

# Interim Report

## Q1 2016

28 April 2016

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## Highlights, ratios and key figures - BankNordik Group

Highlights DKK 1,000	Q1	Q1	Index 16 / 15	Q4	Q3	Q2	Q1	Q4
	2016	2015		2015	2015	2015	2015	2014
Net interest income	112,531	119,586	94	110,945	116,000	122,122	119,586	122,279
Dividends from shares and other investments	214	1,218	18	62	95	7,868	1,218	328
Net fee and commission income	44,674	53,681	83	52,014	51,908	59,237	53,681	50,366
Net interest and fee income	157,419	174,486	90	163,021	168,002	189,226	174,486	172,974
Net insurance income	8,426	-446		7,788	10,271	10,245	-446	6,284
Interest and fee income and income from insurance activities, net	165,845	174,040	95	170,809	178,273	199,471	174,040	179,257
Market value adjustments	-2,712	33,930		-4,432	-20,040	-48,209	33,930	-12,594
Other operating income	5,168	3,938	131	26,494	20,160	7,906	3,938	9,202
Staff cost and administrative expenses	127,298	121,994	104	127,629	127,452	136,928	121,994	124,660
Impairment charges on loans and advances etc.	2,633	22,338	12	26,091	11,500	-273	22,338	34,475
Net profit continued operations	28,764	45,536	63	-323,829	24,638	-339	45,536	-246,292
Net profit discontinued operations	-8,192	3,616		15,819	11,358	2,759	3,616	16,327
Net profit	20,572	49,152	42	-308,010	35,996	2,421	49,152	-229,966
Loans and advances	9,961,083	10,630,050	94	10,675,180	10,668,988	10,680,198	10,630,050	10,491,509
Bonds at fair value	3,895,295	3,268,476	119	3,398,816	3,751,795	3,669,471	3,268,476	3,534,678
Intangible assets	0	526,420	0	0	470,878	523,455	526,420	529,730
Assets held for sale	35,435	23,349	152	35,402	40,079	35,390	23,349	51,771
Assets in disposals groups classified as held for sale				581,280	572,260	0	0	0
Total assets	16,213,273	16,421,100	99	16,247,814	16,873,278	16,914,900	16,421,100	16,535,501
Due to credit institutions and central banks	592,015	581,139	102	574,791	568,444	671,736	581,139	591,347
Deposits and other debt	12,532,321	12,343,925	102	12,680,157	12,753,863	12,836,162	12,343,925	12,603,533
Total shareholders' equity	1,767,240	2,032,529	87	1,766,335	2,073,294	2,041,226	2,032,529	1,999,195

  

Ratios and key figures	March 31	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
	2016	2015	2015	2015	2015	2015	2014
<b>Solvency</b>							
Solvency ratio, %	17.2	14.6	16.8	15.6	15.0	14.6	14.8
Core capital ratio, %	15.2	12.8	14.8	13.6	13.2	12.8	12.9
Core capital ratio excl. hybrid core capital, end of period, %	14.4	11.7	13.9	12.7	12.2	11.7	11.8
Risk-weighted items, DKK mill	10,984	12,089	11,463	11,989	12,129	12,089	11,943
<b>Profitability</b>							
Return on equity after tax, %	1.2	2.6	-16.0	1.8	0.3	2.6	-10.9
Cost / income, %	79.2	73.1	340.9	83.8	93.6	73.1	239.5
Cost / income, % (excl. value adjustm. and impairments)	76.4	74.4	320.1	69.5	71.8	74.4	205.2
Return on assets	0.1	0.3	-1.9	0.2	0.0	0.3	-1.4
<b>Market risk</b>							
Interest rate risk, %	2.7	3.3	2.2	3.7	2.6	3.3	3.0
Foreign exchange position, %	8.8	9.3	9.5	10.3	8.3	9.3	8.6
<b>Liquidity</b>							
Excess cover relative to statutory liquidity requirements, %	207.3	157.4	166.8	174.9	173.1	157.4	182.2
<b>Credit risk</b>							
Growth on loans and advances, %	-6.7	1.4	0.1	-0.1	0.5	1.4	1.7
Gearing of loans and advances	5.6	5.2	6.0	5.1	5.2	5.2	5.2
Impairment and provisioning ratio, end of period, %	5.1	4.5	4.9	4.5	4.4	4.5	4.8
Write-off and provisioning ratio, %	0.0	0.2	0.2	0.1	0.0	0.2	0.2
Share of amounts due on which interest rates have been reduced, end of period, %	0.9	1.4	1.1	1.3	1.4	1.4	1.6
<b>Shares</b>							
Earnings per share after tax (nom. DKK 20), DKK	2.1	4.9	-31.2	3.6	0.2	4.9	-23.3
Market price per share (nom. DKK 20), DKK	114	122	128	154	122	122	105
Book value per share (nom. DKK 20), DKK	179	206	179	210	207	206	203
<b>Other</b>							
Number of full-time employees, end of period	477	504	459	476	490	504	506

Financial figures of discontinued operations have been excluded from the highlights table. Ratios and key figures are calculated on the basis of the total results, i.e. both continuing and discontinued operations.

# Financial review

## Highlights Q1 2016

- Net interest income was down DKK 7m YoY to DKK 113m in Q1 2016 due to pressure on interest margins, the controlled run-off of corporate loans in Denmark and less income from the investment portfolio
- Fee and commission income decreased to DKK 45m in Q1 2016 from DKK 55m in Q1 2015 due to overall low customer activity in Q1 2016 compared to relatively high activity in Q1 2015
- Net insurance income was up DKK 8m from DKK 0m in Q1 2015 due to lower claims
- Operating costs fell to DKK 117m in Q1 2016 relative to DKK 127m in Q1 2015, which is consistent with the progress made in refocusing the Group's core activities.
- Net impairment charges on loans were a reversal of DKK 1m in Q1 2016 compared to net impairment charges of DKK 20m in Q1 2015.
- Operating profit increased to DKK 50m in Q1 2016 from DKK 23m in Q1 2015.
- Non-recurring items in Q1 2016 amounted to DKK 12m versus none in Q1 2015
- Value adjustments were a loss of DKK 3m in Q1 2016 compared to an income of DKK 34m in Q1 2015.
- Profit before tax, including discontinued activities from Vörður, were DKK 25m in Q1 2016 compared to DKK 61m in Q1 2015.

As announced on 22 June 2015, BankNordik has initiated a process to sell its Icelandic insurance subsidiary. Consequently, Vörður has not been consolidated for the three months ended 31 March 2016, but is presented separately. See note 10 for further information.

## Income statement

The summary income statement has been adjusted for non-recurring items in each relevant quarter:

Income statement, Group								
DKKm	Q1 2016	Q1 2015	Index 16/15	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	113	120	94	111	116	122	120	122
Net fee and commission income	45	55	82	52	52	67	55	51
Net insurance income	8	0		8	10	10	0	6
Other operating income	2	2	113	4	2	3	2	3
<b>Operating income</b>	<b>168</b>	<b>176</b>	<b>95</b>	<b>175</b>	<b>180</b>	<b>203</b>	<b>176</b>	<b>183</b>
Operating costs	-117	-127	92	-122	-122	-128	-127	-120
Sector costs	-1	-5	20	-5	-5	-6	-5	-5
<b>Profit before impairment charges</b>	<b>49</b>	<b>43</b>	<b>114</b>	<b>47</b>	<b>54</b>	<b>69</b>	<b>43</b>	<b>58</b>
Impairment charges, net	1	-20		-11	7	5	-20	-29
<b>Operating profit</b>	<b>50</b>	<b>23</b>	<b>216</b>	<b>36</b>	<b>60</b>	<b>74</b>	<b>23</b>	<b>29</b>
Impairment charges, intangible assets	0	0		-468	0	0	0	-250
Non-recurring items	-12	0		-29	-11	-14	0	-12
<b>Profit before value adjustments and tax</b>	<b>38</b>	<b>23</b>	<b>163</b>	<b>-461</b>	<b>49</b>	<b>60</b>	<b>23</b>	<b>-233</b>
Market value adjustments*	-3	34		-4	-20	-50	34	-13
<b>Profit before tax, continuing operations</b>	<b>35</b>	<b>57</b>	<b>61</b>	<b>-465</b>	<b>29</b>	<b>10</b>	<b>57</b>	<b>-245</b>
<b>Profit before tax, discontinued operations (Vörður)</b>	<b>-10</b>	<b>4</b>		<b>18</b>	<b>13</b>	<b>2</b>	<b>4</b>	<b>19</b>
<b>Profit before tax, total</b>	<b>25</b>	<b>61</b>	<b>40</b>	<b>-447</b>	<b>42</b>	<b>12</b>	<b>61</b>	<b>-226</b>
Operating cost/income, %	70	72		70	67	63	72	66
Number of FTE, end of period (incl. Vörður)	477	504	95	459	478	490	504	506

\*Incl. Net income from investment activities

The following comments relate to the adjusted figures and are generally stated relative to Q4 2015. Due to seasonal variations, comments on the insurance segment are also made relative to Q1 2015.

### **Operating income**

BankNordik Group generated operating income of DKK 168m in Q1 2016, which was 4% less than in Q4 2015. The decline primarily relates to genuinely low customer activity in the period, reducing fee and commission income.

### **Net interest income**

Despite a decrease in total lending of approximately DKK 700m in Q1 2016, mainly as a result of the winding up of the Danish corporate activities, net interest income increased by DKK 2m compared to Q4 2015 to DKK 113m. This is explained by the fact that most of the activities were wound up in March, so the full effect on net interest income has not yet materialised. In addition, BankNordik decreased deposit rates effective from 1 January 2016, which has slightly improved the interest margin in Q1 2016 compared to Q4 2015.

### **Net fees and commissions**

Net fee and commission income amounted to DKK 45m in Q1 2016 compared to DKK 52m in Q4 2015. The decrease was due to a genuine slowdown in customer activity during this period and due to seasonal variations.

### **Net insurance income**

Net insurance income increased to DKK 8m in Q1 2016 from DKK 0m in the same period of last year.

### **Operating and sector costs**

Operating and sector costs were DKK 118m in Q1 2016, 7% less than in Q4 2015. This was in line with management expectations of a reduced cost base as the Group is refocusing its activities. The use of advisory services is also down compared to Q4 2015, while the quarterly amortisation of intangible assets related to customer relations of DKK 3m has been discontinued when it was fully written off in Q4 2015.

### **Profit before impairment charges**

Profit before impairment charges increased from DKK 47m in Q4 2015 to DKK 49m in Q1 2016.

### **Impairment charges**

Net impairment charges were reversed by DKK 1m in Q1 2016 compared to charges of DKK 11m in Q4 2015.

### **Operating profit**

Operating profit increased from DKK 36m in Q4 2015 to DKK 50m in Q1 2016.

## **Balance sheet**

BankNordik's total assets at 31 March 2016 amounted to DKK 16.2bn. Loans and advances were DKK 10.0bn, down 7% compared to year-end 2015 mostly due to the winding up of the corporate activities in Denmark. Deposits were DKK 12.5bn, down 1% compared to year-end 2015.

Liquidity invested in bonds, primarily in Danish mortgage and government bonds, amounted to DKK 3.9bn, an increase of DKK 496m compared to year-end 2015 resulting from the liquidity released by the winding up of corporate activities. Liquidity invested in shares amounted to DKK 242m, largely unchanged from 31 December 2015. The surplus liquidity at 31 March 2016 was 207% higher than the statutory requirement.

The Group's equity at 31 March 2016 largely stayed flat at DKK 1,767m compared to 31 December 2015.

### Compliance with the Danish FSA Supervisory Diamond

	BankNordik Q1 2016	FSA Limit
Large exposures	64.5%	<125%
Liquidity coverage	207.3%	>50%
Lending growth	-6.3%	<20%
Funding ratio	0.66	<1.00
Lending to property sector	8.3%	<25%

At 31 March 2016, the Group complied with all Supervisory Diamond requirements set by the Danish FSA.

### Events after the balance sheet date

No events have occurred since 31 March 2016 that are deemed to have a significant impact on the Group's financial position.

### Update on the sale of Vørður

Following an indication from the Icelandic central bank, Arion Banki and BankNordik have agreed to amend the conditioned SPA for the shares in Vørður. The transaction will be settled in ISK rather than EUR, and the sale will not be split-up but will involve 100% of the shares in Vørður Group immediately.

The purchase price for 100% of BankNordik's shares in the Vørður Group is ISK 5.3 billion, which is expected to produce a capital gain of approximately DKK 60 million. In addition to the purchase price, BankNordik is expected to receive a part of the 2015 earnings from the Vørður Group.

As previously announced, BankNordik's Board of Directors intends for the Bank to pay an amount corresponding to the increase in the Bank's core equity resulting from the sale as dividend to the shareholders. Following completion of the sale of all shares in Vørður, the Bank still expects such increase to amount to not less than DKK 100 million.

BankNordik aims to complete the transaction, which is still subject to the approval of the relevant Icelandic competition authorities, in the first half of 2016.

### Restructuring of subordinated debt

BankNordik has now initiated a process to explore the possibility of raising DKK 200-250m in new CRD IV compliant Tier 2 capital in conjunction with the planned repayment of BankNordik's current outstanding Tier 1 and Tier 2 capital during 2016. BankNordik has engaged ABG Sundal Collier as its financial advisers to explore the possibilities.

### Capital ratios and extraordinary dividends

As of 31 March 2016, BankNordik had a total capital ratio of 17.2%, leaving a margin of 8.4 percentage points to the Bank's capital requirement of 8.8%. The long-term total capital ratio target of 16.5% has thus been met.

The CET1 capital ratio was 14.4% at 31 March 2016 as compared to the Bank's target of 13%.

The previously announced extraordinary dividends of approximately DKK 300m are contingent upon the regulatory approval and final completion of the sale of Vørður, as well as the winding up of the Danish corporate banking activities.

The corporate loan book in Denmark was reduced by close to DKK 520m in the first quarter of 2016, and by July 2016 around two-thirds of the Danish corporate portfolio is expected wound-up.

### **Outlook 2016 and long-term financial objectives**

Management reconfirms the FY2016 guidance of profit before impairment charges, non-recurring items, value adjustments and tax in the range of DKK 150-190m (Q1 2016: DKK 49m).

Impairment charges on loans for 2016 are expected to be in line with the level of 2015 (DKK 20m). For the first quarter of 2016, net impairment charges were a reversal of DKK 1m.

In addition, the Group has announced that it targets a return on equity of 10% and a cost/income ratio of 62% by 2020.

This guidance is generally subject to uncertainty and will depend on economic conditions, including possible central bank monetary policy measures.

# BankNordik Group by segment

Note that the financial results generated by the treasury department are not recognised under these business segments, i.e. Corporate Banking and Personal Banking.

## Income statement, Banking

DKKm	Q1 2016	Q1 2015	Index 16/15	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net interest income	112	119	94	111	116	122	119	122
Net fees, commission income & dividends	46	55	84	52	52	67	55	51
Other operating income	1	0	246	2	1	2	0	3
<b>Operating income</b>	<b>159</b>	<b>174</b>	<b>91</b>	<b>164</b>	<b>168</b>	<b>190</b>	<b>174</b>	<b>175</b>
Operating cost	-113	-122	93	-115	-115	-123	-122	-116
Sector costs	-1	-5	20	-5	-5	-6	-5	-5
<b>Profit before impairment charges</b>	<b>45</b>	<b>47</b>	<b>96</b>	<b>44</b>	<b>48</b>	<b>62</b>	<b>47</b>	<b>54</b>
Impairment charges	-3	-22	12	-26	-12	0	-22	-34
Reversals of acquired OEI impairments	3	2	146	15	18	5	2	6
Impairment charges, net	1	-20		-11	7	5	-20	-29
<b>Operating profit</b>	<b>45</b>	<b>26</b>	<b>171</b>	<b>33</b>	<b>55</b>	<b>67</b>	<b>26</b>	<b>26</b>
Impairment charges, intangible assets	0	0		-468	0	0	0	-250
Non-recurring items	-12	0		-29	-11	-14	0	-12
<b>Profit before value adjustments and tax</b>	<b>33</b>	<b>26</b>	<b>125</b>	<b>-464</b>	<b>44</b>	<b>53</b>	<b>26</b>	<b>-236</b>
Market value adjustments	-3	34		-5	-19	-47	34	-11
<b>Profit before tax</b>	<b>30</b>	<b>61</b>	<b>50</b>	<b>-469</b>	<b>24</b>	<b>6</b>	<b>61</b>	<b>-247</b>
Loans and advances	9,961	10,630	94	10,675	10,669	10,680	10,630	10,492
Deposits and other debt	12,589	12,411	101	12,739	12,829	12,935	12,411	12,690
Operating cost/income, %	71	70		70	68	64	70	66
Number of FTE, end of period	381	411	93	363	383	389	411	412



## Personal Banking

The personal banking segment reported operating profit of DKK 68m in Q1 2016 relative to DKK 67m in Q1 2015. Operating income fell from DKK 118m in Q1 2015 to DKK 106m in Q1 2016 due to pressure on interest margins, a change in the internal funding rate from 1% to 0.5% and overall low customer activity compared to relatively high activity in Q1 2015. Operating costs were down from DKK 44m in Q1 2015 to DKK 38m in Q1 2016. Net impairment charges were a reversal of DKK 1m in Q1 2016 compared to charges of DKK 4m in Q1 2015.

Loans and advances decreased by DKK 132m to DKK 5,766m at 31 March 2016 while deposits increased by DKK 242m, both compared to 31 March 2015.

### Income statement, Personal banking

DKKm	Q1 2016	Q1 2015	Index 16/15	2015
Net interest income	70	73	96	305
Net fees, commission income & dividends	36	44	81	186
Other operating income	0	0	61	10
<b>Operating income</b>	<b>106</b>	<b>118</b>	<b>90</b>	<b>500</b>
Operating cost	-38	-44	86	-242
Sector costs	-1	-4	20	-16
<b>Profit before impairment charges</b>	<b>68</b>	<b>70</b>	<b>96</b>	<b>242</b>
Impairment charges, net	1	-4		-9
<b>Operating profit</b>	<b>68</b>	<b>67</b>	<b>103</b>	<b>233</b>
Impairment charges, intangible assets	0	0		0
Non-recurring items	-2	0		-11
<b>Profit before value adjustments and tax</b>	<b>67</b>	<b>67</b>	<b>100</b>	<b>222</b>
Market value adjustments	0	0		0
<b>Profit before tax</b>	<b>67</b>	<b>67</b>	<b>100</b>	<b>222</b>
Loans and advances	5,766	5,898	98	5,961
Deposits and other debt	9,382	9,140	103	9,534
Operating cost/income, %	36	37		48
Number of FTE, end of period	133	133		129

## Corporate Banking

The corporate banking activities reported operating profit of DKK 43m in Q1 2016 compared to DKK 31m in Q1 2015. Operating income was down by DKK 3m to DKK 49m mainly due to the winding-up of the Danish corporate activities but was partially offset by a change in the internal funding rate, which was lowered from 1% to 0.5%.

Likewise, operating costs fell by DKK 2m from DKK 8m in Q1 2015 to DKK 6m in Q1 2016, which is consistent with the reduction of corporate activities in Denmark. Net impairment charges were a reversal of DKK 1m in Q1 2016 compared to charges of DKK 11m in Q1 2015.

In step with the winding up process, corporate lending decreased by DKK 519m from March 2015 to March 2016, while deposits fell by DKK 64m.

### Income statement, Corporate Banking

DKKm	Q1 2016	Q1 2015	Index 16/15	2015
Net interest income	45	47	96	196
Net fees, commission income & dividends	4	5	84	20
Other operating income	0	0	21	28
<b>Operating income</b>	<b>49</b>	<b>52</b>	<b>95</b>	<b>244</b>
Operating cost	-6	-8	80	-27
Sector costs	0	-1	19	-5
<b>Profit before impairment charges</b>	<b>42</b>	<b>42</b>	<b>100</b>	<b>212</b>
Impairment charges, net	1	-11		-20
<b>Operating profit</b>	<b>43</b>	<b>31</b>	<b>140</b>	<b>193</b>
Impairment charges, intangible assets	0	0		0
Non-recurring items	0	0		-6
<b>Profit before value adjustments and tax</b>	<b>43</b>	<b>31</b>	<b>140</b>	<b>187</b>
Market value adjustments	0	0		0
<b>Profit before tax</b>	<b>43</b>	<b>31</b>	<b>140</b>	<b>187</b>
Loans and advances	4,195	4,714	89	4,924
Deposits and other debt	3,207	3,271	98	3,170
Operating cost/income, %	13	16		11
Number of FTE, end of period	14	33		20

## Insurance: Trygd

Premium income increased by DKK 1m in Q1 2016 compared to Q1 2015, while claims fell by DKK 8m. Operating costs also fell by DKK 1m in Q1 2016 compared to Q1 2015, resulting in profit before tax of DKK 4m compared to a loss of DKK 4m for the same period last year.

The launch of the Bank's customer loyalty program has strongly supported the sale of insurance products, partially compensating for significantly reduced prices in the market.

### Income statement, Trygd

DKKm			Index 16/15					
	Q1 2016	Q1 2015		Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Premium income, net of reinsurance	21	20	105	20	21	21	20	20
Claims, net of reinsurance	-12	-20	60	-12	-11	-11	-20	-14
<b>Net insurance income</b>	<b>9</b>	<b>0</b>		<b>8</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>6</b>
Net income from investment activities	-1	0		0	0	-1	0	0
<b>Operating income</b>	<b>8</b>	<b>1</b>		<b>8</b>	<b>10</b>	<b>10</b>	<b>1</b>	<b>6</b>
Operating cost	-4	-5	78	-5	-6	-5	-5	-4
<b>Profit before tax</b>	<b>4</b>	<b>-4</b>		<b>3</b>	<b>4</b>	<b>5</b>	<b>-4</b>	<b>2</b>
Combined ratio	75	123		88	79	73	123	89
Claims ratio	57	99		61	51	51	99	68
Number of FTE, end of period	25	25	100	25	25	25	25	25

## Insurance: Vörður (Iceland)

As announced on 22 June 2015, BankNordik has initiated a process to sell its Icelandic insurance subsidiaries. Consequently, Vörður has not been consolidated for the three months ended 31 March 2016, but is presented separately. See note 10 for further information.

## Income statement

Note DKK 1,000		Group		BankNordik	
		Q1 2016	Q1 2015	Q1 2016	Q1 2015
3	Interest income	128,648	144,582	128,374	144,192
4	Interest expenses	16,118	24,996	16,118	25,067
	<b>Net interest income</b>	<b>112,531</b>	<b>119,586</b>	<b>112,256</b>	<b>119,125</b>
	Dividends from shares and other investments	214	1,218	214	1,218
5	Fee and commission income	47,450	56,710	48,652	56,710
5	Fee and commissions paid	2,776	3,029	2,776	3,029
	<b>Net dividend, fee and commission income</b>	<b>44,889</b>	<b>54,900</b>	<b>46,090</b>	<b>54,900</b>
	<b>Net interest and fee income</b>	<b>157,419</b>	<b>174,486</b>	<b>158,346</b>	<b>174,025</b>
	Premium income, net of reinsurance	20,424	19,399		
	Claims, net of reinsurance	11,998	19,845		
	<b>Interest and fee income and income from insurance activities, net</b>	<b>165,845</b>	<b>174,040</b>	<b>158,346</b>	<b>174,025</b>
6	Market value adjustments	-2,712	33,930	-2,581	34,068
7	Other operating income	5,168	3,938	3,985	2,514
8	Staff costs and administrative expenses	127,298	121,994	123,446	117,357
	Amortisation, depreciation and impairment charges	2,232	5,040	2,144	4,953
	Other operating expenses	1,063	5,447	1,063	5,447
9	Impairment charges on loans and advances etc.	2,633	22,338	2,633	22,338
	Income from investments accounted for under the equity method	0	0	-4,410	808
	<b>Profit before tax</b>	<b>35,077</b>	<b>57,089</b>	<b>26,056</b>	<b>61,321</b>
	Tax	6,313	11,553	5,484	12,169
	<b>Net profit from continuing operations</b>	<b>28,764</b>	<b>45,536</b>	<b>20,572</b>	<b>49,152</b>
10	Profit on discontinued operations, net of tax	-8,192	3,616	0	0
	<b>Net profit</b>	<b>20,572</b>	<b>49,152</b>	<b>20,572</b>	<b>49,152</b>
	<i>Note: The interest income in Q1 2015 has been corrected negatively by DKK 3.2m.</i>				
	Portion attributable to				
	Shareholders of BankNordik P/F	20,572	49,152	20,572	49,152
	<b>Net profit</b>	<b>20,572</b>	<b>49,152</b>	<b>20,572</b>	<b>49,152</b>
	EPS Basic for the period, discontinuing operations, DKK*	-0.83	0.37	-0.83	0.37
	EPS Diluted for the period, discontinuing operations, DKK*	-0.83	0.37	-0.83	0.37
	EPS Basic for the period, continuing operations, DKK*	2.92	4.62	2.92	4.62
	EPS Diluted for the period, continuing operations, DKK*	2.92	4.62	2.92	4.62

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

## Statement of comprehensive income

DKK 1,000		Group		BankNordik	
		2016	2015	2016	2015
	Net profit	20,572	49,152	20,572	49,152
	Other comprehensive income				
	Items which will subsequently be recycled to the income statement if certain conditions are met:				
	Translation of non-Faroese subsidiaries	-771	3,514	-771	4,366
	Items which will not subsequently be recycled:				
	Revaluation of property	0	0	0	0
	Tax on other comprehensive income	0	0	0	0
	Total other comprehensive income	-771	3,514	-771	4,366
	<b>Total comprehensive income</b>	<b>19,801</b>	<b>52,666</b>	<b>19,801</b>	<b>53,518</b>
	Portion attributable to				
	Shareholders of BankNordik P/F	19,801	52,666	19,801	53,518
	<b>Total comprehensive income</b>	<b>19,801</b>	<b>52,666</b>	<b>19,801</b>	<b>53,518</b>

## Balance Sheet

Note	DKK 1,000	Group		BankNordik	
		March 31 2016	Dec. 31 2015	March 31 2016	Dec. 31 2015
<b>Assets</b>					
	Cash in hand and demand deposits with central banks	239,109	360,872	238,962	360,824
11	Due from credit institutions and central banks	713,817	410,550	713,817	410,550
9	Loans and advances at fair value	671,387	670,936	671,387	670,936
9	Loans and advances at amortised cost	9,289,696	10,004,244	9,289,696	10,004,244
	Bonds at fair value	3,895,295	3,398,816	3,761,380	3,274,870
	Shares, etc.	242,235	239,995	242,235	239,995
	Assets under insurance contracts	12,821	20,263	0	0
	Holdings in associates	5,543	5,543	5,543	5,543
	Holdings in subsidiaries	0	0	107,654	105,908
	Intangible assets	0	0	0	0
	Total land and buildings	188,435	189,477	186,435	187,473
	investment property	19,982	25,299	19,982	25,299
	domicile property	168,453	164,178	166,453	162,173
	Other property, plant and equipment	27,638	28,640	26,865	27,854
	Current tax assets	3,957	3,720	3,903	3,667
	Deferred tax assets	60,836	66,320	60,794	66,278
12	Assets held for sale	35,435	35,402	35,435	35,402
	Other assets	198,004	194,370	195,799	191,318
	Prepayments	8,588	37,386	7,260	35,990
10	Assets in disposal groups classified as held for sale	620,478	581,280	195,992	204,778
<b>Total assets</b>		<b>16,213,273</b>	<b>16,247,814</b>	<b>15,743,158</b>	<b>15,825,630</b>

## Balance Sheet

Note	DKK 1,000	Group		BankNordik		
		March 31 2016	Dec. 31 2015	March 31 2016	Dec. 31 2015	
		<b>Shareholders' equity and liabilities</b>				
		<b>Liabilities other than provisions</b>				
		Due to credit institutions and central banks	592,015	574,791	592,015	574,791
		Deposits and other debt	12,532,321	12,680,157	12,589,046	12,739,229
		Liabilities under insurance contracts	74,193	70,433	0	0
		Current tax liabilities	18,689	17,778	15,486	15,405
		Other liabilities	301,532	245,840	286,226	233,912
		Deferred income	13,738	24,403	4,084	4,347
10		Liabilities directly associated with assets in Disposal groups classified as assets held for sale	417,725	369,705	0	0
		<b>Total liabilities other than provisions</b>	<b>13,950,213</b>	<b>13,983,107</b>	<b>13,486,858</b>	<b>13,567,684</b>
		<b>Provisions for liabilities</b>				
		Provisions for deferred tax	0	0	0	0
		Provisions for losses on guarantees	39,602	39,884	39,602	39,884
		Provisions for other liabilities	6,107	6,312	6,107	6,312
		<b>Total provisions for liabilities</b>	<b>45,709</b>	<b>46,196</b>	<b>45,709</b>	<b>46,196</b>
		<b>Subordinated debt</b>				
		Subordinated debt	450,112	452,177	450,112	452,177
		<b>Total liabilities</b>	<b>14,446,033</b>	<b>14,481,479</b>	<b>13,982,679</b>	<b>14,066,056</b>
		<b>Shareholders' equity</b>				
		<b>Share capital</b>	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	22,012	22,642	22,358	22,988
		Reserve, Equity Method	0	0	111,339	115,548
		Retained earnings	1,545,228	1,523,694	1,426,782	1,401,038
		Proposed dividends	0	20,000	0	20,000
		<b>Total shareholders' equity</b>	<b>1,767,240</b>	<b>1,766,335</b>	<b>1,760,479</b>	<b>1,759,575</b>
		<b>Total liabilities and equity</b>	<b>16,213,273</b>	<b>16,247,814</b>	<b>15,743,158</b>	<b>15,825,630</b>

## Statement of capital - 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, 2016</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>
Translation of foreign units		-771				-771
Net profit				0	20,572	20,572
<b>Total comprehensive income</b>		<b>-771</b>	<b>0</b>	<b>0</b>	<b>20,572</b>	<b>19,801</b>
Acquisition of own shares					-6,432	-6,432
Sale of own shares					6,450	6,450
Share-based remuneration-programme					811	811
Dividends paid				-20,000	274	-19,726
<b>Shareholders' equity at March 31, 2016</b>	<b>200,000</b>	<b>21,871</b>	<b>0</b>	<b>0</b>	<b>1,545,369</b>	<b>1,767,240</b>

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			-10,756		10,756	0
Translation of foreign units		7,208				7,208
Net profit				20,000	-241,009	-221,009
<b>Total comprehensive income</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					-27,190	-27,190
Sale of own shares					27,190	27,190
Share-based remuneration-programme					667	667
Dividends paid				-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>

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>
Translation of foreign units		3,514				3,514
Net profit					49,152	49,152
<b>Total comprehensive income</b>		<b>3,514</b>			<b>49,152</b>	<b>52,666</b>
Acquisition of own shares					-2,014	-2,014
Sale of own shares					2,275	2,275
Share-based remuneration-programme					133	133
Dividends paid				-20,000	274	-19,726
<b>Shareholders' equity at March 31, 2015</b>	<b>200,000</b>	<b>18,948</b>	<b>8,820</b>	<b>0</b>	<b>1,804,761</b>	<b>2,032,529</b>

## Statement of capital - BankNordik P/F

## Changes in shareholders' equity:

DKK 1,000	Share capital	Foreign	Revaluation Reserve	Equity	Proposed dividends	Retained earnings	Total
		currency translation reserve		method reserve			
Shareholders' equity at January 1, 2016	200,000	22,988	0	115,548	20,000	1,401,038	1,759,575
Translation of foreign units		-771					-771
Net profit			0	-4,410		24,982	20,572
<b>Total comprehensive income</b>		<b>-771</b>	<b>0</b>	<b>-4,410</b>	<b>0</b>	<b>24,982</b>	<b>19,801</b>
Acquisition of own shares						-6,432	-6,432
Sale of own shares						6,450	6,450
Share-based remuneration-programme						811	811
Dividends paid					-20,000	274	-19,726
Dividends received				2,000		-2,000	0
<b>Shareholders' equity at March 31, 2016</b>	<b>200,000</b>	<b>22,217</b>	<b>0</b>	<b>113,138</b>	<b>0</b>	<b>1,425,124</b>	<b>1,760,479</b>

DKK 1,000	Share capital	Foreign	Revaluation Reserve	Equity	Proposed dividends	Retained earnings	Total
		currency translation reserve		method reserve			
Shareholders' equity at January 1, 2015	200,000	14,928	8,820	114,486	20,000	1,633,347	1,991,582
Translation of foreign units		8,060					8,060
Net profit			0	40,583	20,000	-281,592	-221,009
<b>Total comprehensive income</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						-27,190	-27,190
Sale of own shares						27,190	27,190
Share-based remuneration-programme						667	667
Dividends paid					-20,000	274	-19,726
Dividends received				-39,521		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>

DKK 1,000	Share capital	Foreign	Revaluation Reserve	Equity	Proposed dividends	Retained earnings	Total
		currency translation reserve		method reserve			
Shareholders' equity at January 1, 2015	200,000	14,928	8,820	114,486	20,000	1,633,347	1,991,582
Translation of foreign units		4,366					4,366
Net profit				808		48,344	49,152
<b>Total comprehensive income</b>		<b>4,366</b>		<b>808</b>		<b>48,344</b>	<b>53,518</b>
Acquisition of own shares						-2,014	-2,014
Sale of own shares						2,275	2,275
Share-based remuneration-programme						133	133
Dividends paid					-20,000	274	-19,726
Dividends received				-25,000		25,000	0
<b>Shareholders' equity at March 31, 2015</b>	<b>200,000</b>	<b>19,294</b>	<b>8,820</b>	<b>90,294</b>	<b>0</b>	<b>1,707,360</b>	<b>2,025,768</b>



## Capital and Solvency - BankNordik

DKK 1,000	Q1 2016	Full year 2015
Core capital	1,669,926	1,691,998
Total capital	1,889,614	1,921,252
Risk-weighted items not included in the trading portfolio	8,409,213	8,951,646
Risk-weighted items with market risk etc.	1,155,619	1,006,711
Risk-weighted items with operational risk	1,419,571	1,504,345
<b>Total risk-weighted items</b>	<b>10,984,403</b>	<b>11,462,702</b>
<b>Core capital ratio, excl. hybrid core capital</b>	<b>14.4%</b>	<b>13.9%</b>
<b>Core capital ratio</b>	<b>15.2%</b>	<b>14.8%</b>
<b>Solvency ratio</b>	<b>17.2%</b>	<b>16.8%</b>
<b>Core Capital and Shareholders' equity</b>		
Share capital	200,000	200,000
Reserves	133,697	138,536
Net profit	20,572	-221,009
Retained earnings, previous years	1,406,211	1,642,047
<b>Shareholders' equity</b>	<b>1,760,479</b>	<b>1,759,575</b>
Deduction of dividend	0	20,000
Deduction of net profit	20,572	0
Deduction of holdings of own shares and significant investments in entities in the financial sector	56,749	38,244
Deduction of intangible assets	41,275	41,275
Deduction of deferred tax assets	60,794	66,278
<b>Core capital exclusive of hybrid core capital</b>	<b>1,581,088</b>	<b>1,593,777</b>
Hybrid core capital before deductions	179,754	180,903
Deductions in Hybrid core capital	90,916	82,683
<b>Core capital</b>	<b>1,669,926</b>	<b>1,691,998</b>
<b>Total capital</b>		
Core capital	1,669,926	1,691,998
Subordinated loan capital, before deductions	270,604	271,273
Deductions in Subordinated loan capital	50,916	42,019
<b>Total capital</b>	<b>1,889,614</b>	<b>1,921,252</b>

## Cash flow statement - BankNordik Group

DKK 1,000	Q1 2016	Full year 2015
<b>Cash flow from operations</b>		
Net profit for the period	20,572	-221,009
Amortisation and impairment charges for intangible assets	75	480,126
Depreciation and impairment charges of tangible assets	2,780	35,604
Impairment of loans and advances/guarantees	2,633	62,476
Tax charged to the income statement	4,033	-114,293
Other non-cash operating items	-1,527	-32,783
<b>Total</b>	<b>28,566</b>	<b>210,121</b>
<b>Changes in operating capital</b>		
Change in loans at fair value	26	73,933
Change in loans at amortised cost	711,916	-331,281
Change in holding of bonds	-513,468	-37,403
Change in holding of shares	-4,742	-64,204
Change in deposits	-147,836	73,294
Due to credit institutions and central banks	17,224	-16,556
Change in other assets / liabilities	35,388	-57,894
Assets/liabilities under insurance contracts	43,214	33,056
Prepayments	18,133	667
<b>Cash flow from operations</b>	<b>188,420</b>	<b>-116,267</b>
<b>Cash flow from investing activities</b>		
Dividends received	214	9,244
Acquisition of tangible assets	-6,717	-44,205
Sale of tangible assets	463	68,633
<b>Cash flow from investing activities</b>	<b>-6,040</b>	<b>33,671</b>
<b>Cash flow from financing activities</b>		
Acquisition of own shares	-6,432	-27,190
Sale of own shares	6,450	27,190
Payment of dividends	-20,000	-20,000
<b>Cash flow from financing activities</b>	<b>-19,982</b>	<b>-20,000</b>
<b>Cash flow</b>	<b>162,398</b>	<b>-102,596</b>
Cash in hand and demand deposits with central banks, and due from credit institutions, etc. at the beginning of the year	867,996	960,768
Foreign currency translation	-397	9,824
Cash flow	162,398	-102,596
<b>Cash and due etc.</b>	<b>1,029,996</b>	<b>867,996</b>
<b>Cash and due etc.</b>		
Cash in hand and demand deposits with central banks	316,179	457,446
Due from credit institutions, etc.	713,817	410,550
<b>Total</b>	<b>1,029,996</b>	<b>867,996</b>

Total cash include cash from Vörður, DKK 77.1m.

## Note 1 Significant accounting policies

The consolidated financial statements for the first three months of 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of the Nasdaq OMX exchanges in Reykjavik and Copenhagen. The financial statements of the Parent Company, P/F BankNordik, have been 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 application of IAS 34 means that the disclosure of figures is less detailed than the disclosure in a full annual report and that the valuation principles laid down by the international financial reporting standards (IFRS) are applied.

The Group has not changed its significant accounting policies from those followed in the Annual Report 2015. The Annual Report 2015 provides a full description of the Group's significant accounting policies.

### Future financial reporting standards and interpretations

International Accounting Standards Board (IASB) has issued a number of new accounting standards (IAS and IFRS) and interpretations (IFRIC) that have not yet entered into force. None of these are expected to have an impact on the Group's future financial reporting.

### Accounting estimates

The measurement of certain assets and liabilities requires management to estimate how future events will impact on the value of such assets and liabilities. Estimates of significance to the financial reporting are made in connection with determining the impairment of loans and advances, the fair value of unlisted financial instruments, provisions, business acquisitions etc. Estimates are based on assumptions that management considers appropriate but which are inherently uncertain.

The most significant estimates that management makes in applying the Group's accounting policies and the most important uncertainty affecting estimates made when preparing the condensed interim report are unchanged from the estimates made in connection with the preparation of the Annual Report 2015 and the uncertainties prevailing at that time.

### 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.

## Notes - BankNordik Group

Note	Operating segments Q1 2016				Elimination	Continuing operations	Discontinued operations	Group
	Banking		Other	Total				
	Private	Corporate						Total
2	<b>DKK 1,000</b>							
External interest income, Net	65,732	46,890	-367	112,256	274	112,530	3,575	116,105
Internal interest	4,461	-1,763	-2,698	0		0	0	0
<b>Net interest income</b>	<b>70,193</b>	<b>45,127</b>	<b>-3,065</b>	<b>112,256</b>	<b>274</b>	<b>112,530</b>	<b>3,575</b>	<b>116,105</b>
<b>Net Fee and dividends income</b>	<b>36,024</b>	<b>4,123</b>	<b>5,944</b>	<b>46,091</b>	<b>-1,202</b>	<b>44,889</b>	<b>-3,142</b>	<b>41,747</b>
Premium income, net of reinsurance	0	0	0	0	20,964	-540	20,424	100,428
<b>Net premium income of reinsurance and c&amp;e</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,967</b>	<b>-540</b>	<b>8,426</b>	<b>6,426</b>
Other income	206	0	-523	-317	-152	-284	-753	4,325
<b>Total income</b>	<b>106,422</b>	<b>49,250</b>	<b>2,357</b>	<b>158,030</b>	<b>7,887</b>	<b>-824</b>	<b>165,093</b>	<b>2,757</b>
<b>Total operating expenses</b>	<b>40,221</b>	<b>6,767</b>	<b>80,709</b>	<b>127,697</b>	<b>3,718</b>	<b>-824</b>	<b>130,591</b>	<b>143,820</b>
<b>Profit before impairment charges on loans</b>	<b>66,201</b>	<b>42,484</b>	<b>-78,352</b>	<b>30,333</b>	<b>4,169</b>	<b>0</b>	<b>34,502</b>	<b>24,029</b>
Impairment charges, incl. reversals of acquired OEI impairments	-630	-823	877	-576		-576	0	-576
<b>Profit before tax</b>	<b>66,831</b>	<b>43,307</b>	<b>-79,229</b>	<b>30,908</b>	<b>4,169</b>	<b>0</b>	<b>35,077</b>	<b>24,605</b>
<b>Total assets</b>	<b>6,149,954</b>	<b>4,291,686</b>	<b>5,003,030</b>	<b>15,444,671</b>	<b>196,161</b>	<b>15,640,832</b>	<b>572,442</b>	<b>16,213,274</b>
of which Loans and advances	5,766,076	4,195,006		9,961,083		9,961,083	0	9,961,083
<b>Total liabilities and equity</b>	<b>10,533,188</b>	<b>3,091,667</b>	<b>1,819,815</b>	<b>15,444,670</b>	<b>196,161</b>	<b>15,640,831</b>	<b>572,442</b>	<b>16,213,273</b>
of which Deposits	9,381,748	3,207,298		12,589,046		-56,726	12,532,321	12,532,321
of which Insurance liabilities					74,193		74,193	0

Operating segments Q1 2015	Banking				Elimination	Continuing operations	Discontinued operations	Group
	Private	Corporate	Other	Total				
	DKK 1,000					Total	Iceland	Total
External interest income, Net	65,114	50,689	3,322	119,125	461	119,586	2,764	122,350
Internal interest	8,359	-3,590	-4,769	0		0	0	0
<b>Net interest income</b>	<b>73,473</b>	<b>47,099</b>	<b>-1,447</b>	<b>119,125</b>	<b>461</b>	<b>119,586</b>	<b>2,764</b>	<b>122,349</b>
<b>Net Fee and dividends income</b>	<b>44,436</b>	<b>4,909</b>	<b>5,555</b>	<b>54,900</b>	<b>0</b>	<b>54,900</b>	<b>-1,625</b>	<b>53,275</b>
Premium income, net of reinsurance	0	0	0	0	20,043	-644	19,399	62,828
<b>Net premium income of reinsurance and c&amp;e</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>198</b>	<b>-644</b>	<b>-446</b>	<b>1,251</b>
Other income	339	0	35,726	36,065	-148	-248	35,670	11,619
<b>Total income</b>	<b>118,248</b>	<b>52,008</b>	<b>39,833</b>	<b>210,090</b>	<b>511</b>	<b>-892</b>	<b>209,709</b>	<b>14,455</b>
<b>Total operating expenses</b>	<b>47,757</b>	<b>9,534</b>	<b>71,320</b>	<b>128,612</b>	<b>4,761</b>	<b>-892</b>	<b>132,481</b>	<b>143,200</b>
<b>Profit before impairment charges on loans</b>	<b>70,491</b>	<b>42,474</b>	<b>-31,487</b>	<b>81,478</b>	<b>-4,250</b>	<b>0</b>	<b>77,228</b>	<b>3,736</b>
Impairment charges, incl. reversals of acquired OEI impairments	3,846	11,443	4,850	20,139		20,139	0	20,139
<b>Profit before tax</b>	<b>66,645</b>	<b>31,031</b>	<b>-36,337</b>	<b>61,339</b>	<b>-4,250</b>	<b>0</b>	<b>57,089</b>	<b>3,736</b>
<b>Total assets</b>	<b>6,342,872</b>	<b>4,747,620</b>	<b>4,652,366</b>	<b>15,742,858</b>	<b>158,811</b>	<b>15,901,669</b>	<b>519,431</b>	<b>16,421,100</b>
of which Loans and advances	5,897,908	4,713,782	21,514	10,633,204		10,633,204		10,633,204
<b>Total liabilities and equity</b>	<b>10,639,806</b>	<b>3,140,920</b>	<b>1,962,132</b>	<b>15,742,858</b>	<b>158,811</b>	<b>15,901,669</b>	<b>519,431</b>	<b>16,421,100</b>
of which Deposits	9,139,561	3,271,177		12,410,738		-66,813	12,343,925	12,343,925
of which Insurance liabilities					77,261		77,261	356,848

## BankNordik Group - Geographical revenue information

	Total income		Non-current assets		Additions to tangible assets		Additions to intangible assets	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Faroe Islands	73,898	106,633	121,623	258,727	-661	9,653		
Denmark	80,175	95,574	53,226	462,776	-1,380	-7,502		
Iceland, discontinued operation	2,757	14,455	0	11,075	0	550		
Greenland	11,020	10,656	46,767	120,617	-3	-1,030		
<b>Total</b>	<b>167,850</b>	<b>227,319</b>	<b>221,616</b>	<b>853,196</b>	<b>-2,044</b>	<b>1,671</b>	<b>0</b>	<b>0</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		Group		BankNordik	
		Q1 2016	Q1 2015	Q1 2016	Q1 2015
Note	DKK 1,000				
<b>3</b>	<b>Interest income</b>				
	Credit institutions and central banks	457	286	457	286
	Loans and advances	119,674	132,642	119,674	132,643
	Bonds	9,952	14,193	9,677	13,804
	Total derivatives of which:	-1,992	-2,545	-1,992	-2,545
	<i>Interest rate contracts</i>	-7,213	-2,300	-7,213	-2,300
	<i>Other transactions</i>	5,221	-245	5,221	-245
	Other interest income	557	5	557	4
	<b>Total interest income</b>	<b>128,649</b>	<b>144,582</b>	<b>128,374</b>	<b>144,192</b>
<b>4</b>	<b>Interest expenses</b>				
	Credit institutions and central banks	523	736	523	736
	Deposits	5,079	13,846	5,079	13,917
	Subordinated debt	10,498	10,394	10,498	10,394
	Other interest expenses	19	20	19	20
	<b>Total interest expenses</b>	<b>16,118</b>	<b>24,996</b>	<b>16,118</b>	<b>25,067</b>
<b>5</b>	<b>Net fee and commission income</b>				
	Fee and commission income				
	Securities trading and custody accounts	9,175	13,407	9,175	13,407
	Credit transfers	5,312	6,094	5,312	6,094
	Loan commissions	1,959	2,549	1,959	2,549
	Guarantee commissions	4,718	4,396	4,718	4,396
	Other fees and commissions	26,286	30,265	27,488	30,264
	<b>Total fee and commission income</b>	<b>47,450</b>	<b>56,710</b>	<b>48,652</b>	<b>56,710</b>
	Fee and commissions paid				
	Securities trading and custody accounts	2,776	3,029	2,776	3,029
	<b>Net fee and commission income</b>	<b>44,674</b>	<b>53,681</b>	<b>45,876</b>	<b>53,681</b>
<b>6</b>	<b>Market value adjustments</b>				
	Loans and advances	478	5,481	478	5,481
	Bonds	-63	6,282	68	6,420
	Shares	3,380	26,667	3,380	26,667
	Foreign exchange	-9,913	20,937	-9,913	20,937
	Total derivatives of which:	1,148	-18,304	1,148	-18,304
	<i>Currency Swaps</i>	11,942	-9,368	11,942	-9,368
	<i>Interest Swaps</i>	-10,793	-1,175	-10,793	-1,175
	<i>Other contracts</i>	0	-7,761	0	-7,761
	Other obligations	2,258	-7,133	2,258	-7,133
	<b>Total market value adjustments</b>	<b>-2,712</b>	<b>33,930</b>	<b>-2,581</b>	<b>34,068</b>

Note	DKK 1,000	Group		BankNordik	
		Q1 2016	Q1 2015	Q1 2016	Q1 2015
7	<b>Other operating income</b>				
	Profit on sale of properties	199	0	199	0
	- of which assets held for sale	199	0	199	0
	Profit on sale of operating equipment	299	23	299	23
	Reversals of acquired OEl impairments	3,208	2,198	3,208	2,198
	Other income	1,461	1,717	279	293
	<b>Total other operating income</b>	<b>5,168</b>	<b>3,938</b>	<b>3,985</b>	<b>2,514</b>
8	<b>Staff costs and administrative expenses</b>				
	Staff costs:				
	Salaries	68,042	57,615	64,536	54,255
	Pensions	6,347	7,313	5,898	6,854
	Social security expenses	6,980	7,289	6,520	6,863
	<b>Total staff costs</b>	<b>81,369</b>	<b>72,217</b>	<b>76,953</b>	<b>67,973</b>
	Administrative expenses:				
	IT	21,134	21,822	20,274	20,919
	Marketing etc	4,626	6,366	4,211	6,090
	Education etc	853	644	736	506
	Advisory services	1,111	674	1,111	670
	Other expenses	19,345	22,132	19,054	21,198
	<b>Total administrative expenses</b>	<b>47,069</b>	<b>51,638</b>	<b>45,387</b>	<b>49,384</b>
	Total staff costs	82,476	72,217	78,060	67,973
	Employee costs included under the item "Claims, net of reinsurance"	-2,247	-1,861	0	0
	Total administrative expenses	47,069	51,638	45,387	49,384
	<b>Total staff costs and administrative expenses</b>	<b>127,298</b>	<b>121,994</b>	<b>123,446</b>	<b>117,357</b>
	<b>Number of employees</b>				
	Average number of full-time employees in the period	415	443	384	413
	<b>Executive remuneration:</b>				
	Board of Directors	450	450	450	450
	Executive Board:				
	Salaries	571	1,002	571	1,002
	Pension	85	157	85	157
	Share-based payment	0	133	0	133
	<b>Total executive board</b>	<b>656</b>	<b>1,292</b>	<b>656</b>	<b>1,292</b>
	<b>Total executive remuneration</b>	<b>1,106</b>	<b>1,742</b>	<b>1,106</b>	<b>1,742</b>

Please refer to the Annual Report 2015 note 11 for further details regarding the share-based remuneration programme.

Note	DKK 1,000	Group		BankNordik	
		Q1	Q1	Q1	Q1
		2016	2015	2016	2015
9		<b>Impairment charges on loans and advances and provisions for guarantees etc.</b>			
		671,000	633,245	671,000	633,245
		Individual impairment charges and provisions at 1 January			
		25,791	52,566	25,791	52,566
		New and increased impairment charges and provisions			
		18,319	23,693	18,319	23,693
		Reversals of impairment charges and provisions			
		20,123	5,828	20,123	5,828
		Written-off, previously impaired			
		5,537	6,533	5,537	6,533
		<i>Interest income on impaired loans</i>			
		<b>658,348</b>	<b>656,291</b>	<b>658,348</b>	<b>656,291</b>
		<b>Total individual impairment charges and provisions</b>			
		<b>Impairment charges and provisions recognised in the income statement</b>			
		17,993	18,987	17,993	18,987
		Loans and advances at amortised cost			
		-15,079	1,994	-15,079	1,994
		Loans and advances at fair value			
		-282	1,357	-282	1,357
		Guarantees and loan commitments			
		<b>2,633</b>	<b>22,338</b>	<b>2,633</b>	<b>22,338</b>
		<b>Total individual impairment charges and provisions</b>			
		<b>Individual impairment charges etc.</b>			
		577,447	544,643	577,447	544,643
		Individual impairment charges etc. at 1 January			
		22,101	44,031	22,101	44,031
		New and increased impairment charges			
		15,830	21,440	15,830	21,440
		Reversals of impairment charges			
		20,123	5,828	20,123	5,828
		Written-off, previously impaired			
		1,722	1,051	1,722	1,051
		<i>Write-offs charged directly to the income statement</i>			
		1,023	1,054	1,023	1,054
		<i>Received on claims previously written off</i>			
		5,537	6,533	5,537	6,533
		<i>Interest income on impaired loans</i>			
		<b>563,595</b>	<b>561,406</b>	<b>563,595</b>	<b>561,406</b>
		<b>Individual impairment charges etc. at 30 June</b>			
		1,432	16,055	1,432	16,055
		<i>Total net impact recognised in the income statement</i>			
		<b>Collective impairment charges</b>			
		53,669	41,673	53,669	41,673
		Collective impairment charges at 1 January			
		3,630	4,925	3,630	4,925
		New and increased impairment charges			
		2,147	0	2,147	0
		Reversals of impairment charges			
		<b>55,151</b>	<b>46,598</b>	<b>55,151</b>	<b>46,598</b>
		<b>Collective impairment charges at 30 June</b>			
		1,482	4,925	1,482	4,925
		<i>Total net impact recognised in the income statement</i>			
		<b>Individual provisions on guarantees</b>			
		39,884	46,930	39,884	46,930
		Individual provisions at 1 January			
		60	3,610	60	3,610
		New and increased provisions			
		342	2,253	342	2,253
		Reversals of provisions			
		<b>39,602</b>	<b>48,287</b>	<b>39,602</b>	<b>48,287</b>
		<b>Individual provisions on guarantees at 30 June</b>			
		-282	1,357	-282	1,357
		<i>Total net impact recognised in the income statement</i>			

Note DKK 1,000

## 10 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	
	Q1	Q1	Q1	Q1
	2016	2015	2016	2015
<b>Income statement</b>				
Net interest income	3,575	2,764		
Dividends from shares and other investments	0	546		
Fee and commissions	-3,142	-2,171		
<b>Net interest, dividend, fee and commission income</b>	<b>433</b>	<b>1,139</b>		
Premium income, net of reinsurance	80,004	62,828		
Claims, net of reinsurance	82,004	61,131		
<b>Income and income from insurance activities, net</b>	<b>-2,001</b>	<b>1,697</b>		
Market value adjustments	4,325	11,619		
Staff costs and administrative expenses	13,229	10,719		
<b>Profit before tax</b>	<b>-10,472</b>	<b>3,736</b>		
Tax	-2,280	120		
<b>Net profit from discontinued operations</b>	<b>-8,192</b>	<b>3,616</b>		
<b>Assets</b>				
Cash in hand and demand deposits with central banks	77,070	96,574		
Due from credit institutions and central banks	0	0		
Bonds at fair value	171,331	149,819		
Shares, etc.	200,973	195,090		
Assets under insurance contracts	103,383	74,863		
Intangible assets	49,559	49,574		
Other property, plant and equipment	4,020	3,760		
Deferred tax assets	8,978	7,006		
Other assets	5,165	4,595		
Assets in disposal groups classified as held for sale			195,992	204,778
<b>Total assets</b>	<b>620,478</b>	<b>581,280</b>	<b>195,992</b>	<b>204,778</b>
<b>Liabilities</b>				
Liabilities under insurance contracts	406,248	349,831		
Other liabilities	11,478	19,874		
<b>Total liabilities</b>	<b>417,725</b>	<b>369,705</b>		
<b>Cash flow statement</b>				
Cash flow from operations	-18,298	4,676		
Cash flow from investing activities	-808	-2,390		
Cash flow from financing activities	0	-14,521		
<b>Cash flow</b>	<b>-19,107</b>	<b>-12,235</b>		



Note	DKK 1,000	Group		BankNordik	
		March 31 2016	Dec. 31 2015	March 31 2016	Dec. 31 2015
11	<b>Due from credit institutions etc. specified by maturity</b>				
	On demand	407,817	102,364	407,817	102,364
	3 months and below	106,000	108,186	106,000	108,186
	3 months to 1 year	0	0	0	0
	Over 1 year to 5 years	200,000	200,000	200,000	200,000
	<b>Total due from credit institutions etc.</b>	<b>713,817</b>	<b>410,550</b>	<b>713,817</b>	<b>410,550</b>
12	<b>Assets held for sale</b>				
	Total purchase price, at 1 January	41,020	54,322	41,020	54,322
	Additions	50	10,459	50	10,459
	Disposals and write off	0	0	0	0
	Reclassification from investment properties	1,304	22,000	1,304	22,000
	Disposals	1,659	45,762	1,659	45,762
	<b>Total purchase price</b>	<b>40,714</b>	<b>41,020</b>	<b>40,714</b>	<b>41,020</b>
	Depreciation and impairment, at 1 January	5,617	2,551	5,617	2,551
	Impairment charges for the year	0	3,163	0	3,163
	Reversal of impairment on revaluations during the year	338	0	338	0
	Reversal of impairment on disposals during the year	0	97	0	97
	<b>Total depreciation and impairment</b>	<b>5,280</b>	<b>5,617</b>	<b>5,280</b>	<b>5,617</b>
	<b>Total assets held for sale</b>	<b>35,435</b>	<b>35,402</b>	<b>35,435</b>	<b>35,402</b>
13	<b>Contingent liabilities</b>				
	<b>Guarantees</b>				
	Financial guarantees	334,551	285,021	334,551	285,021
	Mortgage finance guarantees	1,233,349	431,645	1,233,349	431,645
	Registration and remortgaging guarantees	455,720	821,000	455,720	821,000
	Other guarantees	295,003	848,604	295,003	848,604
	<b>Total guarantees</b>	<b>2,318,622</b>	<b>2,386,270</b>	<b>2,318,622</b>	<b>2,386,270</b>

14 **Assets deposited as collateral**

At March 31 2016 the Group had deposited bonds at a total market value of DKK 32m (Q1 2015: 33m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing. Deposits of bonds to others in total have a market value of DKK 44m (Q1 2015: 7m).

## Statement by the Executive Board and the Board of Directors

Today we have reviewed and approved P/F BankNordik's Interim Report for the first three months of 2016.

The consolidated financial statements for the first three months of 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act. Furthermore the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of the Nasdaq OMX exchanges in Iceland and in Copenhagen.

The interim report has not been audited or reviewed.

We consider the accounting policies applied to be appropriate, such that the Interim Financial Report gives a true and fair view of the Group's and the Parent Company's assets, shareholders' equity and liabilities and financial position at 31 March 2016, and of the results of the Group's and the Parent Company's operations and the Group's and Parent Company's cash flows for the financial period 1 January to 31 March 2016.

In addition, we also consider the Management's report to give a fair presentation of the development in the Group's activities and financial affairs, the profit for the period and the Group's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Group.

Tórshavn, 28 April 2016

### *Executive Board*

Árni Ellefsen  
CEO

### *Board of Directors*

Stine Bosse  
Chairman

Rúni Vang Poulsen  
Vice chairman

Súsanna Poulsen

Jógvan Jespersen

Tórhallur Olsen

Kenneth M. Samuelsen

## Head Office

P/F BankNordik  
Oknarvegur 5  
P.O. Box 3048  
FO-110 Tórshavn  
Phone: +298 330 330  
Fax: +298 330 001  
E-mail: [info@banknordik.fo](mailto:info@banknordik.fo)  
[www.banknordik.fo](http://www.banknordik.fo)

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

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

The company is listed on the  
Nasdaq OMX Iceland and Nasdaq  
OMX Copenhagen.

## IR contact

Carl Herup Olsen  
E-mail: [cho@banknordik.fo](mailto:cho@banknordik.fo)  
Tel. +298 330 330

## Branches

### Faroe Islands

**Tórshavn**  
Niels Finsensgøta  
100 Tórshavn  
Phone: +298 330 330

**Miðvágur**  
Jatnavegur 26  
370 Miðvágur  
Phone: +298 330 330

**Klaksvík**  
Klaksvíksvegur  
700 Klaksvík  
Phone: +298 330 330

**Saltangará**  
Heiðavegur 54  
600 Saltangará  
Phone: +298 330 330

**Customer Service**  
Oknarvegur 5  
100 Tórshavn  
Phone: +298 330 330

**Corporate Banking**  
Oknarvegur 5  
100 Tórshavn  
Phone: +298 330 330

**Markets**  
Oknarvegur 5  
100 Tórshavn  
Phone: +298 330 330

**Tvøroyri**  
Sjógøta 2  
800 Tvøroyri  
Phone: +298 330 330

### Greenland

**Personal Banking**  
Quillilerfik 2  
3900 Nuuk  
Phone: +299 34 79 00

**Corporate Banking**  
Quillilerfik 2  
3900 Nuuk  
Phone: +299 34 79 00

### Denmark

**Amager**  
Amagerbrogade 175  
2300 København S  
Phone: + 45 76 97 80 00

**Dragør**  
Dragørhjørnet 2  
2791 Dragør  
Phone: +45 76 97 80 00

**Kongelundsvej**  
Kongelundsvej 267  
2770 Kastrup  
Phone: +45 76 97 80 00

**Frederiksberg**  
Falkoner Allé 31  
2000 Frederiksberg  
Phone: +45 76 97 80 00

**Hvidovre**  
Hvidovrevej 275  
2650 Hvidovre  
Phone: +45 76 97 80 00

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

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

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

**Østerbro**  
Østerbrogade 43  
2100 København Ø  
Phone: +45 76 97 80 00

**Odense**  
Østre Stationsvej 41 M, st  
5000 Odense C  
Phone: +45 76 97 80 00

**Esbjerg**  
Skolegade 7  
6700 Esbjerg  
Phone: +45 76 97 80 00

**Haderslev**  
Nørregade 32  
6100 Haderslev  
Phone: +45 76 97 80 00

**Kolding**  
Bredgade 15  
6000 Kolding  
Phone: +45 76 97 80 00

**Aarhus**  
Åboulevarden 49  
8000 Aarhus C  
Phone: +45 76 97 80 00

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