured by initial recognition at fair value and subsequently at amortised cost.

#### **5) Holdings in associates**

Associated undertakings are businesses, other than group undertakings, in which the Group has holdings and significant influence but not control. The Group generally classifies undertakings as associated undertakings if P/F BankNordik directly or indirectly holds 20 – 50% of the voting rights.

Holdings in associated undertakings are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual associate undertaking is included under "Income from associated undertakings" and based on data from financial statements with balance sheet dates that differ no more than three months from the balance sheet date of the Group.

The proportionate share of the profit and loss on transactions between associated and group undertakings is eliminated.

Associates with negative net asset values are measured at DKK 0. Any legal or actual obligation to cover the negative balance of the undertakings is recognised in provisions. Any receivables from these undertakings are written-down according to the impairment loss risk.

Profits on divested associates are calculated as the difference between the selling price and the book value inclusive of any goodwill on the divested holdings. Reserves recognised under the equity are reversed and recognised in the income statement.

#### **6) Intangible assets**

The item consists of Goodwill, Customer Relations and other intangible assets.

##### **6.1) Goodwill**

Goodwill arises on the acquisition of an undertaking and is calculated as set out in the section "Consolidation".

Goodwill on associated undertakings is recognised under Holdings in associates.

## Notes

Note 1 (cont'd) Goodwill is allocated to cash-generating units at the level at which the management monitors the investment. Goodwill is not amortised. Instead each cash-generating unit to which goodwill is allocated is tested for impairment at least once a year. Goodwill is written down to its recoverable amount through the income statement if the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets' fair value less costs to sell and their value in use, which equals the present value of the future cash flows expected from the unit.

### 6.2) Customer relations

Customer relations taken over in connection with company acquisitions are recognised at cost less cumulative amortization and are amortised on a straight-line basis over the expected useful life, which does not exceed ten years. The expected useful life depends on customer loyalty.

The useful life is reassessed annually. Any changes in amortisation as a result of changes in useful life are recognised in future reporting periods as a change in accounting estimates.

### 6.3) Other intangible assets

Software acquired is measured at cost, including the expenses incurred to make each software application ready for use. Software acquired is amortised over its expected useful life, which is usually three years, according to the straight-line method.

Other intangible assets to be amortised are tested for impairment if indications of impairment exist, and the assets are subsequently written down to their value in use.

## 7) Land and buildings

On acquisition land and buildings are recognised at cost. The cost price includes the purchase price and costs directly related to the purchase until the date when the asset is ready for use. The cost price also includes estimated costs of demounting the asset and re-establishment to the extent that such costs are included as an obligation.

### 7.1) Investment property

Investment property is real property, including real property let under operating leases that the Group own for the purpose of receiving rent and/or obtaining capital gains. The section on domicile property below explains the distinction between domicile and investment property.

Subsequently, investment property is measured at fair value. Fair value adjustments and rental income are recognised under "Market value adjustments" and under "Other operating income" respectively.

The fair value is assessed based on the income based model. The section on domicile property below explains the income based model.

### 7.2) Domicile property

Domicile property is real property occupied by the Group's administrative departments, branches and other service units. Real property with both domicile and investment property elements is allocated proportionally to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as domicile property, unless the Group occupies less than 10% of the total floorage.

## Notes

Note 1 (cont'd) Subsequently, domicile property is measured at a revalued amount corresponding to the fair value at the date of the revaluation less depreciation and impairment. The fair value is calculated on the basis of current market data according to an income based model that includes the property's rental income, operating expenses, as well as management and maintenance. Maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. Operating expenses are calculated on the basis of a standard budget. The fair value of the property is determined based on the expected cash flow from operations and a rate of return assessed for the individual property. The return rate is determined on the basis on the location of the individual property, potential use, the state of maintenance, quality, etc. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the amount which would be determined using fair value at the balance sheet date.

Depreciation is made on a straight-line basis over the expected useful life of 50 years, taking into account the expected residual value at the expiry of the useful life.

At least once a year value adjustments according to revaluations are recognised in other comprehensive income. Depreciation and impairments are recognised in the income statement under the item "Amortisation, depreciation on fixed assets and impairment charges". Impairments are only recognised in the income statement to the extent that it cannot be offset in former period's revaluations.

### 8) Other property, plant and equipment

Other property, plant and equipment comprises equipment, vehicles, furniture and leasehold improvements and is measured at cost less depreciation and impairment. Assets are depreciated according to the straight-line method over their expected useful lives, which usually is three to five years.

Other tangible assets are tested for impairment if indications of impairment exist. An impaired asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

### 9) Assets held for sale

Assets held for sale include property, plant and equipment and disposal groups held for sale. Assets held for sale also include assets taken over under non-performing loan agreements. Assets are classified as held for sale when the carrying amount is expected to be recovered principally through a sale transaction within 12 months in accordance with a formal plan rather than through continuing use. Assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. An asset is not depreciated or amortised from the time when it is classified as held for sale. Assets held for sale not expected to be sold within 12 months on an active market are reclassified to other items for example investment properties.

Assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets related to disposal groups are presented in the item 'Assets in disposal groups classified as held for sale'. Liabilities related to disposal groups are presented in the item 'Liabilities directly associated with assets in disposal groups classified as assets held for sale'. An asset is not depreciated or amortised from the time when it is classified as held for sale. Assets held for sale not expected to be sold within 12 months on an active market are reclassified to other items for example investment properties.

## Notes

Note 1 (cont'd) Impairment losses arising immediately before the initial classification of the asset as held for sale are recognised as impairment losses. Impairment losses arising at initial classification of the asset as held for sale and gains or losses at subsequent measurement at the lower of carrying amount and fair value less costs to sell are recognised in the income statement under the items they concern.

### 10) Other assets

Other assets includes interest and commissions due, derivatives with positive value and other amounts due.

## 3 Balance sheet – Liabilities, provisions and equity

### 1) Financial instruments – general

Purchases and sales of financial instruments are recognised and measured at their fair value at the settlement date. The fair value is usually the same as the transaction price. Changes in the value of financial instruments are recognised up to the settlement date.

### 2) Classification

The Group's financial liabilities are at initial recognition divided into the following three categories:

- due to credit institutions and central banks, issued bonds and deposits measured at amortised cost
- trading portfolio measured at fair value
- other financial liabilities measured at cost

### 3) Due to credit institutions and central banks and deposits measured at amortised cost

Initial recognition of amounts due to credit institutions and central banks and deposits is at fair value net of transaction costs.

Subsequently they are measured at amortised cost, according to the effective interest method, by which the difference between net proceeds and nominal value is recognised in the income statement under the item "Interest expenses" over the loan period.

The effective interest rate is calculated on the expected cash flows estimated at inception of the loan. Non closely related embedded derivatives such as certain prepayment and extension options are separated from the loan treated as freestanding derivatives.

### 4) Trading portfolio measured at fair value

The trading portfolio includes financial liabilities acquired which the Group intends to sell or repurchase in the near term. Liabilities in the trading portfolio comprise derivatives with negative fair value held by the Group's trading departments. At initial recognition, the trading portfolio is measured at fair value, excluding transaction costs. Subsequently, the portfolio is measured at fair value and the value adjustments are recognised under market value adjustments in the Income Statement.

### 5) Determination of fair value

The determination of the fair value is identical with the determination of the fair value of assets. Please refer to this section under financial assets.

## Notes

### Note **6) Liabilities under insurance contracts**

1 Liabilities under insurance contracts consist of provisions for unearned premiums and claims provisions.  
(cont'd)

Premium provisions are calculated according to a best estimate of the sum of expected payments as a result of insurance events arising after the balance sheet date that are covered by agreed insurance contracts. Premium provisions include future direct and indirect expenses for administration and claims processing of agreed insurance contracts. A premium provision represents at least the part of the gross premium that corresponds to the part of the insurance period that comes after the balance sheet date.

Claims provisions are calculated according to a best estimate of the sum of expected payments as a result of insurance events until the balance sheet date, in addition to the amounts already paid as a result of such events. Claims provisions also include amounts which the Group, according to a best estimate, expects to pay as direct and indirect costs in connection with the settlement of the claims liabilities.

Claims provisions are discounted according to the expected settlement of the provisions on the basis of the discount rate issued by the Danish FSA.

### **7) Other liabilities**

This item includes sundry creditors, derivatives with negative market values and other liabilities. Wages and salaries, payroll tax, social security contributions and compensated absences are recognised in the financial year in which the associated service has been rendered by the Group's employees. Costs relating to the Group's long-term employee benefits are accrued and follow the service rendered by the employees in question.

Pension contributions are paid into the employees' pension plans on a continuing basis and are charged to the income statement.

### **8) Provisions**

Provisions include provisions for deferred tax, guarantees and other provisions for liabilities. Initial recognition of financial guarantees is at fair value which is often equal to the guarantee premium received. Subsequent measurement of financial guarantees is at the higher of the guarantee premium received amortised over the guarantee period and any provisions made.

A provision for a guarantee or an onerous contract is recognised if claims for payment under the guarantee or contract are probable and the liability can be measured reliably. Provisions are based on the management's best estimates of the size of the liabilities. Measurement of provisions includes discounting when significant.

### **9) Subordinated debt**

Subordinated debt consists of liabilities in the form of subordinated loan capital which in case of the Group's voluntary or compulsory winding-up, will not be repaid until after the claims of its ordinary creditors have been met.

Subordinated debt is recognised at the date of borrowing, at the proceeds received less directly attributable transaction cost. Subsequently the subordinated debt is measured at fair value.

## Notes

Note 1 (cont'd) Fair value hedging transactions for the issuances of part of the subordinated debt were structured at inception to partially mirror fair value adjustments of the subordinated debt. These value adjustments are recognised under market value adjustments in the Income Statement.

### 10) Foreign currency translation reserve

The foreign currency translation reserve includes differences from the translation of the financial results of and net investments in units which functional currency is not DKK from their functional currencies into DKK.

### 11) Own shares

Purchase and sales amounts and dividend regarding holdings of own shares are recognised directly in the equity under the item "Retained earnings". Profits and losses from sale are not included in the income statement.

### 12) Dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

## 4 Cash flow statement

The Group prepares its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consist of cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with original maturities shorter than three months.



## Notes

### Note 3 Accounting Policies – P/F BankNordik

<sup>1</sup>  
(cont'd) The financial statements of the Parent Company, P/F BankNordik, are prepared in accordance with the Faroese Financial Business Act and with the executive order on financial reports of credit institutions etc. of the Danish FSA as applied in the Faroe Islands. The valuation principles are identical to the Group's valuation principles under the International Financial Reporting Standards (IFRSs).

The only difference from IFRS is that the subsidiaries are recognised according to the equity method in the Financial Statements of the Parent Company. According to IFRS subsidiaries are recognised at cost or at fair value. Consequently the net profit of the Group and the Parent Company are identical. The accounting policy described to the consolidated financial statements is therefore also valid for the parent company.

#### 1) Holdings in subsidiaries

Subsidiaries are undertakings in which P/F BankNordik has control over financial and operating policy decisions. Control exists if P/F BankNordik directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions, provided that most of the return on the undertaking accrues to BankNordik and that BankNordik assumes most of the risk. Control may be exercised through agreements about the undertaking's activities whereby BankNordik controls its operating policy decisions. Potential voting rights that are exercisable on the balance sheet date are included in the assessment of whether P/F BankNordik controls an undertaking.

Profits on divested subsidiaries are calculated as the difference between the selling price and the book value inclusive of any goodwill on the divested holdings. Reserves recognised under the equity are reversed and recognised in the income statement.

## Notes

### Note **Operating segments**

2

The Group consists of three business units and support functions. The Group's activities are segmented into business units according to legislative requirements and product and service characteristics. The Group's business units are Banking, Non-life insurance and Other.

Banking comprises all types of retail and corporate customers, both large businesses and private retail customers in Denmark, Greenland and the Faroe Islands.

Non-life insurance comprises the insurance company P/F TRYGD based The Faroe Islands. TRYGD is responsible for the Group's non-life insurance products. TRYGD target personal and corporate customers with a full range of property and casualty products. TRYGD's operations are handled by its own sales team and distributed through Group's banking units.

BankNordik expects to sell off its Icelandic insurance company Vørður to Arion Bank in H1 2016, and BankNordik and Arion Bank are now working on structuring the sale to meet the Icelandic authorities demands. Consequently, Vørður has been classified as held for sale. Its activities have been retrospectively extracted from the consolidated income statement and appear as a single-line item instead. See note 16 for further information.

Other covers expenses for the Group's support functions and the real estate agency P/F Skyn and the newly established life insurance company NordikLiv. These companies are very small and immaterial in an overall Group context.

Overhead Costs are allocated according to resource requirements. Liquidity balances are posted between Denmark, Greenland and Faroe Islands using an internal required rate of return. Other costs are allocated according to deposit balances in each segment.

All transactions between segments are settled on an arm's-length basis.

## Notes – BankNordik Group

Note DKK 1,000

2 Operating segments 2015	Banking			Insurance Total	Other Faroe Islands	Elimination		Continuing	Discontinued	Group
	Faroe Islands	Denmark	Greenland					operations	operations	
External interest income, Net	231,512	199,872	35,723	467,107	1,514	31	0	468,652	11,395	480,047
Internal interest	-22,584	24,480	-1,896	0	0	0	0	0	0	0
Net interest income	208,928	224,352	33,827	467,107	1,514	31	0	468,652	11,395	480,047
Net Fee and dividends income	57,419	158,139	10,525	226,083	0	0	0	226,083	-8,899	217,184
Premium income, net of reinsurance	0	0	0	0	82,437	0	-999	81,438	279,030	360,468
Net premium income of reinsurance and claims	0	0	0	0	28,856	0	-999	27,857	34,059	61,916
Other income	-28,192	1,759	1,114	-25,319	-1,663	6,041	-1,006	-21,947	45,826	23,879
<b>Total income</b>	<b>238,155</b>	<b>384,250</b>	<b>45,466</b>	<b>667,871</b>	<b>28,707</b>	<b>6,073</b>	<b>-2,005</b>	<b>700,646</b>	<b>82,380</b>	<b>783,026</b>
Total operating expenses	234,239	694,552	97,059	1,025,851	20,801	4,985	-2,005	1,049,632	45,255	1,094,887
<b>Profit before impairment charges on loans</b>	<b>3,915</b>	<b>-310,302</b>	<b>-51,593</b>	<b>-357,980</b>	<b>7,907</b>	<b>1,088</b>	<b>0</b>	<b>-348,986</b>	<b>37,125</b>	<b>-311,860</b>
Impairment charges, incl. reversals of aquired OEI impairments	23,141	-8,678	5,406	19,869	0	0	0	19,869	0	19,869
<b>Profit before tax</b>	<b>-19,226</b>	<b>-301,624</b>	<b>-56,999</b>	<b>-377,849</b>	<b>7,907</b>	<b>1,088</b>	<b>0</b>	<b>-368,854</b>	<b>37,125</b>	<b>-331,729</b>
<b>Total assets</b>	<b>10,750,737</b>	<b>7,178,759</b>	<b>668,052</b>	<b>18,597,548</b>	<b>196,520</b>	<b>14,142</b>	<b>-2,560,396</b>	<b>15,666,534</b>	<b>581,280</b>	<b>16,247,814</b>
of which Loans and advances	5,936,031	4,097,819	641,330	10,675,180	0	0	0	10,675,180	0	10,675,180
<b>Total liabilities and equity</b>	<b>10,750,737</b>	<b>7,178,759</b>	<b>668,052</b>	<b>18,597,548</b>	<b>196,520</b>	<b>14,142</b>	<b>-2,560,396</b>	<b>15,878,109</b>	<b>369,705</b>	<b>16,247,814</b>
of which Deposits	5,655,618	6,559,199	524,412	12,739,229	0	0	-59,072	12,680,157	0	12,680,157
of which Insurance liabilities	0	0	0	0	70,433	0	0	70,433	349,831	420,264

Operating segments 2014	Banking			Insurance Total	Other Faroe Islands	Elimination		Continuing	Discontinued	Group
	Faroe Islands	Denmark	Greenland					operations	operations	
<b>DKK 1,000</b>	<b>Faroe Islands</b>	<b>Denmark</b>	<b>Greenland</b>	<b>Total</b>	<b>Faroe Islands</b>			<b>Total</b>	<b>Iceland</b>	<b>Total</b>
External interest income, Net	272,355	182,757	40,393	495,505	2,162	84	0	497,751	10,639	508,390
Internal interest	-60,261	66,038	-5,777	0	0	0	0	0	0	0
Net interest income	212,094	248,795	34,615	495,505	2,162	84	0	497,751	10,639	508,390
Net Fee and dividends income	61,366	125,427	9,334	196,127	0	0	0	196,127	-5,809	190,318
Premium income, net of reinsurance	0	0	0	0	79,407	0	-1,060	78,346	239,364	317,710
Net premium income of reinsurance and claims	0	0	0	0	30,245	0	-1,060	29,185	46,850	76,035
Other income	17,000	4,466	1,307	22,773	763	-2,094	-989	20,453	10,310	30,763
<b>Total income</b>	<b>290,460</b>	<b>378,688</b>	<b>45,257</b>	<b>714,405</b>	<b>33,170</b>	<b>-2,010</b>	<b>-2,050</b>	<b>743,515</b>	<b>61,991</b>	<b>805,506</b>
Total operating expenses	185,642	490,989	77,883	754,514	17,894	2,841	-2,050	773,200	39,497	812,697
<b>Profit before impairment charges on loans</b>	<b>104,818</b>	<b>-112,302</b>	<b>-32,625</b>	<b>-40,109</b>	<b>15,276</b>	<b>-4,851</b>	<b>0</b>	<b>-29,685</b>	<b>22,494</b>	<b>-7,191</b>
Impairment charges, incl. reversals of aquired OEI impairments	42,784	36,086	6,094	84,963	0	0	0	84,963	0	84,963
<b>Profit before tax</b>	<b>62,034</b>	<b>-148,387</b>	<b>-38,719</b>	<b>-125,073</b>	<b>15,276</b>	<b>-4,851</b>	<b>0</b>	<b>-114,648</b>	<b>22,494</b>	<b>-92,154</b>
<b>Total assets</b>	<b>10,601,252</b>	<b>7,256,084</b>	<b>701,814</b>	<b>18,559,151</b>	<b>175,579</b>	<b>24,516</b>	<b>-2,223,745</b>	<b>16,081,522</b>	<b>453,978</b>	<b>16,535,501</b>
of which Loans and advances	5,707,417	4,129,760	654,332	10,491,509	0	0	0	10,491,509	0	10,491,509
<b>Total liabilities and equity</b>	<b>10,601,252</b>	<b>7,256,084</b>	<b>701,814</b>	<b>18,559,151</b>	<b>175,579</b>	<b>24,516</b>	<b>-2,223,745</b>	<b>16,081,522</b>	<b>453,978</b>	<b>16,535,501</b>
of which Deposits	5,846,793	6,376,034	467,185	12,690,011	0	0	-86,479	12,603,533	0	12,603,533
of which Insurance liabilities	0	0	0	0	64,469	0	0	64,469	302,389	366,858

## Notes – BankNordik Group

Note DKK 1,000

### 2 BankNordik Group – Geographical revenue information

(cont'd)

	Total income		Non.current assets		Additions to tangible assets		Additions to intangible assets	
	2015	2014	2015	2014	2015	2014	2015	2014
Faroe Islands	270,930	319,570	122,284	248,853	-19,597	63,557		
Denmark	384,250	378,688	54,420	468,819	-7,873	-8,574		
Iceland, discontinued operation	82,380	61,991	5,297	11,838	980	-808		
Greenland	45,466	45,257	46,956	118,622	1,773	-524		
<b>Total</b>	<b>783,026</b>	<b>805,506</b>	<b>228,958</b>	<b>848,131</b>	<b>-24,717</b>	<b>53,651</b>		

Income from external customers are divided into activities related to the customers's domiciles. Assets include all non-current assets, i.e. intangible assets, material assets, investment properties and holdings in associates.

## Notes

Note DKK 1,000

### 3 BankNordik Group

DKK 1,000	Interest income 2)	Interest expenses	Net interest	Market value adjustment 3)	Dividend	Total
<b>Net income, financial instruments 2015 1)</b>						
<b>Financial instruments at amortised cost</b>	<b>476,898</b>	<b>51,988</b>	<b>424,910</b>	<b>0</b>	<b>0</b>	<b>424,910</b>
Financial instruments at fair value:						
Held for trading	37,422	0	37,422	-34,835	9,244	11,830
Designated	35,068	0	35,068	-11,201	0	23,867
Subordinated debt	0	28,748	-28,748	7,285	0	-21,463
<b>Financial instruments at fair value total</b>	<b>72,490</b>	<b>28,748</b>	<b>43,742</b>	<b>-38,751</b>	<b>9,244</b>	<b>14,235</b>
<b>Total net income from financial instruments</b>	<b>549,388</b>	<b>80,736</b>	<b>468,652</b>	<b>-38,751</b>	<b>9,244</b>	<b>439,145</b>
<b>Net income, financial instruments 2014</b>						
<b>Financial instruments at amortised cost</b>	<b>534,141</b>	<b>95,444</b>	<b>438,698</b>	<b>0</b>	<b>0</b>	<b>438,698</b>
Financial instruments at fair value:						
Held for trading	49,821	0	49,821	-5,803	6,938	50,955
Designated	36,301	0	36,301	10,036	0	46,337
Subordinated Debt	0	27,069	-27,069	5,307	0	-21,762
<b>Financial instruments at fair value Total</b>	<b>86,122</b>	<b>27,069</b>	<b>59,053</b>	<b>9,540</b>	<b>6,938</b>	<b>75,530</b>
<b>Total net income from financial instruments</b>	<b>620,263</b>	<b>122,513</b>	<b>497,751</b>	<b>9,540</b>	<b>6,938</b>	<b>514,228</b>

1) The Group does not have held-to-maturity investments

2) Interest income recognised on impaired financial assets amounts to DKK 40m (2014: DKK 28m)

3) Market value adjustments on Subordinated debt relate to fair value adjustments

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
4	<b>Interest income and premiums on forwards</b>				
	Credit institutions and central banks	1,565	1,035	1,565	1,035
	Loans and advances	510,370	569,324	510,370	569,324
	Bonds	47,059	56,828	45,617	56,828
	Total derivatives of which:	-10,113	-8,973	-10,113	-8,973
	<i>Interest rate contracts</i>	-10,113	-8,973	-10,113	-8,973
	Other interest income	507	2,050	507	307
	<b>Total interest income</b>	<b>549,388</b>	<b>620,263</b>	<b>547,946</b>	<b>618,521</b>
5	<b>Interest expenses</b>				
	Credit institutions and central banks	2,812	1,026	2,812	1,026
	Deposits	36,781	76,528	36,781	76,528
	Subordinated debt	41,919	44,937	41,919	44,937
	Other interest expenses	-775	22	-673	525
	<b>Total interest expenses</b>	<b>80,736</b>	<b>122,513</b>	<b>80,839</b>	<b>123,016</b>
6	<b>Net fee and commission income</b>				
	Fee and commission income				
	Securities trading and custody accounts	58,022	52,384	58,022	52,384
	Credit transfers	24,300	26,718	24,300	26,718
	Loan commissions	12,433	11,284	12,433	11,284
	Guarantee commissions	19,326	20,484	19,326	20,484
	Other fees and commissions	118,337	94,554	118,337	94,554
	<b>Total fee and commission income</b>	<b>232,418</b>	<b>205,424</b>	<b>232,418</b>	<b>205,424</b>
	<b>Fee and commissions paid</b>				
	Securities trading and custody accounts	15,579	16,234	15,579	16,234
	<b>Net fee and commission income</b>	<b>216,839</b>	<b>189,190</b>	<b>216,839</b>	<b>189,190</b>
7	<b>Premium income, net of reinsurance</b>				
	Gross premiums, non-life insurance	90,520	85,527		
	Reinsurance premiums paid	6,544	5,254		
	Change in gross premium provisions	-2,538	-1,914		
	Change in reinsurers' share of premiums	0	-12		
	<b>Total non-life insurance</b>	<b>81,438</b>	<b>78,346</b>		

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
8	<b>Claims, net of reinsurance</b>				
	Gross claims paid	43,062	53,232		
	Claims handling costs	7,648	7,503		
	Reinsurance received	-68	-1,778		
	Change in gross claims provisions	3,427	-11,471		
	Change in reinsurers' share relating to provisions	-488	1,676		
	<b>Total non-life insurance</b>	<b>53,580</b>	<b>49,162</b>		
9	<b>Market value adjustments</b>				
	Loans and advances	-11,201	11,414	-11,201	11,414
	Bonds	-72,639	-7,380	-70,956	-8,207
	Shares	20,575	20,874	20,575	20,874
	Investment properties	0	-1,379	0	-1,379
	Foreign exchange	26,198	1,634	26,198	1,634
	Total derivatives of which:	-8,956	-20,181	-8,956	-20,181
	<i>Currency contracts</i>	-12,485	5,122	-12,485	5,122
	<i>Interest Swaps</i>	3,529	-25,303	3,529	-25,303
	Other Obligations	7,273	4,582	7,273	5,307
	Assets linked to pooled schemes	0	-25	0	-25
	<b>Total market value adjustments</b>	<b>-38,751</b>	<b>9,540</b>	<b>-37,067</b>	<b>9,438</b>
10	<b>Other operating income</b>				
	Profit on sale of investment and domicile properties and assets held for sale	8,215	919	8,215	919
	- of which assets held for sale	140	167	140	167
	Profit on sale of operating equipment	349	2,384	349	2,384
	Reversals of acquired OEI impairments	40,788	26,050	40,788	26,050
	Other income	9,282	14,896	1,312	9,590
	Operation of properties:				
	Rental income	1,484	1,681	2,489	2,671
	Operating expenses	-1,618	-2,229	-1,618	-2,229
	- of which investment properties	-1,580	-2,198	-1,580	-2,198
	- of which assets held for sale	-38	-30	-38	-30
	<b>Total other operating income</b>	<b>58,499</b>	<b>43,703</b>	<b>51,535</b>	<b>39,386</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
11	<b>Staff costs and administrative expenses</b>				
	Staff costs:				
	Salaries	250,011	234,783	234,846	221,207
	Pensions	28,642	28,437	26,742	26,684
	Social security expenses	30,236	30,603	28,493	28,903
	<b>Total staff costs</b>	<b>308,888</b>	<b>293,823</b>	<b>290,081</b>	<b>276,793</b>
	Administrative expenses:				
	IT	95,641	78,517	92,176	74,895
	Marketing etc	15,935	17,401	14,713	16,274
	Education etc	3,094	3,874	2,346	3,232
	Advisory services	10,972	3,226	10,972	3,226
	Other expenses	87,122	87,034	80,408	83,829
	<b>Total administrative expenses</b>	<b>212,763</b>	<b>190,052</b>	<b>200,615</b>	<b>181,455</b>
	Total staff costs	308,888	293,823	290,081	276,793
	Staff costs incl. under the item "Claims, net of reinsurance"	-7,648	-7,503	0	0
	Total administrative expenses	212,763	190,052	200,615	181,456
	<b>Total employee costs and administrative expenses</b>	<b>514,003</b>	<b>476,373</b>	<b>490,696</b>	<b>458,249</b>
	<b>Number of employees</b>				
	Average number of full-time employees in the period	418	448	388	418
	Executive remuneration:				
	Board of Directors	1,800	1,800	1,800	1,800
	Executive Board:				
	Salaries	4,110	4,557	4,110	4,557
	Pension	605	673	605	673
	Share-based payment	489	178	489	178
	Termination benefits, former CEO, Janus Petersen	9,640	0	9,640	0
	Termination benefits, former deputy CEO, John Rajan	4,366	0	4,366	0
	<b>Total executive board</b>	<b>19,210</b>	<b>5,408</b>	<b>19,210</b>	<b>5,408</b>
	<b>Total executive remuneration</b>	<b>21,010</b>	<b>7,208</b>	<b>21,010</b>	<b>7,208</b>
	<b>Remuneration of the senior executives</b>				
	<b>The Board of Directors in P/F BankNordik</b>				
	Stine Bosse (From March 2015)	450	0	450	0
	Rúni Vang Poulsen (From March 2015)	300	0	300	0
	Súsanna Poulsen (From March 2015)	150	0	150	0
	Jógvan Jespersen (From March 2015)	150	0	150	0
	Klaus Rasmussen (Until March 2015)	150	600	150	600
	Jens Erik Christensen (Until March 2015)	100	400	100	400
	Niels Vestermark (Until March 2015)	50	200	50	200
	Nils Sørensen (Until March 2015)	50	200	50	200
	Tórhallur Olsen	200	150	200	150
	Kenneth M. Samuelsen	200	200	200	200
	<b>Total</b>	<b>1,800</b>	<b>1,750</b>	<b>1,800</b>	<b>1,750</b>

In all the consolidated companies, the remuneration of the Board of Directors is a fixed monthly salary.



## Notes

11

(Cont'd)

### The Executive Board of P/F BankNordik

#### Árni Ellefsen (from 16 september 2015):

	Group		BankNordik	
	2015	2014	2015	2014
Fixed salary	620	0	620	0
Pension	93	0	93	0
Share-based payment	0	0	0	0
<b>Total</b>	<b>713</b>	<b>0</b>	<b>713</b>	<b>0</b>

#### Janus Petersen (Until september 2015):

Fixed salary	1,920	2,730	1,920	2,730
Pension	281	403	281	403
Share-based payment	293	107	293	107
Termination benefits, former CEO, Janus Petersen	9,640	0	9,640	0
<b>Total</b>	<b>12,134</b>	<b>3,240</b>	<b>12,134</b>	<b>3,240</b>

#### John Rajani (Until november 2015):

Fixed salary	1,570	1,827	1,570	1,827
Pension	231	270	231	270
Share-based payment	196	71	196	71
Termination benefits, former deputy CEO, John Rajan	4,366	0	4,366	0
<b>Total</b>	<b>6,363</b>	<b>2,168</b>	<b>6,363</b>	<b>2,168</b>

<b>Executive Board Total</b>	<b>19,210</b>	<b>5,408</b>	<b>19,210</b>	<b>5,408</b>
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The number of shares in P/F BankNordik held by the Board of Directors and the Executive Board at the end of 2015 totalled 3,542 and 5,010 respectively (end of 2014: 25,749 and 18,788).

#### Share-based payment

The share-based remuneration-programme for the Executive Board has been closed from year-end 2015. The programme was set effective as of 1 September 2014. The Executive Board was granted a total of 46,619 shares at an exercise price of DKK 112.90 per share.

In connection with the changes of the Executive Board the share based programme has been terminated. However, as part of the severance agreement the former Executive Board still has 34.965 outstanding options with an exercise price of 112,90 DKK and the allocated options can be exercised yearly in the period from september 1st to december 10th. All options have to be exercised no later than december 10th 2020. At this point all options not exercised will be invalidated.

BankNordik has reserved own shares corresponding to the outstanding share options comprised by the above mentioned share-based remuneration programme and thereby has eliminated the risk related to a possible ancrease in the price of the BankNordik share.

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
11	<b>Remuneration of other executives</b>				
(Cont'd)	Fixed salary	3,747	5,675	3,747	5,675
	Bonus				
	Pension	525	731	525	731
	<b>Total</b>	<b>4,272</b>	<b>6,406</b>	<b>4,272</b>	<b>6,406</b>

**The executives included in this group are:**

Árni Ellefsen, CFO (until 15 september 2015)

Rune Nørregaard, CCO

Henrik Jensen, CIO

Jan U. Madsen, Cm Denmark (until november 2014)

Turið F. Arge, Head of personal banking (from 1 october 2015)

**Remuneration Policy**

Remuneration of the Chief Executive Officer and other executives is consistent with the Group's remuneration policy. The Executives are paid a regular fixed salary including pension contribution, and have furthermore a supplementary bonus scheme under which the Board of Directors on an annual basis, and based on predefined conditions, decides whether to allocate payments to the Executives.

Payments under the supplementary bonus scheme are limited to cash payments and payments in BankNordik shares. Potential payments under the supplementary bonus scheme are limited to 25 pct. of the annual fixed salary, whereof 50 pct. shall consist of BankNordik shares.

12	<b>Audit fees</b>				
	Fees to audit firms elected at the general meeting	4,935	4,068	4,721	3,894
	<b>Total audit fees</b>	<b>4,935</b>	<b>4,068</b>	<b>4,721</b>	<b>3,894</b>
	<b>Total fees to the audit firms elected at the general meeting break down as follows:</b>				
	Statutory audit	1,108	1,085	929	911
	- of which PricewaterhouseCoopers	613	651	613	613
	- of which Januar	494	434	316	297
	Other assurance engagements	61	81	24	81
	- of which PricewaterhouseCoopers	24	43	24	81
	- of which Januar	37	38	0	0
	Tax and VAT advice	425	274	425	274
	- of which PricewaterhouseCoopers	425	274	425	274
	- of which Januar	0	0	0	0
	Other services	3,342	2,629	3,342	2,629
	- of which PricewaterhouseCoopers	3,342	2,629	3,342	2,629
	- of which Januar	0	0	0	0
	<b>Total fees to the audit firms elected at the general meeting</b>	<b>4,935</b>	<b>4,068</b>	<b>4,720</b>	<b>3,894</b>
13	<b>Other operating expenses</b>				
	The Guarantee Fund for Depositors and Investors	21,128	22,695	21,128	22,695
	Other operating expenses	350	2,716	350	2,716
	<b>Total operating expenses</b>	<b>21,478</b>	<b>25,411</b>	<b>21,478</b>	<b>25,411</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
14	<b>Impairment charges on loans and advances and provisions for guarantees etc.</b>				
	Impairment charges and provisions at 1 January	630,299	539,194	630,299	539,194
	New and increased impairment charges and provisions	176,658	220,135	176,658	220,135
	Reversals of impairment charges and provisions	99,813	84,084	99,813	84,084
	Written-off, previously impaired	36,143	44,945	36,143	44,945
	Interest income on impaired loans	26,479	27,551	26,479	27,551
	<b>Total individual impairment charges and provisions at 31 Dec</b>	<b>671,000</b>	<b>630,299</b>	<b>671,000</b>	<b>630,299</b>
	<b>Impairment charges and provisions recognised in the income statement</b>				
	Loans and advances at amortised cost	67,051	119,525	67,051	119,525
	Loans and advances at fair value	-2,065	984	-2,065	984
	Guarantees and loan commitments	-5,331	-9,581	-5,331	-9,581
	Assets held for sale	0	86	0	86
	<b>Total impairment charges and provisions</b>	<b>59,655</b>	<b>111,014</b>	<b>59,655</b>	<b>111,014</b>
	<b>Individual impairment charges etc.</b>				
	Individual impairment charges etc. at 1 January	544,643	457,562	544,643	457,562
	New and increased impairment charges	150,498	195,671	150,498	195,671
	Reversals of impairment charges	81,550	63,645	81,550	63,645
	Written-off, previously impaired	36,143	44,945	36,143	44,945
	Write-offs charged directly to the income statement	12,110	8,807	12,110	8,807
	Received on claims previously written off	2,820	6,292	2,820	6,292
	Interest income on impaired loans	26,479	27,551	26,479	27,551
	<b>Individual impairment charges etc. at 31 December</b>	<b>577,447</b>	<b>544,643</b>	<b>577,447</b>	<b>544,643</b>
	Total net impact recognised in the income statement	51,759	106,989	51,759	106,989
	<b>Collective impairment charges</b>				
	Collective impairment charges at 1 January	40,441	26,835	40,441	26,835
	New and increased impairment charges	15,553	14,412	15,553	14,412
	Reversals of impairment charges	2,325	806	2,325	806
	<b>Collective impairment charges at 31 December</b>	<b>53,669</b>	<b>40,441</b>	<b>53,669</b>	<b>40,441</b>
	Total net impact recognised in the income statement	13,228	13,606	13,228	13,606
	<b>Individual provisions on guarantees</b>				
	Individual provisions at 1 January	45,216	54,797	45,216	54,797
	New and increased provisions	10,607	10,052	10,607	10,052
	Reversals of provisions	15,938	19,633	15,938	19,633
	<b>Individual provisions on guarantees at 31 December</b>	<b>39,884</b>	<b>45,216</b>	<b>39,884</b>	<b>45,216</b>
	Total net impact recognised in the income statement	-5,331	-9,581	-5,331	-9,581

The Group issues a number of guarantees. Such facilities are valued at the higher of the received premium amortised over the life of the individual guarantee and the provision made, if any. Provisions are made if it is likely that claims will be made under a guarantee and the amount payable can be reliably measured.

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
14	<b>Loans and advances</b>				
(Cont'd)	Loans and advances at amortised cost	10,635,360	10,320,522	10,635,360	10,320,522
	Impairment charges	631,116	585,083	631,116	585,083
	<b>Total loans and advances at amortised cost</b>	<b>10,004,244</b>	<b>9,735,439</b>	<b>10,004,244</b>	<b>9,735,439</b>
	Loans and advances at fair value	695,189	725,527	695,189	725,527
	Fair value adjustments	-24,254	30,543	-24,254	30,543
	<b>Total loans and advances at fair value</b>	<b>670,936</b>	<b>756,070</b>	<b>670,936</b>	<b>756,070</b>
	<b>Total loans and advances</b>	<b>10,675,180</b>	<b>10,491,509</b>	<b>10,675,180</b>	<b>10,491,509</b>
	Of the total adjustment for credit risk on loans and advances at fair value, changes in 2015 were recognised as an income of DKK 2m (2014: Expenditure of DKK 1m).				
	<b>Total loans and advances with objective evidence of impairment</b>				
	Individual	1,175,014	1,250,251	1,175,014	1,250,251
	Carrying amount net of impairment charges	597,567	705,608	597,567	705,608
	Collective	9,250,760	7,898,570	9,250,760	7,898,570
	Carrying amount net of impairment charges	9,197,091	7,858,130	9,197,091	7,858,130
15	<b>Tax</b>				
	Tax on profit for the year	-114,293	31,287	-116,257	28,182
	Tax on changes in other comprehensive income	0	0	0	0
	<b>Total tax</b>	<b>-114,293</b>	<b>31,287</b>	<b>-116,257</b>	<b>28,182</b>
	<b>Tax on profit for the year</b>				
	Profit before tax	-368,855	-114,649	-337,266	-117,753
	Current tax charge	17,432	11,743	15,405	7,920
	Change in deferred tax	-132,309	19,544	-132,245	20,262
	Adjustment of prior-year tax charges	584	0	584	0
	<b>Total</b>	<b>-114,293</b>	<b>31,287</b>	<b>-116,257</b>	<b>28,182</b>
	<b>Effective tax rate</b>				
	Faroese tax rate	18.0%	18.0%	18.0%	18.0%
	Deviation in foreign entities tax compared to Faroese tax rate	2.7%	2.7%	3.1%	3.1%
	Impairment goodwill 2014	0.0%	-60.6%	0.0%	-47.1%
	Non-taxable income and non-deductible expenses	10.3%	9.1%	13.4%	2.1%
	Tax on profit for the year	31.0%	-30.8%	34.5%	-23.9%
	Adjustment on prior-year tax charges	-0.2%	0.0%	-0.2%	0.0%
	<b>Effective tax rate</b>	<b>30.8%</b>	<b>-30.8%</b>	<b>34.3%</b>	<b>-23.9%</b>

## Notes

Note DKK 1,000

### 16 Discontinued operations

In September the Group announced that it had entered into a conditional sales agreement with Arion Bank about Vörður. The sale is expected to receive regulatory approval in the first half of 2016.

	Group		BankNordik	
	2015	2014	2015	2014
<b>Income statement</b>				
Net interest income	11,395	10,640		
Dividends from shares and other investments	2,090	0		
Fee and commissions	-10,989	-5,809		
<b>Net interest, dividend, fee and commission income</b>	<b>2,495</b>	<b>4,830</b>		
Premium income, net of reinsurance	279,030	239,364		
Claims, net of reinsurance	244,971	192,513		
<b>Income and income from insurance activities, net</b>	<b>34,059</b>	<b>46,850</b>		
Market value adjustments	45,826	10,292		
Staff costs and administrative expenses	45,255	39,479		
<b>Profit before tax</b>	<b>37,125</b>	<b>22,493</b>		
Tax	3,572	3,970		
<b>Net profit from discontinued operations</b>	<b>33,553</b>	<b>18,523</b>		
<b>Assets</b>				
Cash in hand and demand deposits with central banks	96,574	80,017		
Due from credit institutions and central banks	0	18,874		
Bonds at fair value	149,819	206,319		
Shares, etc.	195,090	65,485		
Assets under insurance contracts	74,863	66,159		
Intangible assets	49,574	1,445		
Other property, plant and equipment	3,760	2,780		
Deferred tax assets	7,006	9,016		
Other assets	4,595	3,883		
Assets in disposal groups classified as held for sale			204,778	0
<b>Total assets</b>	<b>581,280</b>	<b>453,978</b>	<b>204,778</b>	<b>0</b>
<b>Liabilities</b>				
Liabilities under insurance contracts	349,831	302,389		
Other liabilities	19,874	13,742		
<b>Total liabilities</b>	<b>369,705</b>	<b>316,132</b>		
<b>Cash flow statement</b>				
Cash flow from operations	29,394	4,676		
Cash flow from investing activities	-1,501	-2,390		
Cash flow from financing activities	-14,521	-14,521		
<b>Cash flow</b>	<b>13,372</b>	<b>-12,235</b>		

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
17	<b>Cash in hand and demand deposits with central banks</b>				
	Cash in hand	170,102	94,918	110,982	94,918
	Demand deposits with central banks	190,770	344,574	249,842	264,557
	<b>Total</b>	<b>360,872</b>	<b>439,492</b>	<b>360,824</b>	<b>359,475</b>
18	<b>Due from credit institutions and central banks specified by institution</b>				
	Credit institutions	298,550	521,276	298,550	502,401
	Central banks	112,000	0	112,000	0
	<b>Total</b>	<b>410,550</b>	<b>521,276</b>	<b>410,550</b>	<b>502,401</b>
19	<b>Due from credit institutions and central banks specified by maturity</b>				
	On demand	102,364	521,276	102,364	502,401
	3 months and below	108,186	0	108,186	0
	Over 1 year to 5 years	200,000	0	200,000	0
	<b>Total</b>	<b>410,550</b>	<b>521,276</b>	<b>410,550</b>	<b>502,401</b>
20	<b>Loans and advances specified by sectors</b>				
	Public authorities	4%	3%	4%	3%
	<b>Corporate sector:</b>				
	Fisheries, agriculture, hunting and forestry	5%	4%	5%	4%
	Industry and raw material extraction	5%	5%	5%	5%
	Energy supply	2%	2%	2%	2%
	Building and construction	3%	3%	3%	3%
	Trade	10%	10%	10%	10%
	Transport, hotels and restaurants	4%	4%	4%	4%
	Information and communications	0%	1%	0%	1%
	Financing and insurance	2%	6%	2%	6%
	Real property	6%	7%	6%	7%
	Other industries	4%	3%	4%	3%
	Total corporate sector	41%	44%	41%	44%
	Retail customers	55%	53%	55%	53%
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
21	<b>Loans and advances specified by maturity</b>				
	On demand	353,329	311,090	353,329	311,090
	3 months and below	191,477	661,109	191,477	661,109
	3 months to 1 year	1,833,981	1,629,570	1,833,981	1,629,570
	Over 1 year to 5 years	4,295,953	3,886,748	4,295,953	3,886,748
	Over 5 years	4,000,439	4,002,992	4,000,439	4,002,992
	<b>Total loans and advances</b>	<b>10,675,180</b>	<b>10,491,509</b>	<b>10,675,180</b>	<b>10,491,509</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
22	<b>Bonds at fair value</b>				
	Mortgage credit bonds	2,778,993	2,543,591	2,682,488	2,488,271
	Government bonds	421,760	541,704	394,319	363,482
	Other bonds	198,063	449,383	198,063	385,485
	<b>Bonds at fair value</b>	<b>3,398,816</b>	<b>3,534,678</b>	<b>3,274,870</b>	<b>3,237,238</b>
	All bonds form part of the Group's trading portfolio				
23	<b>Shares etc.</b>				
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	32,928	63,620	32,928	63,620
	Shares/unit trust certificates listed on other stock exchanges	17,341	112,848	17,341	47,425
	Other shares at fair value using the fair-value option	189,725	178,329	189,725	173,775
	<b>Total shares etc.</b>	<b>239,995</b>	<b>354,797</b>	<b>239,995</b>	<b>284,821</b>
24	<b>Assets under insurance contracts</b>				
	<b>Non-life insurance</b>				
	Reinsurers' share of claims provisions	615	9,063		
	Receivables from insurance contracts	19,648	62,470		
	<b>Total non-life insurance</b>	<b>20,263</b>	<b>71,533</b>		
	<b>Maturity within 12 months</b>	<b>19,648</b>	<b>62,470</b>		
	<b>Life insurance</b>				
	Reinsurers' share of provisions	0	4,777		
	Other assets	0	2,093		
	<b>Total life insurance</b>	<b>0</b>	<b>6,870</b>		
	<b>Total Assets under insurance contracts</b>	<b>20,263</b>	<b>78,403</b>		

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
25	<b>Holdings in associates</b>				
	Cost at 1 January	4,725	7,825	4,725	7,825
	Disposals	0	3,100	0	3,100
	<b>Cost at 31 December</b>	<b>4,725</b>	<b>4,725</b>	<b>4,725</b>	<b>4,725</b>
	Revaluations at 1 January	2,726	6,361	2,726	6,361
	Share of profit	-1,908	-6,736	-1,908	-6,736
	Reversals of revaluations	0	3,100	0	3,100
	<b>Revaluations at 31 December</b>	<b>818</b>	<b>2,726</b>	<b>818</b>	<b>2,726</b>
	<b>Carrying amount at 31 December</b>	<b>5,543</b>	<b>7,451</b>	<b>5,543</b>	<b>7,451</b>

	Income	Net profit	Total assets	Total liabilities	Total equity	Ownership %	Groups share of equity
<b>Holdings in associates 2015</b>							
P/F Elektron	85,894	-5,557	62,666	43,373	15,985	34%	5,488
P/F Conseco	-15	-16	0	-122	122	25%	0
<b>Holdings in associates 2014</b>							
P/F Elektron	86,064	-19,782	62,914	41,373	21,541	34%	7,451

The information disclosed is extracted from the companies' most recent annual report (2014).



## Notes

Note DKK 1,000

	Group		BankNordik	
	2015	2014	2015	2014
<b>26 Holdings in subsidiaries</b>				
Cost at 1 January			188,252	188,252
Additions			30,000	0
Reclassified to assets in disposal groups as held for sale			74,252	0
<b>Cost at 31 December</b>			<b>144,000</b>	<b>188,252</b>
Revaluations at 1 January			49,365	56,630
Share of profit			42,491	32,583
Dividends			39,521	30,820
Reversals of revaluations			97,051	0
Foreign currency translation			6,625	-9,028
<b>Revaluations at 31 December</b>			<b>-38,092</b>	<b>49,365</b>
<b>Carrying amount at 31 December</b>			<b>105,908</b>	<b>237,616</b>
<b>Holdings in subsidiaries</b>	Owner-ship %	Share capital end of year	Shareholders' equity for the year	Profit/loss for the year
P/F Trygd	100%	40,000	69,643	6,483
P/F Skyn	100%	4,000	6,472	2,698
P/F NordikLív	100%	30,000	29,757	-243
Sp/f Íbúðir undir Gráasteini (at the end of 2012)	0%	125	-	-

The information disclosed is extracted from the companies' most recent annual reports (P/F Trygd, P/F Skyn, P/F NordikLív annual reports 2015 the others 2014).

## Notes

Note DKK 1,000

27	<b>Intangible assets – BankNordik P/F 2015</b>	Goodwill	Customer Relations	Total
	Cost at 1 January	694,006	122,574	816,581
	Reclassified to assets in disposal groups as held for sale	-41,275	0	-41,275
	Foreign currency translation	560	0	560
	<b>Cost at 31 December</b>	<b>653,291</b>	<b>122,574</b>	<b>775,865</b>
	Amortisation and impairment charges at 1 January	-250,007	-45,901	-295,908
	Amortisation charges during the year		-12,257	-12,257
	Impairment charges during the year	-403,283	-64,416	-467,699
	Amortisation and impairment charges at 31 December	-653,291	-122,574	-775,865
	<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Amortisation period	Annual impairment test	10 years	
	<b>Intangible assets 2014</b>	Goodwill	Customer Relations	Total
	Cost at 1 January	699,764	122,574	822,339
	Foreign currency translation	-5,758	0	-5,758
	<b>Cost at 31 December</b>	<b>694,006</b>	<b>122,574</b>	<b>816,581</b>
	Amortisation and impairment charges at 1 January	0	-33,644	-33,644
	Amortisation charges during the year	0	-12,257	-12,257
	Impairment charges during the year	-250,007	0	-250,007
	Amortisation and impairment charges at 31 December	-250,007	-45,901	-295,908
	<b>Carrying amount at 31 December</b>	<b>443,999</b>	<b>76,673</b>	<b>520,672</b>
	Amortisation period	Annual impairment test	10 years	

## Notes

Note DKK 1,000

27 (Cont'd)	<b>Intangible assets – BankNordik Group 2015</b>	Goodwill	Customer Relations	Longterm cost	Total
	Cost at 1 January	703,064	122,574	24,454	850,093
	Reclassified to assets in disposal groups as held for sale	-49,574	0	0	-49,574
	Foreign currency translation	-200	0	1,566	1,366
	<b>Cost at 31 December</b>	<b>653,291</b>	<b>122,574</b>	<b>26,020</b>	<b>801,885</b>
	Amortisation and impairment charges at 1 January	-250,007	-45,901	-24,454	-320,363
	Amortisation charges during the year	0	-12,257	0	-12,257
	Impairment charges during the year	-403,283	-64,416	0	-467,699
	Foreign currency translation	0	0	-1,566	-1,566
	Amortisation and impairment charges at 31 December	-653,291	-122,574	-26,020	-801,885
	<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Amortisation period	Annual impairment test	10 years	3 years	
	<b>Intangible assets 2014</b>	Goodwill	Customer Relations	Longterm cost	Total
	Cost at 1 January	708,913	122,574	26,020	857,508
	Foreign currency translation	-5,849	0	-1,566	-7,415
	<b>Cost at 31 December</b>	<b>703,064</b>	<b>122,574</b>	<b>24,454</b>	<b>850,093</b>
	Amortisation and impairment charges at 1 January	0	-33,644	-25,724	-59,367
	Amortisation charges during the year	0	-12,257	-278	-12,536
	Impairment charges during the year	-250,007	0	0	-250,007
	Foreign currency translation	0	0	1,548	1,548
	Amortisation and impairment charges at 31 December	-250,007	-45,901	-24,454	-320,363
	<b>Carrying amount at 31 December</b>	<b>453,057</b>	<b>76,673</b>	<b>-0</b>	<b>529,730</b>
	Amortisation period	Annual impairment test	10 years	3 years	

## Notes

27 In 2009 BankNordik acquired goodwill in connection with the acquisition of the Icelandic company Vörður. In 2010 BankNordik  
(Cont'd) acquired 12 branches in Denmark and Greenland from Sparbank. In 2011 BankNordik acquired 13 branches in Denmark from Amagerbanken.

The remaining amortization periods are four to five years for customer relations (2014: five to six years) and goodwill had an indefinite life in both 2014 and 2015.

### **Impairment test**

The BankNordik Groups goodwill are at least tested annually for impairment. The Group performs an impairment test during the year if there are indications of impairment. The activities are tested on the identified cash-generating unit to which the assets have been allocated. Goodwill is allocated to the operating segments Denmark, Greenland and Iceland.

Due to fact that the bank has had a binding offer on the Icelandic activities covering the carrying amount, there has not been performed an impairment test on the Icelandic activities. The carrying amount is included in "Assets in disposal groups classified as held for sale".

The impairment test of the allocated Goodwill and Customer relations related to the operating segments in Denmark and Greenland demanded impairment charges to be made. Thus for 2015, BankNordik's management has made impairment charges of DKK 398m relating to Denmark and DKK 70m relating to Greenland (2014: a total of DKK 250m).

The impairment charges are induced by the challenged macroeconomic development across the Bank's geographical exposure, subject to extremely low interest rates. Another factor contributing to the impairments is the reduced business volume resulting from the un-winding of the Danish corporate portfolio. Furthermore the higher capital requirements imposed on the Bank also impact the impairments.

### **Distributable dividend model**

The impairment test compares the carrying amount with the estimated present value of the anticipated future cash flows. The special debt structure in financial groups means that the calculation basis for the present value of future cash flows is based on a distributable dividend model. The distributable dividend model is based on approved strategies and earnings estimates for the cash-generating business areas for the next three to five years. Furthermore the model is based on solvency and liquidity requirements in the cash-generating business areas. The cash-generating business areas are treated as separate business areas and consequently any excess liquidity is settled with an internal interest rate.

At the end of 2015 the Group has tested goodwill allocated to the cash-generating areas shown below:

## Notes

### 27 Sensitivity

(Cont'd)

#### Denmark

Customer relations has been impaired at the end of 2015 with DKK 58m. A reversal of the impairment charges would demand a downward change of the discount rate after tax by approx. 1.3% points.

#### Greenland

Customer relations has been impaired at the end of 2015 with DKK 7m. A reversal of the impairment charges would demand a downward change of the discount rate after tax by approx. 0.6% points.

### Discount rate, long-term growth rate. pct. and Cost of capital

Discount rate	Denmark and Greenland 2015	Denmark and Greenland 2014
Risk free rate, after tax	0.75	0.85
Specific market risk rate, after tax	9.75	7.15
Total discount rate, after tax	10.50	8.00
<b>Long-term growth rate, pct.:</b>	<b>1.5</b>	<b>2.0</b>
Cost of capital	13.5	11.4

**Discount rate:** the after tax discount rate used to discount the cash flows is based on the risk-free rate in the country concerned and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgment.

In addition, for the purposes of testing goodwill for impairment, management supplements this process by comparing the discount rates with cost of capital rates produced by external sources. The group uses externally-sourced cost of capital rates where, in management's judgment, these rates reflect more accurately the current market and economic conditions. The group has increased the discount rate due to the challenged macroeconomic development across the Bank's geographical exposure, subject to extremely low interest rates and low economic growth.

**Long-term growth rate:** external data that reflects the market's assessment of GDP and inflation for the countries within which the CGU operates.

**Cost of capital:** is reflecting the groups capital requirements due to increasing minimum capital demands according to CRR.

## Notes

### Key budgeting assumptions

27

(Cont'd)

#### Denmark

Budget area	Development	Basis for the assumption in the budget period	Change impact on recoverable amount
Interest margin	Decrease	Increasing competition estimated to result in a downward trend in the bank's lending rate relative to the deposits rate.	Negative
Costs	Decrease	Continuing focus on costs is estimated to result in decreasing costs in the budgeting period.	Positive
Impairments, pct.	Increase	Compared to 2015 the group estimates slightly increasing impairments on loans and guarantees in the budgeting period.	Negative

#### Greenland

Budget area	Development	Basis for the assumption in the budget period	Change impact on recoverable amount
Interest margin	Decrease	Increasing competition estimated to result in a downward trend in the bank's lending rate relative to the deposits rate.	Negative
Costs	Decrease	Continuing focus on costs is estimated to result in decreasing costs in the budgeting period.	Positive
Fees, net	Increase	Increased focus on fee income is expected to result in higher income.	Positive

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
28	<b>Investment property</b>				
	Fair value at 1 January	64,863	120,358	64,863	120,358
	Reclassification to assets held for sale	22,000	39,000	22,000	39,000
	Disposals	17,563	15,116	17,563	15,116
	Fair value adjustment	0	-1,379	0	-1,379
	<b>Fair value at 31 December</b>	<b>25,299</b>	<b>64,863</b>	<b>25,299</b>	<b>64,863</b>

Rental income from investment property amounted to DKK 1.1m in 2015 (2014: DKK 0.5m). Expenses directly attributable to investment property generating rental income amounted to DKK 1.6m (2014: DKK 2.2m).

The fair value is assessed by the group's internal valuers at least once a year on 31st December on the basis of an income based approach. Valuations rely substantially on non-observable input, i.e. level 3 measures. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition. The required rate of return ranged between 5.9% – 7.5% (2014: 5.9% – 7.5%) and averaged 6.4% (2014: 6.4%). An increase in the required rate of return of 1.0 percentage point, would reduce fair value at end-2015 by DKK 2.6m. A decrease in rental rates of DKK 100 pr m2 would reduce fair value at end-2015 by DKK 2.5m.

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
29	<b>Domicile property</b>				
	Cost at 1 January	226,504	167,495	224,459	165,450
	Additions	29,533	73,137	29,533	73,137
	Disposals	48,069	14,128	48,069	14,128
	<b>Cost at 31 December</b>	<b>207,968</b>	<b>226,504</b>	<b>205,923</b>	<b>224,459</b>
	Adjustments at 1 January	-11,022	3,533	-11,001	3,533
	Depreciation charges during the year	965	1,019	944	999
	Reversal of depreciation charges on disposals during the year	843	515	843	515
	Reversed revaluations recognised in other comprehensive income	10,756	0	10,756	0
	Impairments recognised in the income statement	21,891	14,050	21,891	14,050
	<b>Adjustments at 31 December</b>	<b>-43,790</b>	<b>-11,021</b>	<b>-43,749</b>	<b>-11,001</b>
	<b>Carrying amount at 31 December</b>	<b>164,178</b>	<b>215,483</b>	<b>162,173</b>	<b>213,458</b>

Tangible assets include domicile property of DKK 164m (2014: DKK 215m). Carrying amount at 31 December if the property had not been revalued is DKK 191m (2014: DKK 192m).

If indications of impairment exist, domicile property is written down to the lower of the carrying amount and its value in use. The properties are valued individually by the groups internal valuers on the basis of the rate of return used for investment property disclosed in note 28. At the end of 2015, the fair value of domicile property was DKK 173m (2014: DKK 174m). The required rate of return is 5 – 9% (2014: 5,5 – 9,0%). The depreciation period is 50 years. A decrease in rental rates of DKK 100 pr m<sup>2</sup> would reduce fair value at end-2015 by DKK 16.2m.



## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
30	<b>Other property, plant and equipment</b>				
	Cost at 1 January	90,075	89,978	85,243	72,848
	Additions	12,282	14,636	11,993	13,444
	Disposals	1,880	1,778	1,880	1,048
	Foreign currency translation	0	-752	0	0
	<b>Cost at 31 December</b>	<b>100,477</b>	<b>102,083</b>	<b>95,355</b>	<b>85,243</b>
	Depreciation and impairment charges at 1 January	62,257	64,523	58,300	51,609
	Depreciation charges during the year	11,219	9,082	10,840	7,484
	Reversals of depreciation and impairment charges	1,639	1,566	1,639	793
	Foreign currency translation	0	-554	0	0
	<b>Depreciation and impairment charges at 31 December</b>	<b>71,837</b>	<b>71,485</b>	<b>67,501</b>	<b>58,300</b>
	<b>Carrying amount at 31 December</b>	<b>28,640</b>	<b>30,598</b>	<b>27,854</b>	<b>26,943</b>

The depreciation period is 3 – 5 years.

31	<b>Deferred tax, Group</b>				
	Deferred tax assets	66,320	27,431		
	Deferred tax liabilities	0	86,189		
	<b>Deferred tax, net</b>	<b>66,320</b>	<b>-58,758</b>		

### Change in deferred tax

	At 1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	At 31 Dec.
<b>2015</b>					
Intangible assets	-119,397	0	179,168	0	59,771
Tangible assets	-4,913	0	9,897	0	4,984
Securities	527	0	463	0	990
Provisions for obligations	64	0	1	0	65
Tax loss carryforwards	64,452	0	-64,452	0	0
Other	509	0	0	0	509
<b>Total</b>	<b>-58,758</b>	<b>0</b>	<b>125,077</b>	<b>0</b>	<b>66,320</b>

Adjustment of prior-year tax charges included in preceding item.

Deferred tax will be utilized in the coming years, due to expected positive annual results. Profit before tax for 2015 was 98.8m when excluding the impairment of goodwill.

<b>2014</b>					
Intangible assets	-78,454	0	-40,943	0	-119,397
Tangible assets	-9,057	0	4,144	0	-4,913
Securities	527	0	0	0	527
Provisions for obligations	63	0	1	0	64
Tax loss carryforwards	51,914	-704	13,242	0	64,452
Other	467	0	42	0	509
<b>Total</b>	<b>-34,540</b>	<b>-704</b>	<b>-23,514</b>	<b>0</b>	<b>-58,758</b>

Adjustment of prior-year tax charges included in preceding item

## Notes

Note	DKK 1,000	BankNordik	
		2015	2014
31	<b>Deferred tax, BankNordik</b>		
	Deferred tax assets	66,278	18,384
	Deferred tax liabilities	0	86,189
	<b>Deferred tax, net</b>	<b>66,278</b>	<b>-67,805</b>

	At 1 Jan.	Other adjustments	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
<b>Change in deferred tax</b>					
<b>2015</b>					
Intangible assets	-119,141	0	179,168	0	60,027
Tangible assets	-5,136	0	10,192	0	5,056
Securities	51	0	463	0	514
Provisions for obligations	64	0	617	0	681
Tax loss carryforwards	55,418	0	-55,418	0	0
Other	938	0	-938	0	0
<b>Total</b>	<b>-67,805</b>	<b>0</b>	<b>134,083</b>	<b>0</b>	<b>66,278</b>

Adjustment of prior-year tax charges included in preceding item.

Deferred tax will be utilized in the coming years, due to expected positive annual results. Profit before tax for 2015 was 98.8m when excluding the impairment of goodwill.

<b>2014</b>					
Intangible assets	-78,198	0	-40,943	0	-119,141
Tangible assets	-9,280	0	4,144	0	-5,136
Securities	51	0	0	0	51
Provisions for obligations	63	0	1	0	64
Tax loss carryforwards	39,546	0	15,873	0	55,418
Other	468	-193	663	0	938
<b>Total</b>	<b>-47,350</b>	<b>-193</b>	<b>-20,262</b>	<b>0</b>	<b>-67,805</b>

Adjustment of prior-year tax charges included in preceding item

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
32	<b>Assets held for sale</b>				
	Total purchase price at 1 January	54,322	66,073	54,322	66,073
	Additions	10,459	9,108	10,459	9,108
	Reclassification from investment properties	22,000	39,000	22,000	39,000
	Disposals	45,762	59,858	45,762	59,858
	<b>Total purchase price at 31 December</b>	<b>41,020</b>	<b>54,322</b>	<b>41,020</b>	<b>54,322</b>
	Impairment at 1 January	2,551	7,905	2,551	7,905
	Impairment charges for the year	3,163	86	3,163	86
	Reversal of impairment on disposals and write offs during the year	97	5,439	97	5,439
	<b>Impairment at 31 December</b>	<b>5,617</b>	<b>2,551</b>	<b>5,617</b>	<b>2,551</b>
	<b>Total assets held for sale at 31 December</b>	<b>35,402</b>	<b>51,771</b>	<b>35,402</b>	<b>51,771</b>
	<b>Specification of assets held for sale</b>				
	Real property taken over in connection with non-performing loans	35,402	51,206	35,402	51,206
	Other tangible assets taken over in connection with non-perf. loans	0	565	0	565
	<b>Total</b>	<b>35,402</b>	<b>51,771</b>	<b>35,402</b>	<b>51,771</b>

The item "Assets held for sale" comprises only assets taken over in connection with non-performing loans.

The Group's policy is to dispose off the assets as quickly as possible.

Profit on the sale of real property and tangible assets taken over in connection with non-performing loans is recognised under the item "Other operating income". The Group's real estate agency is responsible for selling the real property.

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
33	<b>Other assets</b>				
	Interest and commission due	62,510	46,661	62,510	46,661
	Derivatives with positive fair value	39,240	49,640	39,240	49,640
	Other amounts due	92,620	55,887	89,568	50,624
	<b>Total</b>	<b>194,370</b>	<b>152,188</b>	<b>191,318</b>	<b>146,925</b>
34	<b>Due to credit institutions and central banks specified by institution</b>				
	Due to central banks	261,228	261,034	261,228	261,034
	Due to credit institutions	313,563	330,313	313,563	330,313
	<b>Total</b>	<b>574,791</b>	<b>591,347</b>	<b>574,791</b>	<b>591,347</b>
35	<b>Due to credit institutions and central banks specified by maturity</b>				
	On demand	274,791	291,347	274,791	291,347
	Over 1 year to 5 years	81,818	0	81,818	0
	Over 5 years	218,182	300,000	218,182	300,000
	<b>Total</b>	<b>574,791</b>	<b>591,347</b>	<b>574,791</b>	<b>591,347</b>
36	<b>Deposits specified by type</b>				
	On demand	9,147,887	8,470,929	9,202,104	8,557,407
	At notice	1,423,744	1,482,210	1,423,744	1,482,210
	Time deposits	747,557	1,269,224	747,557	1,269,224
	Special deposits	1,360,969	1,381,169	1,365,824	1,381,169
	<b>Total deposits</b>	<b>12,680,157</b>	<b>12,603,533</b>	<b>12,739,229</b>	<b>12,690,011</b>
37	<b>Deposits specified by maturity</b>				
	On demand	9,017,901	8,516,996	9,076,973	8,603,475
	3 months and below	1,661,925	2,423,926	1,661,925	2,423,926
	3 months to 1 year	284,924	210,715	284,924	210,715
	Over 1 year to 5 years	662,239	711,955	662,239	711,955
	Over 5 years	1,053,169	739,939	1,053,169	739,939
	<b>Total deposits</b>	<b>12,680,157</b>	<b>12,603,533</b>	<b>12,739,229</b>	<b>12,690,011</b>
38	<b>Liabilities under insurance contracts</b>				
	<b>Non-life insurance</b>				
	Provisions for unearned premiums	28,899	114,389		
	Claims provisions	41,534	245,512		
	<b>Total</b>	<b>70,433</b>	<b>359,901</b>		
	<b>Life insurance</b>				
	Life insurance provisions	0	3,090		
	Other technical provisions	0	3,867		
	<b>Total provisions for insurance contracts</b>	<b>0</b>	<b>6,957</b>		
	<b>Total</b>	<b>70,433</b>	<b>366,858</b>		

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
39	<b>Other liabilities</b>				
	Sundry creditors	67,272	83,682	55,343	54,782
	Accrued interest and commission	28,003	53,246	28,003	53,246
	Derivatives with negative value	74,872	97,486	74,872	97,486
	Accrued staff expenses	45,784	52,921	45,784	49,764
	Debt regarding sale of investment assets	14,047	38,037	14,047	38,037
	Other obligations	15,862	23,976	15,862	23,927
	<b>Total</b>	<b>245,840</b>	<b>349,348</b>	<b>233,912</b>	<b>317,241</b>

### 40 Subordinated capital

		Cur- rency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2015	2014
Subordinated capital	a	DKK	P/F BankNordik	270,000	8.383%	2011	6/24/2021	No	100	271,273	273,640
Hybrid core capital	b	DKK	P/F BankNordik	180,000	10.383%	2011	Perpetual	No	100	180,903	185,040
At 31 December				450,000						452,177	458,680
Of which fair value adjustment										4,274	11,560

#### Interest rate:

		Hedged with interest swaps	Until 23.6.2016	From 24.6.2016
Subordinated capital	a		120m	8.383% CIBOR 3M + 7,0%
Hybrid core capital	b		180m	10.383% CIBOR 3M + 7,5%

Fair value adjustments of hedged capital are at year-end 2015 DKKt 4,274 (year-end 2014: DKKt 11,560). As the capital is hedged the fair value adjustments have no effect on the income statement. Of the subordinated capital 150m is not hedged. Term of maturity of the hedging instruments is June 2016

Subordinated capital is included in the capital base in accordance with section 128 of the Faroese Financial Business Act and CRR.

The subordinated capital can not be converted into share capital. Early redemption of subordinated debt must be approved by the Danish FSA. In the event of BankNordiks voluntary or compulsory winding-up, this liability will not be repaid until claims of ordinary creditors have been met. See note 46 for further information regarding valuation of the Subordinated capital.

## Notes

Note	DKK 1,000	BankNordik	
		2015	2014
41	<b>BankNordik Shares</b>		
	<b>Net profit</b>	-221,009	-127,412
	Average number of shares outstanding	9,863	9,863
	Average number of shares outstanding, including dilutive shares diluted	9,863	9,863
	Earnings per share, DKK	-22.41	-12.92
	Diluted net profit for the period per share, DKK	-22.41	-12.92

The share capital is made up of shares of a nominal value of DKK 20 each. All shares carry the same rights. Thus there is only one class of shares.

**Average number of shares outstanding:**

Issued shares at 1 January, numbers in 1,000	10,000	10,000
Issued shares at end of period	10,000	10,000
Shares outstanding at end of period	9,863	9,863
Group's average holding of own shares during the period	137	137
<b>Average shares outstanding</b>	<b>9,863</b>	<b>9,863</b>

	Number	Number	Value	Value
<b>Holding of own shares</b>	2015	2014	2015	2014
Investment portfolio	27,245	27,245	3,476	2,847
Trading portfolio	109,997	109,997	14,036	11,495
<b>Total</b>	<b>137,242</b>	<b>137,242</b>	<b>17,512</b>	<b>14,342</b>

	Investment	Trading	Total	Total
	portfolio	portfolio	2015	2014
Holding at 1 January	2,847	11,495	14,342	17,567
Acquisition of own shares	0	27,190	27,190	18,903
Sale of own shares	0	27,190	27,190	18,903
Value adjustment	463	2,541	3,170	-3,225
<b>Holding at 31 December</b>	<b>3,476</b>	<b>14,036</b>	<b>17,512</b>	<b>14,342</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		2015	2014	2015	2014
42	<b>Contingent liabilities</b>				
	The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised on the balance sheet.				
	<b>Guarantees</b>				
	Financial guarantees	317,347	286,094	317,347	286,094
	Mortgage finance guarantees	1,233,408	423,022	1,233,408	423,022
	Registration and remortgaging guarantees	557,980	469,335	557,980	469,335
	Other guarantees	319,774	836,636	319,774	836,636
	<b>Total</b>	<b>2,428,508</b>	<b>2,015,087</b>	<b>2,428,508</b>	<b>2,015,087</b>

In addition, the Group has granted credit facilities related to credit cards and overdraft facilities that can be terminated at short notice. At the end of 2015, such unused credit facilities amounted to DKK 2.6bn (2014: DKK 2.4bn). Furthermore the Group has granted irrevocable loan commitments amounting to DKK 145 (2014: DKK 97m).

In total operational leasing (rent) liabilities amount to 19.4m (2014: DKK 31.0). Renting contracts for an amount of DKK 8.0m (2014: DKK 10.1) have a 12 months term of notice. Renting contracts for an amount of DKK 11.4m (2014: DKK 20.9m) have a term of notice from 1 to 5 years.

In connection with the acquisition of shares in Vörður Tryggingar hf. for a total nominal amount of ISK 2.406.328.750, (DKK 113m) BankNordik participated in two currency auctions conducted by the Icelandic central bank, at which foreign investors are allowed to buy ISK amounts at a discount. ISK amounts acquired at these auctions must be used for investments in Iceland, and if such investments are sold within five years of the date of the currency auction, the Icelandic central bank is entitled to claim one-third of the value of the investment at no consideration. On 30 March and 22 June 2012, BankNordik acquired ISK at an Icelandic central bank currency auction for the purpose of partially financing BankNordik's purchase of shares at nominal amounts of ISK 379,015,000 (DKK 18m) and of ISK 37,485,000 (DKK 2m), respectively in Vörður Tryggingar hf. Accordingly, the Icelandic central bank would be entitled to claim one third of the nominal value of ISK 379,015,000 (DKK 18m) and one third of the nominal value of ISK 37,485,000 (DKK 2m) of BankNordik's shares in Vörður Tryggingar hf. at no consideration, if BankNordik were to divest these shareholdings before 30 March 2017 and 22 June 2017, respectively. At the date of the currency auctions, the investments were valued at ISK 807,694,000 (DKK 38m) and ISK 120,050,000 (DKK 6m), respectively.

### 43 Assets deposited as collateral

At the end of 2015 the Group had deposited bonds at a total market value of DKK 38m (2014: DKK 24m) with Danmarks Nationalbank (the Danish Central Bank) primarily in connection with cash deposits.

At the end of 2015 the Group had deposited bonds and cash at a total market value of DKK 22.8m (2014: DKK 43m) in connection with negative market value of derivatives.

## Notes

Note DKK 1,000

44 Related parties	Parties with significant influence		Associated undertakings		Board of Directors		Executive Board	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Assets</b>								
Loans			13,745	9,832	86,439	314	2,400	1,890
<b>Total</b>			<b>13,745</b>	<b>9,832</b>	<b>86,439</b>	<b>314</b>	<b>2,400</b>	<b>1,890</b>
<b>Liabilities</b>								
Deposits	7,221	4,739	20,073	963	32,521	997	225	457
<b>Total</b>	<b>7,221</b>	<b>4,739</b>	<b>20,073</b>	<b>963</b>	<b>32,521</b>	<b>997</b>	<b>225</b>	<b>457</b>
<b>Off-balance sheet items</b>								
Guarantees issued			0	3,405				
Guarantees and collateral received			0	13,063	82,476	8,362	2,035	1,684
<b>Income Statement</b>								
Interest income	0	0	637	549	205	378	46	83
Interest expense	12	21	0	0	3	8	1	6
Fee income	1	2	4	15	2	2	1	1
<b>Total</b>	<b>-11</b>	<b>-19</b>	<b>640</b>	<b>563</b>	<b>204</b>	<b>372</b>	<b>47</b>	<b>78</b>

Related parties with significant influence are shareholders with holdings exceeding 20% of P/F BankNordiks share capital. The shareholder Fíggjargrunnurin frá 1992 is the only party with significant influence.

Note 25 lists associated undertakings.

In 2015 interest rates on credit facilities granted to associated undertakings were between 3.1% – 14.5% (2014: 2.28% – 17.35%).

The Board of Directors and Executive Board columns list the personal facilities, deposits, etc., held by members of the Board of Directors and the Executive Board and their deposits, etc., held by members of the Board of Directors and the Executive Board and their dependants and facilities with businesses in which these parties have a controlling or significant interest.

In 2015 interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were between 3.1% – 14.5% (2014: 2.28% – 17.35%). Note 11 specifies the remuneration and note 45 specifies shareholdings of the management.

P/F BankNordik acts as the bank of a number of its subsidiaries. Payment services, trading in securities and other instruments, investment and placement of surplus liquidity, endowment policies and provision of short-term and long-term financing are the primary services provided by the Bank.

Shares in P/F BankNordik may be registered by name. The management's report lists related parties' holdings of BankNordik shares (5% or more of BankNordiks share capital) on the basis of the most recent reporting of holding to the Bank.

Transactions with related parties are settled on an arm's-length basis.



## Notes

Note DKK 1,000

45	<b>Holdings of the Board of Directors and the Executive Board</b>	Beginning of 2015	Additions	Disposals	End of 2015
	<b>Board of directors</b>				
	Stine Bosse (From March 2015)	0	0	0	0
	Rúni Vang Poulsen (From March 2015)	164	0	0	164
	Súsanna Poulsen (From March 2015)	0	0	0	0
	Jógvan Jespersen (From March 2015)	32	0	0	32
	Klaus Rasmussen (Until March 2015)	19,940	0	0	19,940
	Jens Erik Christensen (Until March 2015)	1,161	0	0	1,161
	Niels Vestermark (Until March 2015)	1,000	0	0	1,000
	Nils Sørensen (Until March 2015)	302	0	0	302
	Tórhallur Olsen	927	0	0	927
	Kenneth M. Samuelsen	2,419	0	0	2,419
	<b>Total</b>	<b>25,945</b>	<b>0</b>	<b>0</b>	<b>25,945</b>
	<b>Executive Board</b>				
	Árni Ellefsen (From September 2015)	5,010	0	0	5,010
	Janus Petersen (Until 30 September 2015)	15,736	0	0	15,736
	John Rajani (Until 30 November 2015)	3,052	0	0	3,052
	<b>Total</b>	<b>23,798</b>	<b>0</b>	<b>0</b>	<b>23,798</b>

### 46 Financial instruments at fair value

The fair value is the amount for which a financial asset can be exchanged between knowledgeable, willing and independent parties. If an active market exists, the Group uses a quoted price. If a financial instrument is quoted in a market that is not active, the Group bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, the Group uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value.

Unlisted shares recognised at fair value comprises unlisted shares who are not included in the Group's trading portfolio. Unlisted shares are recognised at fair value using the fair value option in IAS 39 and are measured in accordance with shareholders agreements and using generally accepted estimations and valuation techniques. The valuation of unlisted shares is based substantially on non-observable input.

## Notes

Note DKK 1,000

46	2015 Financial assets and liabilities at fair value	Quoted prices	Observable input	Non-observable input	Total
	<b>Financial assets held for trading</b>				
	Bonds at fair value	3,398,816	0	0	3,398,816
	Shares, etc.	50,270	0	0	50,270
	Derivatives with positive fair value	0	39,240	0	39,240
	<b>Total</b>	<b>3,449,086</b>	<b>39,240</b>	<b>0</b>	<b>3,488,326</b>
	<b>Financial assets designated at fair value</b>				
	Loans and advances at fair value	0	670,936	0	670,936
	Shares, etc.	0	171,785	17,940	189,725
	Total	0	842,721	17,940	860,661
	<b>Financial assets at fair value</b>	<b>3,449,086</b>	<b>881,961</b>	<b>17,940</b>	<b>4,348,987</b>
	<b>Financial liabilities held for trading</b>				
	Derivatives with negative fair value	0	74,872	0	74,872
	<b>Total</b>	<b>0</b>	<b>74,872</b>	<b>0</b>	<b>74,872</b>
	<b>Financial liabilities designated at fair value</b>				
	Subordinated debt	0	304,274	0	304,274
	<b>Financial liabilities at fair value</b>	<b>0</b>	<b>379,146</b>	<b>0</b>	<b>379,146</b>
	<b>2014</b>				
	<b>Financial assets and liabilities at fair value</b>				
	<b>Financial assets held for trading</b>				
	Bonds at fair value	3,534,678	0	0	3,534,678
	Shares, etc.	176,468	0	0	176,468
	Derivatives with positive fair value	0	49,640	0	49,640
	<b>Total</b>	<b>3,711,146</b>	<b>49,640</b>	<b>0</b>	<b>3,760,786</b>
	<b>Financial assets designated at fair value</b>				
	Loans and advances at fair value	0	756,070	0	756,070
	Shares, etc.	0	144,507	33,822	178,329
	Total	0	900,577	33,822	934,399
	<b>Financial assets at fair value</b>	<b>3,711,146</b>	<b>950,217</b>	<b>33,822</b>	<b>4,695,186</b>
	<b>Financial liabilities held for trading</b>				
	Derivatives with negative fair value	0	97,486	0	97,486
	<b>Total</b>	<b>0</b>	<b>97,486</b>	<b>0</b>	<b>97,486</b>
	<b>Financial liabilities designated at fair value</b>				
	Subordinated debt	0	311,560	0	311,560
	<b>Financial liabilities at fair value</b>	<b>0</b>	<b>409,045</b>	<b>0</b>	<b>409,045</b>

## Notes

Note DKK 1,000

46 Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category.  
(Cont'd) Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category. The category covers derivatives, loans and advances at fair value and subordinated debt, valued on the basis of observable yield curves or exchange rates. Furthermore the category covers sector shares with price-fixing-agreements according to the articles of association. Other financial assets are recognised in the Non-observable input. This category covers unlisted shares, investment properties (se note 28 for further information on Investment properties), and domicile property (se note 29 for further information on Domicile property).

At 31 December 2015 financial assets valued on the basis of non-observable input comprised unlisted shares of DKK 18m (2014: DKK 34m). In 2015, the Group recognised unrealised value adjustments of unlisted shares valued on the basis of non-observable input in the amount of DKK 10m (2014: DKK 6m). A 10% increase or decrease in fair value of unlisted shares would amount to DKK 1.8m (2014: DKK 3m).

	2015	2014
<b>Financial instruments at fair value valued on the basis of non-observable input</b>		
Fair value at 1 January	33,822	33,961
Value adjustments through profit or loss	-10,000	5,952
Acquisitions	643	2,095
Disposals	6,525	8,186
<b>Fair value at 31 December</b>	<b>17,940</b>	<b>33,822</b>

Value adjustments of unlisted shares are recognised under the item "Market value adjustments" in the income statement.

## Notes

Note DKK 1,000

## 46 Financial instruments at amortised cost

(Cont'd) The vast majority of amounts due to the Group, loans, advances, and deposits may not be assigned without the consent of customers, and an active market does not exist for such financial instruments. Consequently, the Group bases its fair value estimates on data showing changes in market conditions after the initial recognition of the individual instruments, and thus affecting the price that would have been fixed if the terms had been agreed at the balance sheet data. Other people may make other estimates. The Group discloses information about the fair value of financial instruments at amortised cost on the basis of the following assumptions:

- for many of the Group's deposits and loans, the interest rate is linked to developments in the market interest rate
- the fair value assessment of loans is assessed based on an informed estimate that the Bank in general regulates the loan terms in accordance with the prevailing market conditions
- the recognised impairment charges are expected to correspond to the day-to-day regulation of the specific credit risk, based on an estimation of the Bank's total individual and collective impairment charges
- the fair value assessment of fixed interest deposits is booked on the basis of the market interest rate on the balance sheet day
- the subordinated equity (hybrid capital) of the Bank is not listed and is recognised at amortised cost, because there is no real market for this product.

46 Financial instruments at amortised cost	Carrying amount	Fair value	Carrying amount	Fair value
(Cont'd)	2015	2015	2014	2014
<b>Financial assets</b>				
Cash in hand and demand deposits with central banks	360,872	360,872	439,492	439,492
Due from credit institutions and central banks	410,550	410,550	521,276	521,276
Loans and advances at amortised cost	10,004,244	10,004,244	9,735,439	9,735,439
Assets under insurance contracts	20,263	20,263	78,403	78,403
<b>Total</b>	<b>10,795,930</b>	<b>10,795,930</b>	<b>10,774,609</b>	<b>10,774,609</b>
<b>Financial liabilities</b>				
Due to credit institutions and central banks	574,791	574,791	591,347	591,347
Deposits and other debt	12,680,157	12,680,157	12,603,533	12,603,533
Liabilities under insurance contracts	70,433	70,433	366,858	366,858
Subordinated debt	147,902	147,902	147,120	147,120
<b>Total</b>	<b>13,473,283</b>	<b>13,473,283</b>	<b>13,708,858</b>	<b>13,708,858</b>

Loans and advances at amortised cost are measured at non-observable input, i.e. level 3 measures. The remaining items are measured at nom. value

## Notes

Note DKK 1,000

47	<b>Group holdings and undertakings</b>	Share capital	Functional currency	Net profit	Shareholders' equity	Share capital %
	P/F BankNordik	200,000	DKK	-221,009	1,759,575	100%
	<b>Insurance companies</b>					
	P/F Trygd	40,000	DKK	6,483	69,643	100%
	P/F NordikLív	30,000	DKK	-243	29,757	100%
	Vörður Tryggingar hf	42,310	ISK	33,553	163,539	100%
	<b>Real estate agency</b>					
	P/F Skyn	4,000	DKK	2,698	6,472	100%
	<b>Venture company</b>					
	P/F Birting (liquidated in 2015)	0	DKK	0	0	100%
	<b>Group holdings recognised under assets held for sale and investment properties</b>					
	Sp/f Íbúðir undir Gráasteini (at the end of 2012)	125	DKK	-	-	0%

## Notes

Note DKK 1,000

48	Reconciliations of changes in insurance liabilities	2015		2014	
		Non-life	Life	Non-life	Life
	Unearned premium provisions	28,899	0	114,389	3,867
	Outstanding claims provisions	41,534	0	245,512	3,090
	<b>Liabilities under insurance contracts, year-end</b>	<b>70,433</b>	<b>0</b>	<b>359,901</b>	<b>6,957</b>
	<b>Unearned premium provisions</b>				
	Beginning of year	26,361	0	114,741	3,491
	Foreign currency translation	0	0	-5,433	-210
	Premiums received	91,519	0	316,066	9,409
	Premiums recognised as income	-88,981	0	-310,985	-8,823
	<b>Unearned premium provisions, year-end</b>	<b>28,899</b>	<b>0</b>	<b>114,389</b>	<b>3,867</b>
	<b>Outstanding claims provisions</b>				
	Beginning of year	38,108	0	254,176	2,748
	Foreign currency translation	0	0	-12,311	-165
	Claims paid regarding current year	-37,830	0	-108,870	-1,317
	Claims paid regarding previous years	-12,880	0	-107,569	0
	Change in claims regarding current year	49,805	0	190,976	1,843
	Change in claims regarding previous years	4,332	0	29,111	-19
	<b>Outstanding claims provisions, year-end</b>	<b>41,534</b>	<b>0</b>	<b>245,512</b>	<b>3,090</b>
	<b>Reconciliations of changes in insurance assets</b>				
	DKK 1,000	Non-life	Life	Non-life	Life
	Reinsurers' share of premium provisions	0	0	0	1,919
	Reinsurers' share of claims provisions	615	0	9,063	2,857
	Receivables from insurance contracts and reinsurers	19,648	0	62,470	2,093
	<b>Reinsurers' share of insurance contracts, year-end</b>	<b>20,263</b>	<b>0</b>	<b>71,533</b>	<b>6,870</b>
	<b>Reinsurers' share of premium provisions</b>				
	Beginning of year	0	0	12	0
	Foreign currency translation		0	0	0
	Premiums ceded	-6,544	0	-5,254	-2,789
	Payments to reinsurers	6,544	0	5,242	4,708
	<b>Reinsurers' share of premium provisions, year-end</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,919</b>
	<b>Reinsurers' share of claims provisions</b>				
	Beginning of year	127	0	8,157	3,284
	Foreign currency translation	0	0	-382	-277
	Claims ceded	557	0	-1,536	-1,140
	Payments received from reinsurers	-68	0	2,825	990
	<b>Reinsurers' share of claims provisions, year-end</b>	<b>615</b>	<b>0</b>	<b>9,063</b>	<b>2,857</b>

The insurance company Vörður is included in the comparative figures, but as the activity is classified as a disposal group in 2015, the current years figures exclude Vörður.

Note

## Risk Management

49 The BankNordik Group is exposed to a number of risks, which it manages at different organisational levels. The categories of risks are as follows:

- **Credit risk:** Risk of loss as a result of counterparties failing to meet their payment obligations to the Group
- **Market risk:** Risk of loss as a result of changes in the fair value of the Group's assets or liabilities due to changes in market conditions
- **Liquidity risk:** Risk of loss as a result of a disproportionate increase in financing costs, the Group possibly being prevented from entering into ventures due to a lack of financing or in extreme cases being unable to pay its dues as a result of a lack of financing
- **Operational risk:** Risk of loss as a result of inadequate or faulty internal procedures, human errors or system errors, or because of external events, including legal risks.
- **Insurance risk:** All types of risk in the insurance company Trygd, including market risk, life insurance risk, business risk and operational risk

Management's Report and the Risk Management Report 2015 contain further information about the Group's approach to risk management. The Risk Management Report 2015 is available on the Group's website: [www.banknordik.com/rm](http://www.banknordik.com/rm)

### Capital Management

P/F BankNordik is a licensed financial services provider and must therefore comply with the capital requirements of the Faroese Financial Business Act of 27 August 2014. Faroese as well as Danish capital adequacy rules are based on the CRD IV requirements stipulated in the regulation (EU) No 575/2013 of the European parliament and of the Council of 26 June 2013.

The capital adequacy rules call for a minimum capital level of 8% of risk-weighted assets plus any additional capital needed. Detailed rules regulate the calculation of capital and risk-weighted assets. Capital comprises core capital and subordinated debt.

Core capital largely corresponds to the carrying amount of shareholders' equity less goodwill and other intangible assets, etc. The solvency presentation in the section Statement of Capital in P/f BankNordik shows the difference between the carrying amount of shareholders' equity and the core capital. BankNordik's subordinated debt may, subject to certain conditions, be included in the capital base. Note 40 to the financial statements show the P/F BankNordik's subordinated debt.

At year-end 2014, the Bank's core capital and solvency ratios were 12.9% and 14.8%, respectively. At the end of 2015, the core capital and solvency ratio 14.8% and 16.8%, respectively.

## Credit risk

The Group's credit exposure consists of selected on and off-balance sheet items. The figures below are before deduction of individual and collective impairments. Specification of impairments is shown in tables 7 and 9.

Credit exposure in relation to lending activities includes items with credit risk that form part of the core banking operations.

Exposure in relation to trading and investment activities includes items with credit risk that form part of the Bank's trading-related activities, including derivatives. For details see the section "Market risk".

The Group extends credit on the basis of each individual customer's financial position, which is reviewed regularly to assess whether the basis for granting credit have changed. Each facility must reasonably match the customer's credit quality and financial position. Furthermore, the customer must be able to demonstrate, with all probability, his/her ability to repay the debt. The Group exercises prudence when granting credit facilities to businesses and individuals when there is an indication that it will be practically difficult for the Group to maintain contact with the customer. The Group is particularly careful when granting credit to businesses in troubled or cyclical industries.

<b>Risk exposure concentrations</b>					<b>Table 1</b>
		<b>2015</b>		<b>2014</b>	
<b>(DKKm)</b>	<b>DKKm</b>	<b>In %</b>	<b>DKKm</b>	<b>In %</b>	
<b>Public authorities</b>	528	3.1%	498	3.0%	
<b>Corporate sector:</b>					
Agriculture and farming, others	59	0.4%	89	0.5%	
Aquaculture	116	0.7%	153	0.9%	
Fisheries	522	3.1%	395	2.4%	
Manufacturing industries, etc.	725	4.3%	680	4.1%	
Energy and utilities	291	1.7%	287	1.7%	
Building and construction, etc.	659	3.9%	487	3.0%	
Trade	1,496	8.8%	1,637	10.0%	
Transport, mail and telecommunications	642	3.8%	676	4.1%	
Hotels and restaurants	34	0.2%	42	0.3%	
Information and communication	191	1.1%	103	0.6%	
Property administration, etc.	1,168	6.9%	1,256	7.6%	
Financing and insurance	266	1.6%	373	2.3%	
Other industries	721	4.3%	682	4.2%	
<b>Total corporate sector</b>	<b>6,891</b>	<b>40.8%</b>	<b>6,860</b>	<b>41.9%</b>	
Personal customers	9,520	56.2%	9,066	55.2%	
<b>Total</b>	<b>16,939</b>	<b>100.0%</b>	<b>16,423</b>	<b>100.0%</b>	
Credit institutions and central banks	912		961		
<b>Total incl. credit institutions and central banks</b>	<b>17,851</b>		<b>17,384</b>		

### Credit exposure

The credit exposure generated by lending activities comprises items subject to credit risk that form part of the Group's core banking business.

The credit exposure generated by trading and investment activities comprises items subject to credit risk that form part of the Group's trading activities, in-

cluding derivatives. The following tables list separate information for each of the two portfolios.

### Credit exposure relating to lending activities

Table 2 breaks down the Group's credit exposure in its core banking activities by asset class.

Exposures in fisheries were DKK 522m. This represents 3.1% of total exposures. DKK 116m was related to the aquaculture industry. This represents 0.7% of total exposures.

No single industry exceeded 10% of total exposures.

### Credit exposure broken down by geographical area

The Bank's loans are mainly granted to domestic cus-

<b>Exposures related to trading and investment activities</b>				<b>Table 2</b>
<b>(DKKm)</b>	<b>2015</b>	<b>2014</b>		
Bonds at fair value	3,399	3,535		
Derivatives with positive fair value	39	50		
Total credit risk	3,438	3,585		
Equity	240	355		
<b>Total</b>	<b>3,678</b>	<b>3,939</b>		

<b>Credit exposure by geographical area</b>										<b>Table 3</b>
<b>(DKKm)</b>	<b>2015</b>					<b>2014</b>				
	<b>Exposures</b>	<b>in%</b>	<b>Loan/Credits</b>	<b>Guarantees</b>	<b>Unused credits</b>	<b>Exposures</b>	<b>in%</b>	<b>Loan/Credits</b>	<b>Guarantees</b>	
Faroe Islands	7,722	46%	6,189	739	794	7,475	46%	5,967	703	805
Denmark	7,870	46%	4,743	1,151	1,976	7,734	47%	4,843	907	1,984
Greenland	1,346	8%	668	462	216	1,214	7%	680	336	198
<b>Total</b>	<b>16,939</b>	<b>100%</b>	<b>11,600</b>	<b>2,352</b>	<b>2,986</b>	<b>16,423</b>	<b>100%</b>	<b>11,489</b>	<b>1,947</b>	<b>2,988</b>



<b>Quality of loan portfolio excl. financial institutions 2015</b>		<b>&gt; 7.5m</b>	<b>&lt; 7.5m</b>	<b>Total</b>
Portfolio without weakness (3, 2a5)	Exposure in DKKm	3,574	4,230	7,804
Portfolio with some weakness (2b15, 2b30)	Exposure in DKKm	1,510	4,743	6,252
Portfolio with weakness (2c50)	Exposure in DKKm	127	458	584
	Unsecured	54	221	274
Portfolio with OEI (1)	Exposure in DKKm	719	1,085	1,804
	Unsecured	357	678	1,035
	Impairments/provisions	208	409	617
<b>Portfolio without individual classification</b>	<b>Exposure in DKKm</b>	<b>24</b>	<b>470</b>	<b>494</b>
<b>Total</b>	<b>Exposure in DKKm</b>	<b>5,953</b>	<b>10,985</b>	<b>16,939</b>

<b>Quality of loan portfolio excl. financial institutions 2014</b>		<b>&gt; 7.5m</b>	<b>&lt; 7.5m</b>	<b>Total</b>
Portfolio without weakness (3, 2a5)	Exposure in DKKm	2,781	4,679	7,460
Portfolio with some weakness (2b15, 2b30)	Exposure in DKKm	2,031	3,777	5,808
Portfolio with weakness (2c50)	Exposure in DKKm	200	427	627
	Unsecured	96	227	323
Portfolio with OEI (1)	Exposure in DKKm	609	1,164	1,773
	Unsecured	326	784	1,110
	Impairments/provisions	164	428	591
<b>Portfolio without individual classification</b>	<b>Exposure in DKKm</b>	<b>12</b>	<b>743</b>	<b>755</b>
<b>Total</b>	<b>Exposure in DKKm</b>	<b>5,632</b>	<b>10,791</b>	<b>16,423</b>

tomers in the Faroe Islands, Denmark and Greenland. Table 3 provides a geographical breakdown of total exposures.

#### Classification of customers

The Group monitors exposures regularly to identify signs of weakness in customer earnings and liquidity as early as possible. The processes of assigning and updating classifications on the basis of new information about customers form part of the Group's credit procedures.

The classification of customers is performed in connection with the quarterly impairment testing of the loan portfolio. All customers that meet a few objective criteria are classified in this exercise. The classification is also used as a means of determining the Bank's solvency requirement. The classification categories are as follows:

- 3 and 2a5 – Portfolio without weakness
- 2b15 and 2b30 – Portfolio with some weakness
- 2c50 – Portfolio with weakness
- 1 – Portfolio with impairment/provision

As shown in table 4, 97.1% of total exposures are individually classified.

For further information on impaired portfolios, see table 7 to 9.

#### Concentration risk

In its credit risk management, the Group identifies concentration ratios that may pose a risk to its credit portfolio.

Under section 145 of the Faroese Financial Business Act, and according to CRR, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the capital base. The Group submits quarterly reports to the Danish FSA on its compliance with these rules. In 2015, none of the Group's exposures exceeded these limits.

The Bank has some customers with exposures exceeding 10% of the base capital all of which are classified 2a5 and 2b.

The Bank's long-term goal is to have no exposures in excess of 10%. In special cases, such exposures

Credit exposure and collateral for 2015					Table 5
(DKKkm)	Personal	Corporates	Personal & Corporate	Public	Total
Exposure	9,520	6,891	16,411	528	16,939
Loan balance and guarantees	7,635	4,981	12,616	424	13,040
Collateral	5,280	4,063	9,343	13	9,356
Unsecured (of exposures)	4,240	2,827	7,067	515	7,582
Unsecured (loan balance and guarantees)	2,355	918	3,273	411	3,684
Unsecured ratio	45%	41%	43%	98%	45%
Unsecured ratio balance	31%	18%	26%	97%	28%

Credit exposure and collateral for 2014					
(DKKkm)	Personal	Corporates	Personal & Corporate	Public	Total
Exposure	9,066	6,860	15,926	498	16,423
Loan balance and guarantees	7,168	4,971	12,138	359	12,497
Collateral	5,042	3,942	8,984	17	9,000
Unsecured (of exposures)	4,024	2,918	6,942	481	7,423
Unsecured (loan balance and guarantees)	2,126	1,029	3,155	342	3,497
Unsecured ratio	44%	43%	44%	97%	45%
Unsecured ratio balance	30%	21%	26%	95%	28%

may occur, but only for customers with a high credit quality, and where the Bank has accepted collateral, see table 5.

### Collateral

The Group applies various instruments available to reducing the risk on individual transactions, including collateral in the form of tangible assets, netting agreements and guarantees. The most important instruments that can be used to reduce risk are charges on tangible and intangible assets, guarantees and netting agreements under derivative master agreements.

The types of collateral most frequently provided are real estate, ships/aircraft and motor vehicles. In addition to guarantees provided by owners or, in the Danish market, by floating charge.

The Group regularly assesses the value of collateral

provided in terms of risk management. It calculates the value as the price that would be obtained in a forced sale less deductions reflecting selling costs and the period during which the asset will be up for sale. To allow for the uncertainty associated with calculating the value of collateral received, the Group reduces such value by way of haircuts. For real estate, haircuts reflect the expected costs of a forced sale and a margin of safety. This haircut is 20% of the expected market value. As a general rule, collateral for loans to public authorities is not calculated if there is no mortgage in real estate. For unlisted securities, third-party guarantees (exclusive of guarantees from public authorities and banks) and collateral in movables, the haircut is 100%.

Table 5 shows the Bank's total credit exposure and the collateral for the loans granted divided into personal, corporate and the public sector. Unsecured exposures

Distribution of past due amount					Table 6			
(DKKkm)	2015				2014			
	Exposure	Past due total	Past due > 90 days	Total balance with past due	Exposure	Past due total	Past due > 90 days	Total balance with past due
Portfolio without weakness (3, 2a5)	7,804	19	0	1,121	7,460	26	1	1,150
Portfolio with some weakness (2b15, 2b30)	6,252	77	1	1,496	5,808	71	2	1,761
Portfolio with weakness (2c50)	584	7	1	203	627	8	5	178
Portfolio with impairment/provision (1)	1,804	75	7	725	1,773	40	11	645
Portfolio without individual classification	494	8	1	74	755	4	1	89
<b>Total</b>	<b>16,939</b>	<b>186</b>	<b>10</b>	<b>3,618</b>	<b>16,423</b>	<b>149</b>	<b>20</b>	<b>3,822</b>
Past due in % of exposure		1.10%	0.06%			0.90%	0.12%	

Exposures and individual impairments by sector (DKKm)	Table 7			
	2015		2014	
	Exposure	Impairments./Provisions	Exposure	Impairments./Provisions
Public	528	-	498	-
Private	9,520	270	9,066	276
Corporate	6,891	348	6,860	315
<b>Total</b>	<b>16,939</b>	<b>617</b>	<b>16,423</b>	<b>591</b>
In % of total exposure		3.6%		3.6%

accounted for 45% of personal exposures and 41% of corporate exposures. The largest part of the Bank's credit is granted against collateral in real estate.

As shown in table 6, DKK 10m is more than 90 days past due.

According to IAS 39, OEI (Objective evidence of impairment) of a financial asset may appear before default, for example when a debtor is found to be in major financial difficulties or is likely to go bankrupt or enter into financial restructuring.

If OEI of a loan, advance or amount due exists, the Group determines the individual impairment charge. The charge equals the difference between the carrying amount and the present value of the estimated future cash flow from the asset, including the realisation value of collateral. The Group estimates the future cash flow on the basis of the most likely scenario.

The total impairment charges above for 2015 do not reflect the impairments made at the date of the Bank's acquisition of exposures from Sparbank and

Amagerbanken, or which should have been made at such date, but was not identified before in the period of 12 months following the relevant acquisition. Impairment charges of the acquired exposures from Sparbank (2010) and Amagerbanken (2011) are recognised as either part of the booked value of the acquired exposures or as goodwill. If such impairments are reversed, they will be recognised as other income.

According to IAS, the Bank determines the individual impairments when OEI is confirmed. An OEI does not necessarily result in impairment, if the Bank has adequate collateral. The amount is determined by the difference between the carrying amount and the present value of the estimated future cash flow from the asset, including the realisation value of collateral. Collateral values are reviewed on a regular basis. The Bank keeps tight control of all past due loans and advances and individual roadmaps are carefully implemented.

Loans and advances specified by maturity (DKKm)	Table 8	
	2015	2014
On demand	353	311
3 months and below	191	661
3 months to 1 year	1,834	1,630
Over 1 year to 5 years	4,296	3,887
Over 5 years	4,000	4,003
<b>Total loans and advances</b>	<b>10,675</b>	<b>10,492</b>

A further breakdown by maturity of loans and advances can be found in table 14. There are no aggregated data on the collateral behind matured loans and advances.

DKKkm	Table 9			
	2015		2014	
	Individual impairments/provisions	Impairments from acquired portfolio	Individual impairments/provisions	Impairments from acquired portfolio
Individual impairments:				
Faroe Islands	234	-	231	-
Denmark	352	289	336	363
Greenland	32	0	24	1
<b>Total individual impairments</b>	<b>617</b>	<b>289</b>	<b>591</b>	<b>364</b>
Collective impairments:				
Faroe Islands	36		24	
Denmark and Greenland	18	0	16	1
<b>Total collective impairments</b>	<b>54</b>	<b>0</b>	<b>40</b>	<b>1</b>

## Market Risk

### Organisation

The Bank has established an Investment Working Group to monitor the financial markets and continuously update its expectations for the financial markets. The Investment Working Group meets once a month to discuss the outlook for the financial markets and make an update containing a recommendation on strategic asset allocation on about a 12-month horizon to the Investment Group.

The Investment Working Group refers to the Investment Group. Participants in the Investment Group are the CEO, the CIO, Financial Manager, Treasury and the Head of Portfolio Management. Based on the recommendation, the Investment Group decides whether to retain or revise the Bank’s official outlook.

The Investment Groups decisions are communicated throughout the organisation and forms the basis for all advice provided to customers and included in the Bank’s official Markets Update, which is forwarded by e-mail to a wide range of recipients and published on the Bank’s website.

### Definition

The Group defines market risk as the risks taken in relation to price fluctuations in the financial markets. Several types of risk may arise and the Bank manages and monitors these risks carefully.

### BankNordik’s market risks are

- Interest rate risk: risk of loss caused by changes in interest rates
- Exchange rate risk: risk of loss from positions in foreign currency when exchange rates change
- Equity market risk: risk of loss from falling equity values

### Policy and responsibility

The Group’s market risk management relates to the Group’s assets, liabilities and off-balance-sheet items. The Board of Directors defines the overall policies / limits for the Group’s market risk exposures, including the overall risk limits. The limits on market risks are set with consideration of the risk they imply, and how they match the Group’s strategic plans.

On behalf of the Executive Board, the Group Risk Committee is responsible for allocating the market risk to the Group’s major business areas. Historically, lines have mainly been granted to Treasury.

Treasury is responsible for monitoring and handling the Bank’s market risks and positions. Markets has been granted small market risk lines for its daily operations. The Finance Department reports market risks to the Executive Board on a monthly basis.

### Control and management

The stringent exchange rate risk policies support the Group’s investment policy of mainly holding listed

#### BankNordik’s markets risks are:

Interest rate risk:	Risk of loss caused by changes in interest rates
Exchange rate risk:	Risk of loss from positions in foreign currency when exchange rates change
Equity market risk:	Risk of loss from falling equity values

#### Market Risk Management

Level	Board of Directors	Executive Board	Financial Manager	Treasury
Strategic	Defines the overall market risk			
Tactical		Delegating risk authorities to relevant divisions	Managing the Bank’s market risk	Implementing
Operational			Controlling & Reporting	Trading

### Likely effects from changes in markets value

	Change	2015	% of Core Capital	2014	% of Core Capital
Equity risk DKKm (+/-)	10%	24	1.4%	35	2.3%
Exchange risk DKKm (+/-) EUR	2.25%	1	0.0%	0	0.0%
Exchange risk DKKm (+/-) Other currencies	10%	27	1.6%	26	1.7%
Interest rate risk DKKm (parallel shift)	100 bp	20	1.2%	47	3.0%

Table 10

Danish government and mortgage bonds, and to a lesser extent investing in other markets and currencies. The Finance Department monitors and reports market risk to the Board of Directors and the Executive Board on a monthly basis.

### Market risk

Table 10 shows the likely effects on the Bank's share capital from likely market changes.

All equity prices fall by 10%.

All currencies change by 10% (EUR by 2.25%)

Upwards parallel shift of the yield curve of 100 bp.

The calculations show the potential losses for the Group deriving from market volatility.

### Interest rate risk

The Group's policy is to invest most of its excess liquidity in LCR compliant bonds. As a consequence, BankNordik holds a large portfolio of bonds, and most of the Group's interest rate risk stems from this portfolio.

### Interest rate risk broken down by Currency

(DKKm)	2015	2014
DKK	16	21
ISK	-	15
EUR	4	11
Other	0	0
Interest rate risk	20	47

Table 11

The Group's interest rate risk is calculated according to the requirements of the Danish FSA. The interest rate risk is defined as the effects of a one percentage point parallel shift of the yield curve. BankNordik offers fixed rate loans to corporate customers. The interest rate risk from these loans is hedged with interest rate swaps on a one-to-one basis.

Table 11 shows the Group's overall interest rate risk measured as the expected loss on interest rate positions that would result from a parallel upward shift of the yield curve. Interest rate risk in EUR is mainly from corporate bonds.

### Exchange rate risk

BankNordik's base currency is DKK and assets and liabilities in other currencies therefore imply an extra risk as they may vary in value over time relative to DKK. BankNordik's core business as a commercial bank makes it necessary to have access to foreign currencies and to hold positions in the most common currencies. Given the uncertainty of currency fluctuations, BankNordik's policy is to maintain a low currency risk.

The Group's exchange rate risk mainly stems from:

- Customer loans / deposits in foreign currency
- Treasury's positions in foreign currency
- Vørður Tryggingar, reclassified to discontinuing operations

### Foreign exchange position

(DKKm)	2015	2014
Assets in foreign currency	299	269
Liabilities and equity in foreign currency	0	0
Exchange rate indicator 1	299	269

Table 12

### Equity market risk

BankNordik's stringent risk policy restricts equity positions to listed and liquid shares and shares related to the Danish banking sector. The Group occasionally holds unlisted shares, for example in connection with taking over and reselling collateral from defaulted loans.

The Group has acquired holdings in a number of unlisted banking-related companies. These are mainly investments in companies providing financial

infrastructure and financial services to the Bank. For some of these investments, BankNordik’s holding is rebalanced yearly according to the business volume generated by the Bank to the company in question.

<b>Equity risk</b>	<b>Table 13</b>	
<b>DKKm</b>	<b>2015</b>	<b>2014</b>
Shares/unit trust certificates listed on the Copenhagen Stock Exchange	33	64
Shares/unit trust certificates listed on other stock exchanges	17	113
Other shares at fair value based on the fair-value option	190	178
<b>Total shares etc.</b>	<b>240</b>	<b>355</b>

## Liquidity Risk

### Definition

Liquidity risk is defined as the risk of loss resulting from

- increased funding costs
- a lack of funding of new activities
- a lack of funding to meet the Group’s commitments

The Board of Directors has defined the Bank’s liquidity limits for the daily operational level and for budgeting plans. In December 2015 the Danish FSA designated BankNordik as a systematically important financial institution (SIFI). As a consequence of the designation to SIFI institution the LCR requirements are fully implemented at the end of 2015. With a liquidity coverage ratio (LCR) of 141 % at 31. December 2015 BankNordik’s liquidity position remains robust.

### Control and management

Liquidity risk is a fundamental part of the Group’s business strategy. The Group’s liquidity is monitored and managed by Treasury in accordance with the limits set by the Board of Directors and reported to the Executive Board by the Finance Department. A liquidity report with stress tests is submitted to the Executive Board and the Group Risk Committee on a

monthly basis. Treasury has the operational responsibility for investment of the liquidity, while Finance Department is responsible for reporting and monitoring liquidity. The Group has implemented contingency plans to ensure that it is ready to respond to unfavourable liquidity conditions.

### Operational liquidity risk

The objective of the Group’s operational liquidity risk management is to ensure that the Group has sufficient liquidity at all times to handle customer transactions and changes in liquidity. BankNordik complies with LCR requirements and therefore closely monitors the bond portfolio with regards to holding sufficient LCR compliant bonds.

### Liquidity stress testing

BankNordik has incorporated a liquidity stress testing model based on LCR. This model is used at least monthly to forecast developments in the Bank’s liquidity on a 3–12 month horizon. The test is based on the business-as-usual situation with outflows from undrawn committed facilities and further stress measures. If the 3-month target is not met, the Executive Board must implement a contingency plan.

### Twelve-month liquidity

The Bank’s 12-month funding requirements are based on projections for 2015, which were revised in December taking the market outlook into account.

### Structural liquidity risk

Deposits are generally considered a secure source of funding. Deposits are generally short term but their historical stability enables BankNordik to grant customer loans with much longer terms e.g. 25 years to fund residential housing. It is crucial for any bank to handle such maturity mismatch and associated risk, and therefore it is essential to have a reputation as a safe bank for deposits. Table 14 shows assets and liabilities by a maturity structure.

<b>Liquidity Management</b>			
	<b>Board of Directors</b>	<b>Executive Board</b>	<b>Financial Manager Treasury</b>
Objective	Defines the objectives for liquidity policies		
Tactical		Sufficient and well diversified funding	Planning Providing background materials
Operational			Monitoring Establish contact

## Remaining maturity

Table 14

2015	0 – 1 months	1 – 3 months	3 – 12 months	More than 1 year	Without fixed maturity	Total
Cash in hand and demand deposits with central banks	419,944	-	-	-	-	419,944
Due from Credit institution	102,461	108,381	876	201,168	0	412,886
Loans and advances	354,677	192,937	1,882,944	11,220,089	0	13,650,647
Bonds and Shares	54,622	449	632,964	3,075,333	0	3,763,367
Derivatives	11,982	25,881	1,377	-	0	39,240
Other Assets	191,586	99,506	-	-343,623	566,731	514,200
<b>Total assets</b>	<b>1,135,272</b>	<b>427,154</b>	<b>2,518,161</b>	<b>14,152,967</b>	<b>566,731</b>	<b>18,800,285</b>
Due to credit institutions and central banks	275,114	648	2,914	337,879	0	616,554
Deposits	9,078,563	1,662,507	285,273	1,726,225	0	12,752,567
Derivatives	13,774	29,856	654	1,162	0	45,446
Other liabilities	112,563	64,850	21,444	64,993	82,258	346,108
Provisions for liabilities	0	0	0	136,552	0	136,552
Subordinated debt	3,443	6,887	30,991	539,864	180,903	762,089
<b>Equity</b>					<b>1,766,335</b>	<b>1,766,335</b>
<b>Total</b>	<b>9,483,457</b>	<b>1,764,748</b>	<b>341,276</b>	<b>2,806,674</b>	<b>2,058,924</b>	<b>16,455,079</b>
Off-balance sheet items						
Guarantees, etc.	48,980	102,356	405,576	1,871,596	0	2,428,508
Other commitments						
<b>Total</b>	<b>48,980</b>	<b>102,356</b>	<b>405,576</b>	<b>1,871,596</b>		<b>2,428,508</b>
2014						
Cash in hand and demand deposits with central banks	339,128	-	-	-	-	339,128
Due from Credit institution	525,187	1,178	876	19,962	0	547,203
Loans and advances	312,477	666,962	1,679,823	11,097,233	0	13,756,495
Bonds	219,831	449	508,479	2,940,781	0	3,669,538
Shares	277,295	-	-	284,821	0	562,115
Bonds and Shares	497,125	449	508,479	3,225,601	0	4,231,654
Derivatives	2,578	11,447	24,991	2,634	0	41,650
Other Assets	220,539	77,261	-	183,718	529,730	1,011,249
<b>Total assets</b>	<b>1,897,034</b>	<b>757,297</b>	<b>2,214,169</b>	<b>14,529,149</b>	<b>529,730</b>	<b>19,927,379</b>
Due to credit institutions and central banks	54,830	648	2,914	337,879	0	396,270
Deposits	8,607,634	2,426,269	211,428	1,477,158	0	12,722,489
Derivatives	3,121	6,199	71,282	13,947	0	94,549
Other liabilities	187,057	146,821	119,034	217,615	131,481	802,008
Provisions for liabilities	0	0	0	136,552	0	136,552
Subordinated debt	3,443	6,887	30,991	542,231	185,040	768,593
<b>Equity</b>					<b>1,999,195</b>	<b>1,999,195</b>
<b>Total</b>	<b>8,856,085</b>	<b>2,586,823</b>	<b>435,649</b>	<b>2,725,382</b>	<b>2,315,715</b>	<b>16,919,655</b>
Off-balance sheet items						
Guarantees, etc.	40,642	84,932	336,532	1,552,982	0	2,015,087
Other commitments						
<b>Total</b>	<b>40,642</b>	<b>84,932</b>	<b>336,532</b>	<b>1,552,982</b>	<b>0</b>	<b>2,015,087</b>

In order to minimise liquidity risk, BankNordik's policy is to have strong liquidity from different funding sources. It is therefore the Bank's policy to further diversify the deposit base in terms of maturity.

#### **Funding sources**

The Group monitors its funding mix to make sure that there is a satisfactory diversification between deposits, equity, hybrid capital, and loans from the financial markets. For further information see note 40 in the annual report 2015.

#### **Collateral provided by the Group**

BankNordik has entered into ISDA and CSA agreements with derivatives counterparties. These agreements commit both parties to provide collateral for negative market values. As a consequence of these arguments BankNordik at year-end 2015 had pledged bonds and cash deposits valued at DKK 26m under these agreements.

BankNordik also provides collateral to the Danish central bank to give the Bank access to the intra-day draft facility with the central bank as part of the Danish clearing services for securities. At year-end 2015, this collateral amounted to DKK 38m.

## **Operational Risk**

The capital adequacy regulation stipulates that banks must disclose all operational risks.

#### **Definition**

According to the Basel Committee, operational risk is defined as follows:

"Risk of loss resulting from inadequate or faulty internal procedures, human errors and system errors, or because of external events, including legal risks."

Operational risk is thus often associated with specific and non-recurring events, such as clerical or record-keeping errors, defects or breakdowns of the technical infrastructure, fraud by employees or third-parties, failure to comply with regulatory requirements, fire and storm damage, litigation or codes of conduct or adverse effects of external events that may affect the operations and reputation of the Bank.

#### **Policy**

The Bank seeks to minimise its operational risks throughout the organisation by means of an extensive system of policies and control arrangements, which are designed to optimise procedures.

#### **Measurement and control**

At the organisational level, banking activities are kept separate from the control function. Independent auditors perform the internal auditing in order to ensure that principles and procedures are complied with at all times.

Although the Bank has implemented risk controls and taken loss-mitigating actions, and substantial resources have been devoted to developing efficient procedures and training staff, it is not possible to implement procedures that are fully effective in controlling all operational risks. The Bank has therefore taken out insurance in respect of property, office equipment, vehicles and employee compensation as well as general liability and directors' and officers' liability. In addition, the Bank has taken out insurance against theft, robbery, amounts lost in cash transports or in the post up to a reasonable figure. The Bank believes that the type and relative amounts of insurance that it holds are in accordance with customary practice in its business area.

The Bank has not been involved in any governmental, legal or arbitration proceedings (nor is the Bank aware of any such proceedings pending or being threatened) during a period covering at least the preceding 12 months, which may have, or have had in the recent past a material adverse impact on the Bank's financial position or profitability.

Pursuant to the executive Order in Capital Adequacy and the Danish FSA's guidelines, the Bank is required to perform a qualitative assessment of its control environment. Control environment is a collective term for the resources the bank applies to minimise the risks involved in carrying on the financial business. Such resources would include an assessment of the scope of internal business procedures, the degree of functional segregation, and whether the necessary management and control tools are in place in all relevant business areas.



### Long-term goals in operational risk management

In addition to monitoring the level of risk for assessing the capital requirement for operational risk, the Bank's monitoring system is designed to gather new statistics on operational risk. The long-term objective is for the monitoring system monitoring the level of operational risk in the Bank's branches on a monthly basis to have a preventive effect and to help to minimise the Bank's operational risk.

## Insurance Risk

Insurance risk in the Group consists mostly of non-life insurance risk. The Group has two non-life insurance companies: Trygd and Vørður, both wholly owned. Vørður holds a 100 %-stake in life insurance company Vørður Life.

BankNordik expects to sell off its Icelandic insurance company Vørður to Arion Bank in H1 2016, and BankNordik and Arion Bank are now working on structuring the sale to meet the Icelandic authorities demands. Therefore we will not include Vørður in going over the insurance risk.

Risk exposure for an insurance company can be defined as a contingency event, chain of events or bad management which can by itself, or by accumulation, seriously affect the annual results of the insurer and in extreme cases make it unable to meet its liabilities. Risks for an insurance operation are typically categorized as insurance risk and market risk. Among other risks are currency exchange risk, liquidity risk, counterparty and concentration risk and operational risk.

Careful and prudent risk management forms an integral part of any insurance operations. The nature of insurance is to deal with unknown future incidents resulting in a payment obligation. An important part of managing insurance risk is reinsurance. The Group must protect itself against dramatic fluctuations in technical results by entering into agreements on reinsurance so that the risk of the Group having to pay claims from its own funds is reasonable in relation to the risks assumed, their composition, TRYGD's equity. This is done with statistical spread of risks and accumulation of funds, quantified by statistical methods, to meet these obligations.

### Distribution of portfolio of Trygd

Table 15

(in %)	2015	2014
Commercial lines	69%	70%
Personal lines	31%	30%

The Group has defined internal procedures to minimise the possible loss regarding insurance liabilities. TRYGD evaluate their insurance risk on a regular basis for the purpose of optimising the risk profile. Risk management also involves holding a well diversified insurance portfolio. The insurance portfolio of TRYGD is well diversified in personal and commercial lines (see table 16).

### Financial assets linked to insurance risk

Table 16

(mDKK)	2015	2014
Listed securities on stock exchange	124	91
Accounts receivable (total technical provisions)	19	12
Cash and cash equivalents	18	68
<b>Total</b>	<b>161</b>	<b>171</b>
Technical provisions, short term	89	75

### Insurance risk

Trygd covers the insurance liabilities through a portfolio of securities and investment assets exposed to market risk.

Trygd has invested in investment securities and cash and cash equivalents in the effort to balance the exposure to market and currency risk.

### 8.2 Trygd insurance

The Board of Directors and Executive Management of Trygd must ensure that the company has an adequate capital base and internal procedures for risk measurement and risk management to assess the necessary capital base applying a spread appropriate to cover Trygd's risks.

In order to meet these requirements Trygd's policies and procedures are regularly updated. Risk management at Trygd is based on a number of policies, business procedures and risk assessments which are reviewed and must be approved by the Board of Directors annually.

The size of provisions for claims is based on individual assessments of the final costs of individual claims, supplemented with statistical analyses.

The company's acceptance policy is based on a full customer relationship, which is expected to contribute to the overall profitability of the Group. In relation to acceptance of corporate insurance products, the Board of Directors has approved a separate acceptance policy, which is implemented in the handling process of the corporate department.

Reinsurance is an important aspect of managing insurance risk. The Group must protect itself against dramatic fluctuations in technical results by entering into agreements on reinsurance so as to make the risk of the Group having to pay claims from its own funds reasonable in relation to the size of the risk assumed, the risk composition and TRYGD's equity.

TRYGD has organised a reinsurance programme which ensures that e.g. large natural disasters and significant individual claims do not compromise TRYGD's ability to meet its obligations. For large natural disasters,

the total cost to Trygd will amount to a maximum of DKK 15m. The reinsurance program is reviewed once a year and approved by the Board of Directors. Trygd uses reputable reinsurance companies with good ratings and financial positions.

Trygd's Claims Department is responsible for handling all claims and only claims employees may deal with claims matters or advise claimants in specific claim cases.

Technical provisions to cover future payments for claims arising are calculated using appropriate and generally recognised methods. Insurance provisions are made to cover the future risk on the basis of experience from previous and similar claims. These methods and analyses are subject to the natural uncertainty inherent in estimating future payments, both in terms of size and date of payment.

The board of directors of Trygd applies a low risk investment policy. The company's main investments are in bonds and deposits. There is no exchange rate risk, as all business is done in DKK.

### Contractual maturity for the insurance segment

Table 17

2015	On demand	0 – 12 months	1 – 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>						
Securities	123,946	0	0	0	0	123,946
Reinsurance assets	0	615	0	0	0	615
Accounts receivables	0	19,648	0	0	0	19,648
Restricted cash						-
Cash and cash equivalents	18,428	0	0	0	0	18,428
<b>Total financial assets</b>	<b>142,374</b>	<b>20,263</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>162,637</b>
<b>Liabilities</b>						
Technical provision	0	70,433	0	0	0	70,433
Account payable	0	6,438	0	0	0	6,438
<b>Total financial liabilities</b>	<b>0</b>	<b>76,871</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>76,871</b>
<b>Assets - liabilities</b>	<b>142,374</b>	<b>-56,608</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>85,766</b>
Contractual maturity for the insurance segment						
2014	On demand	0 – 12 months	1 – 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>						
Securities	91,121	0	0	0	0	91,121
Reinsurance assets	0	127	0	0	0	127
Accounts receivables	0	12,118	0	0	0	12,118
Restricted cash						-
Cash and cash equivalents	67,659	0	0	0	0	67,659
<b>Total financial assets</b>	<b>158,780</b>	<b>12,244</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>171,024</b>
<b>Liabilities</b>						
Technical provision	0	64,469	0	0	0	64,469
Account payable	0	8,827	0	0	0	8,827
<b>Total financial liabilities</b>	<b>0</b>	<b>73,296</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73,296</b>
<b>Assets - liabilities</b>	<b>158,780</b>	<b>-61,051</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,729</b>

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to offset recognised amounts and have agreed to settle the balances on a net basis or to realise the asset and settle the liability simultaneously. Master netting agreements or similar agreements give the right to additional offset in the event of default.

Note **Highlights, ratios and key figures, 5 year summary – BankNordik Group**

50	Highlights	Index					
		2015	2014	15/14	2013	2012	2011
	DKK 1,000						
	Net interest income	468,652	497,751	94	574,032	613,265	547,005
	Net fee and commission income	216,839	189,190	115	174,265	184,893	127,901
	Net interest and fee income	694,735	693,878	100	756,028	808,552	680,654
	Net insurance income	27,857	29,185	95	69,427	80,975	54,351
	Interest and fee income and income from insurance activities, net	722,593	723,063	100	825,455	889,527	735,006
	Market value adjustments	-38,751	9,540	-406	22,017	19,369	9,761
	Other operating income	58,499	43,703	134	63,547	39,029	26,862
	Staff cost and administrative expenses	514,003	476,373	108	543,390	641,300	597,263
	Depreciation and impairment of property, plant and equipment	514,151	271,417	189	27,582	27,293	21,178
	Impairment charges on loans and advances etc.	59,655	111,014	54	178,234	148,169	100,806
	Net profit continued operations	-254,562	-145,934	174	0	0	0
	Net profit discontinued operations	33,553	18,523	181	0	0	0
	Net profit	-221,009	-127,411	173	92,396	103,073	31,971
	Loans and advances	10,675,180	10,491,509	102	10,460,299	11,302,702	11,768,892
	Bonds at fair value	3,398,816	3,534,678	96	3,493,271	2,881,904	2,508,938
	Intangible assets	0	529,730	0	798,141	807,268	801,957
	Assets held for sale	35,402	51,771	68	58,168	25,811	168,980
	Assets in disposals groups classified as held for sale	581,280	0		0	0	0
	Total assets	16,247,814	16,535,501	98	17,084,562	17,608,966	17,086,357
	Due to credit institutions and central banks	574,791	591,347	97	1,290,408	1,288,052	329,316
	Deposits and other debt	12,680,157	12,603,533	101	12,192,748	12,745,653	13,032,047
	Issued bonds at amortised cost	0	0		0	0	98,276
	Total shareholders' equity	1,766,335	1,999,195	88	2,155,998	2,053,362	1,957,695
	<b>Ratios and key figures</b>	<b>Dec. 31</b>	<b>Dec. 31</b>		<b>Dec. 31</b>	<b>Dec. 31</b>	<b>Dec. 31</b>
	<b>Solvency</b>	<b>2015</b>	<b>2014</b>		<b>2013</b>	<b>2012</b>	<b>2011</b>
	Solvency ratio, %	16.8	14.8		14.7	14.8	15.6
	Core capital ratio, %	14.8	12.9		12.8	12.9	12.4
	Core capital ratio excl. hybrid core capital, end of period, %	13.9	11.8		10.6	9.6	9.1
	Risk-weighted Items, DKK mill	11,463	11,943		11,511	11,902	12,313
	<b>Profitability</b>						
	Return on equity before tax, %	-19.6	-5.5		5.4	6.1	1.6
	Return on equity after tax, %	-11.7	-6.1		4.4	5.1	1.6
	Income / Cost ratio	0.7	0.9		1.1	1.1	1.0
	Cost / income, % (excl. value adjustm. and impairments)	134.7	101.7		69.0	73.1	84.0
	Return on assets	-1.4	-0.8		0.5	0.6	0.2
	<b>Market risk</b>						
	Interest rate risk, %	2.2	3.0		4.8	1.5	2.3
	Foreign exchange position, %	9.5	8.6		7.1	17.3	8.7
	<b>Liquidity</b>						
	Loans and advances plus impairment charges as % of deposits	89.5	88.2		89.6	91.5	92.9
	Excess cover relative to statutory liquidity requirements, %	166.8	182.2		178.0	152.6	115.3
	<b>Credit risk</b>						
	Large exposures as % of capital base	65.0	81.1		52.2	36.3	23.3
	Impairment and provisioning ratio, %	4.9	4.8		4.1	3.0	2.7
	Write-off and impairments ratio, %	0.4	0.8		1.4	1.1	0.7
	Growth on loans and advances, %	1.8	0.3		-7.5	-4.0	35.7
	Gearing of loans and advances, %	6.0	5.2		4.9	5.5	6.0
	<b>Shares nom. DKK 100)</b>						
	Earnings per share after tax, DKK	-22.4	-12.9		9.4	10.5	3.2
	Book value per share, DKK	179.1	202.7		218.6	208.2	198.5
	Proposed dividend per share DKK	2.0	2.0		1.5	1.0	0.0
	Market price per share, DKK	127.6	104.5		128.0	76.0	78.8
	Market price / earnings per share DKK	-5.7	-8.1		13.7	7.3	24.4
	Market price / book value per share DKK	0.7	0.5		0.6	0.4	0.4
	<b>Other</b>						
	Number of full-time employees, end of period	446	506		523	550	612

## Highlights, ratios and key figures – BankNordik Group

<b>Highlights</b>	<b>Full year</b>	<b>Full year</b>	<b>Index</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>
DKK 1,000	<b>2015</b>	<b>2014</b>	<b>15 / 14</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
Net interest income	468,652	497,751	94	110,945	116,000	122,122	119,586	122,279
Dividends from shares and other investments	9,244	6,938	133	62	95	7,868	1,218	328
Net fee and commission income	216,839	189,190	115	52,014	51,908	59,237	53,681	50,366
Net interest and fee income	694,735	693,878	100	163,021	168,002	189,226	174,486	172,974
Net insurance income	27,857	29,185	95	7,788	10,271	10,245	-446	6,284
Interest and fee income and income from insurance activities, net	722,593	723,063	100	170,809	178,273	199,471	174,040	179,257
Market value adjustments	-38,751	9,540		-4,432	-20,040	-48,209	33,930	-12,594
Other operating income	58,499	43,703	134	26,494	20,160	7,906	3,938	9,202
Staff cost and administrative expenses	514,003	476,373	108	127,629	127,452	136,928	121,994	124,660
Depreciation and impairment of property, plant and equipment	514,151	271,417	189	498,864	5,175	5,071	5,040	255,010
Impairment charges on loans and advances etc.	59,655	111,014	54	26,091	11,500	-273	22,338	34,475
Net profit continued operations	-254,562	-145,934	0	-323,829	24,638	-339	44,969	-246,292
Net profit discontinued operations	33,553	18,523	181	15,819	11,358	2,759	3,616	16,327
Net profit	-221,009	-127,411	173	-308,010	35,996	2,421	48,584	-229,966
Loans and advances	10,675,180	10,491,509	102	10,675,180	10,668,988	10,680,198	10,630,050	10,491,509
Bonds at fair value	3,398,816	3,534,678	96	3,398,816	3,751,795	3,669,471	3,268,476	3,534,678
Intangible assets	0	529,730	0	0	470,878	523,455	526,420	529,730
Assets held for sale	35,402	51,771	68	35,402	40,079	35,390	23,349	51,771
Assets in disposals groups classified as held for sale	581,280	0		581,280	572,260	0	0	0
Total assets	16,247,814	16,535,501	98	16,247,814	16,873,278	16,914,900	16,421,100	16,535,501
Due to credit institutions and central banks	574,791	591,347	97	574,791	568,444	671,736	581,139	591,347
Deposits and other debt	12,680,157	12,603,533	101	12,680,157	12,753,863	12,836,162	12,343,925	12,603,533
Total shareholders' equity	1,766,335	1,999,195	88	1,766,335	2,073,294	2,041,226	2,035,116	1,999,195
	<b>Dec. 31</b>	<b>Dec. 31</b>		<b>Dec. 31</b>	<b>Sept. 30</b>	<b>June 30</b>	<b>March 31</b>	<b>Dec. 31</b>
<b>Ratios and key figures</b>	<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
<b>Solvency</b>								
Solvency ratio, %	16.8	14.8		16.8	15.6	15.0	14.6	14.8
Core capital ratio, %	14.8	12.9		14.8	13.6	13.2	12.8	12.9
Core capital ratio excl. hybrid core capital, end of period, %	13.9	11.8		13.9	12.7	12.2	11.7	11.8
Risk-weighted Items, DKK mill	11,463	11,943		11,463	11,989	12,129	12,089	11,943
<b>Profitability</b>								
Return on equity after tax, %	-11.7	-6.1		-16.0	1.8	0.3	2.6	-10.9
Cost / income, %	149.8	114.9		340.9	83.8	93.6	73.1	239.5
Cost / income, % (excl. value adjustm. and impairments)	134.7	101.7		320.1	69.5	71.8	74.4	205.2
Return on assets	-1.4	-0.8		-1.9	0.2	0.0	0.3	-1.4
<b>Market risk</b>								
Interest rate risk, %	2.2	3.0		2.2	3.7	2.6	3.3	3.0
Foreign exchange position, %	9.5	8.6		9.5	10.3	8.3	9.3	8.6
<b>Liquidity</b>								
Excess cover relative to statutory liquidity requirements, %	166.8	182.2		166.8	174.9	173.1	157.4	182.2
<b>Credit risk</b>								
Growth on loans and advances, %	1.8	0.3		0.1	-0.1	0.5	1.4	1.7
Gearing of loans and advances	6.0	5.2		6.0	5.1	5.2	5.2	5.2
Impairment and provisioning ratio, end of period, %	4.9	4.8		4.9	4.5	4.4	4.5	4.8
Write-off and provisioning ratio, %	0.4	0.8		0.2	0.1	-0.0	0.2	0.2
Share of amounts due on which interest rates have been reduced, end of period, %	1.1	1.6		1.1	1.3	1.4	1.4	1.6
<b>Shares</b>								
Earnings per share after tax (nom. DKK 20), DKK	-22.4	-12.9		-31.2	3.6	0.2	4.9	-23.3
Market price per share (nom. DKK 20), DKK	128	105		128	154	122	122	105
Book value per share (nom. DKK 20), DKK	179	203		179	210	207	206	203
<b>Other</b>								
Number of full-time employees, end of period	446	506		446	476	490	504	506

## Highlights, ratios and key figures, 5 year summary – P/F BankNordik

### Highlights

DKK 1,000	2015	2014	2013	2012	2011
Net interest income	467,107	495,505	561,639	601,721	537,957
Net fee and commission income	216,839	189,190	181,777	190,253	134,033
Net interest and fee income	693,190	691,632	750,842	793,974	673,330
Market value adjustments	-37,067	9,438	11,704	14,431	-5,740
Other operating income	51,535	39,386	60,656	34,891	23,654
Staff cost and administrative expenses	490,696	458,249	491,852	589,620	545,189
Depreciation and impairment of property, plant and equipment	513,677	270,855	25,083	25,083	14,131
Impairment charges on loans and advances etc.	59,655	111,014	178,234	148,460	100,787
Income from associated and subsidiary undertakings	40,583	7,320	22,638	41,284	9,733
Net profit	-221,009	-127,411	92,396	103,099	24,560
Loans and advances	10,675,180	10,491,509	10,460,299	11,302,698	11,768,711
Bonds at fair value	3,274,870	3,237,238	3,187,351	2,697,873	2,340,034
Intangible assets	0	520,672	788,695	797,779	779,964
Assets held for sale	35,402	51,771	58,168	25,811	168,980
Assets in disposals groups classified as held for sale	187,904	0	0	0	0
Total assets	15,825,630	16,197,909	16,752,832	17,324,821	16,723,635
Due to credit institutions and central banks	574,791	591,347	1,290,408	1,288,052	329,316
Deposits and other debt	12,739,229	12,690,011	12,284,672	12,861,466	13,122,675
Issued bonds at amortised cost	0	0	0	0	98,276
Total shareholders' equity	1,759,575	1,991,582	2,148,388	2,046,255	1,947,877

### Ratios and key figures

	Dec. 31 2015	Dec. 31 2014	Dec. 31 2013	Dec. 31 2012	Dec. 31 2011
<b>Solvency</b>					
Solvency ratio, %	16.8	14.8	14.7	14.8	15.6
Core capital ratio, %	14.8	12.9	12.8	12.9	12.4
Core capital ratio excl. hybrid core capital, end of period, %	13.9	11.8	10.6	9.6	9.1
Risk-weighted Items, DKK mill	11,463	11,943	11,511	11,902	12,313
<b>Profitability</b>					
Return on equity before tax, %	-18.0	-5.7	5.1	5.7	1.0
Return on equity after tax, %	-11.8	-6.2	4.4	5.2	1.3
Income / Cost ratio	0.7	0.9	1.1	1.1	1.0
Cost / income, % (excl. value adjustm. and impairments)	130.6	102.2	67.2	71.6	82.1
Return on assets	-1.4	-0.8	0.6	1.0	0.1
<b>Market risk</b>					
Interest rate risk, %	1.1	2.0	3.7	0.4	1.4
Foreign exchange position, %	9.5	8.6	7.1	17.3	8.7
<b>Liquidity</b>					
Loans and advances plus impairment charges as % of deposits	88.6	87.3	88.9	90.7	92.3
<b>Excess cover relative to statutory liquidity requirements, %</b>	138.7	159.0	154.9	132.7	99.8
<b>Credit risk</b>					
Large exposures as % of capital base	65.0	81.1	52.2	36.3	23.3
Impairment and provisioning ratio, %	4.9	4.8	4.1	3.0	2.7
Write-off and impairments ratio, %	0.4	0.8	1.4	1.1	0.7
Growth on loans and advances, %	1.8	0.3	-7.5	-4.0	35.7
Gearing of loans and advances	6.1	5.3	4.9	5.5	6.0
<b>Shares nom.</b>					
Earnings per share after tax, DKK	-22.4	-12.9	9.4	10.5	2.5
Book value per share, DKK	178.4	201.9	217.8	207.5	197.4
Proposed dividend per share DKK	2.0	2.0	1.5	1.0	0.0
Market price per share, DKK	127.6	104.5	128.0	76.0	78.8
Market price / earnings per share DKK	-5.7	-8.1	13.7	7.3	31.8
Market price / book value per share DKK	0.7	0.5	0.6	0.4	0.4
<b>Other</b>					
Number of full-time employees, end of period	363	412	431	469	529

## Definitions of key financial ratios

Key financial ratio	Definition
Earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year
Diluted earnings per share (DKK)	Net profit for the year divided by the average number of shares outstanding during the year, including the dilutive effect of share options and conditional shares granted as share-based payments.
Return on average shareholders' equity (%)	Net profit for the year divided by average shareholders' equity during the year
Cost/income ratio (%) excl. value adjustm. and impairments	Operating expenses divided by total income (excl. value adjustments and impairments)
Cost/income ratio (%)	Operating expenses divided by total income
Income/cost ratio (%)	Total income divided by operating expenses
Solvency ratio	Total capital, less statutory deductions, divided by risk-weighted assets
Core (tier 1) capital ratio	Core (tier 1) capital, including hybrid core capital, less statutory deductions, divided by risk-weighted assets
Core (tier 1) capital	Core (tier 1) capital consists primarily of paid-up share capital, plus retained earnings, less intangible assets
Hybrid core capital	Hybrid core capital consists of loans that form part of core (tier 1) capital. This means that hybrid core capital is used for covering losses if shareholders' equity is lost
Total capital	The total capital consists of shareholders' equity and supplementary capital, less certain deductions, such as deduction for goodwill. Supplementary capital may not account for more than half of the total capital
Supplementary capital	Supplementary capital consists of subordinated loan capital that fulfils certain requirements. For example, if the Group defaults on its payment obligations, lenders cannot claim early redemption of the loan capital
Risk-weighted assets	Total risk-weighted assets and off-balance-sheet items for credit risk, market risk and operational risk as calculated in accordance with the Danish FSA's rules on capital adequacy as applied in the Faroe Islands
Dividend per share (DKK)	Proposed dividend for the year divided by the number of shares in issue at the end of the year.
Share price at December 31	Closing price of BankNordik shares at the end of the year
Book value per share (DKK)	Shareholders' equity at December 31 divided by the number of shares in issue at the end of the year
Number of full-time-equivalent staff at December 31	Number of full-time-equivalent staff (part-time staff translated into full-time staff) at the end of the year

## Management and directorships

### Board of Directors

The current members of P/F BankNordik's Board of Directors are the following:

#### Stine Bosse (Chairman)

Educational background:	Strategic Agility program, Harvard Business School, USA; LinKS Wharton University of Pennsylvania, USA; LinKS, INSEAD, France, MSc of Law, University of Copenhagen.
Principal occupation:	Self-employed. Former CEO of Tryg A/S.
Board positions held that are relevant to banking and insurance:	Chairman of the board of: TELE-POST and P/F BankNordik. Board Member of: Allianz Group Germany, TDC A/S. Former Boardmember of Nordea.
First elected to the Board in:	2015.
Address:	Nationernesalle 26, DK-2300 Helsingør, Denmark.

#### Rúni Vang Poulsen (Deputy Chairman)

Educational background:	MSc in Business Management and Accounting.
Principal occupation:	CEO of Smyril Line P/F.
Board positions held that are relevant to banking and insurance:	Chairman of the board of: Smyril Line Transport A/S. Vice chairman of the board of: P/F BankNordik.
First elected to the Board in:	2015.
Address:	Hvítnesvegur 17, FO-188 Hoyvík, Faroe Islands.

#### Jógvan Jespersen

Educational background:	HD – Graduate Diploma in Business Administration.
Principal occupation:	Executive Manager of Felagið Nótaskip.
Board positions held that are relevant to banking and insurance:	Chairman of the board of: Forskerparken P/F iNOVA. Board member of: P/F BankNordik.
First elected to the Board in:	1994.
Address:	Smærugøta 2, FO-100 Tórshavn, Faroe Islands.

#### Súsanna Poulsen

Educational background:	Authorized insurance and financial advisor.
Principal occupation:	CEO of Hjelmeland Sparebank, Norway.
Board positions held that are relevant to banking and insurance:	Chairman of the Board of: Ryfylke Ejendomsmedling AS. Board member of: P/F BankNordik .
First elected to the Board in:	2015.
Address:	Prestegarden 76, NO-4130 Hjelmeland, Norway.

#### Kenneth Samuelson

Educational background:	Financial education.
Principal occupation:	Employed at BankNordik's Business Development unit, Faroe Islands.
Board positions held:	Board member of: P/F BankNordik.
First elected to the Board in:	2010.
Address:	Áarrás 8, 160 Argir, Faroe Islands.

#### Tórhallur Olsen

Educational background:	Financial education and subsequent continuing education within financial aspects.
Principal occupation:	Employed at BankNordik's Credit department, Faroe Islands, as Senior Advisor.
Board positions held:	Board member of: P/F BankNordik.
First elected to the Board in:	2014.
Address:	Undir Hamri 20, Hvalvík, Faroe Islands.



## Executive Board

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**Árni Ellefsen (CEO)**

Educational background:

MSc in Business Management and Accounting,  
State Authorized Public Accountant.

Principal occupation:

CEO of P/F BankNordik.

Board positions held:

Chairman of the board of: P/F NordikLív Lívstryggingar-  
felag, P/F Skyn and the Faroese Banking Association  
(Felagið Peningastovnar).

Year of joining the Executive Board:

Board member of: P/F Trygd and the Faroese Association  
of Employers in the Financial Sector (Arbeidsgevara-  
felagið fyri figgjarstovnar).  
2015.

Address:

Ægishædd 6, FO-100 Tórshavn, Faroe Islands.

## Head Office

P/F BankNordik  
 Oknarvegur 5  
 P.O. Box 3048  
 FO-110 Tórshavn  
 Faroe Islands  
 Tel. +298 330 330  
 Fax +298 330 001  
 E-mail: info@banknordik.fo  
 www.banknordik.fo

P/F skr. nr. 10, Tórshavn  
 SWIFT: FIFB FOTX

BankNordik is a limited liability company incorporated and domiciled in the Faroe Islands.

The company is listed on Nasdaq Iceland and Nasdaq Copenhagen.

## IR contact

Carl Herup Olsen  
 E-mail: ir@banknordik.fo  
 Tel. +298 330 380

## Branches

### Faroe Islands

**Tórshavn**  
 Oknarvegur 5  
 100 Tórshavn  
 Tel. +298 330 330

**Miðvágur**  
 Jatnavegur 26  
 370 Miðvágur  
 Tel. +298 330 330

**Klaksvík**  
 Klaksvíkvegur  
 700 Klaksvík  
 Tel. +298 330 330

**Saltangará**  
 Heiðavegur 54  
 600 Saltangará  
 Tel. +298 330 330

**Tvøroyri**  
 Sjógøta 2  
 800 Tvøroyri  
 Tel. +298 330 330

**Customer Service**  
 Oknarvegur 5  
 100 Tórshavn  
 Tel. +298 330 330

**Corporate Banking**  
 Oknarvegur 5  
 100 Tórshavn  
 Tel. +298 330 330

**Markets**  
 Oknarvegur 5  
 100 Tórshavn  
 Tel. +298 330 330

### Denmark

**Amager**  
 Amagerbrogade 175  
 2300 København S  
 Tlf. +45 76 97 80 00

**Dragør**  
 Dragørhjørnet 2  
 2791 Dragør  
 Tlf. +45 76 97 80 00

**Kongelundsvej**  
 Kongelundsvej 267  
 2770 Kastrup  
 Tlf. +45 76 97 80 00

**Frederiksberg**  
 Falkoner Allé 31  
 2000 Frederiksberg  
 Tlf. +45 76 97 80 00

**Hvidovre**  
 Hvidovrevej 275  
 2650 Hvidovre  
 Tlf. +45 76 97 80 00

**Lyngby**  
 Klampenborgvej 235-237  
 2800 Kgs. Lyngby  
 Tlf. +45 76 97 80 00

**Østerbro**  
 Østerbrogade 43  
 2100 København Ø  
 Tlf. +45 76 97 80 00

**Odense**  
 Vestergade 67  
 5000 Odense C  
 Tlf. +45 76 97 80 00

**Esbjerg**  
 Stormgade 2  
 6700 Esbjerg  
 Tlf. +45 76 97 80 00

**Haderslev**  
 Nørregade 32  
 6100 Haderslev  
 Tlf. +45 76 97 80 00

**Kolding**  
 Bredgade 15  
 6000 Kolding  
 Tlf. +45 76 97 80 00

**Aarhus**  
 Åboulevarden 49  
 8000 Aarhus C  
 Tlf. +45 76 97 80 00

**Customer Service**  
 Amager Landevej 56  
 2770 Kastrup  
 Telefon: +45 76 97 80 00

**Private Banking**  
 Amagerbrogade 25  
 2300 København S  
 Telefon: +45 32 66 60 70

**Markets**  
 Amagerbrogade 25  
 2300 København S  
 Telefon: +45 32 66 63 20

### Greenland

**Personal Banking**  
 Qullilerfik 2  
 3900 Nuuk  
 Tel. +299 34 79 00

**Corporate Banking**  
 Qullilerfik 2  
 3900 Nuuk  
 Tel. +299 34 79 00



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