Annual Report 2013

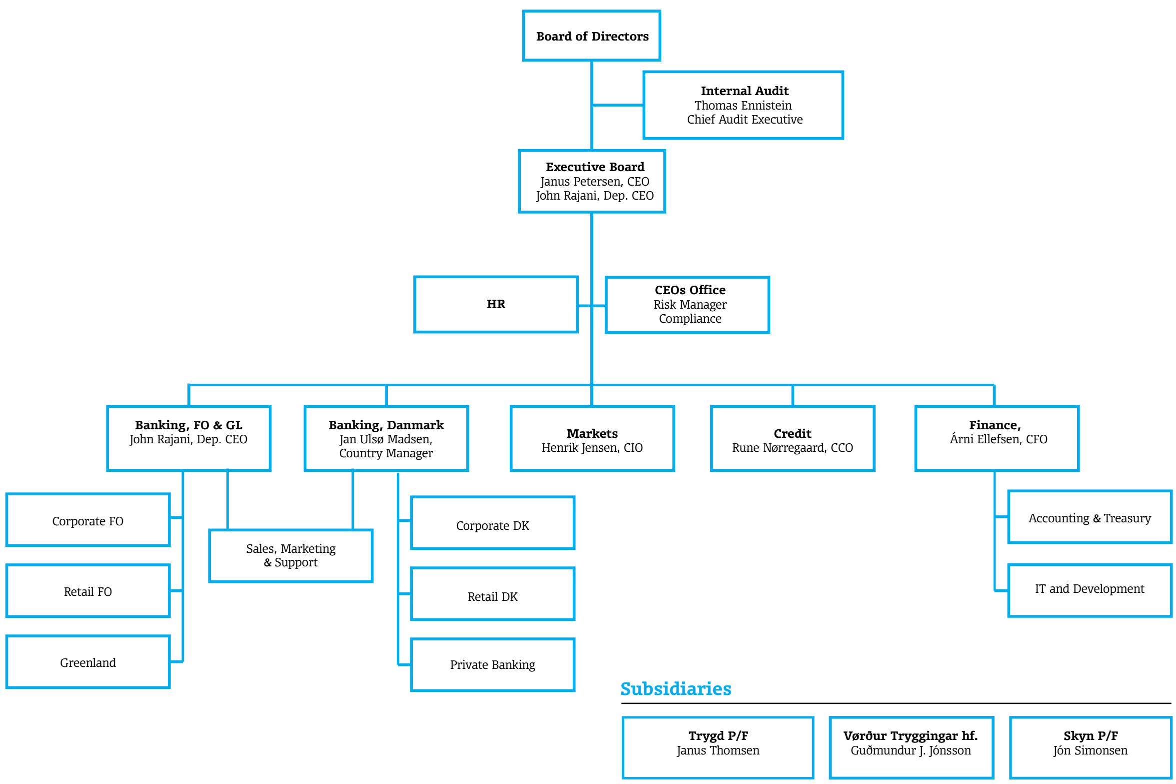
BANKNORDIK

Annual Report 2013

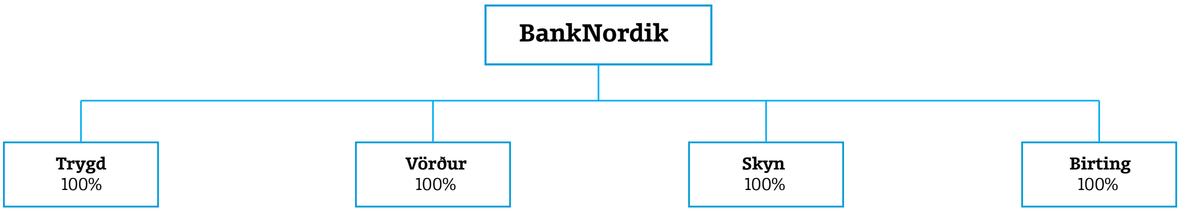
Published by: P/F BankNordik **Design, layout, printing:** Sendistovan

Contents

BankNordik Organisation



Overview of the Group



Banking is the principal activity operating under the BankNordik brand in the Faroe Islands, Denmark and Greenland. The Group has insurance operations in the Faroe Islands under the name Trygd and in Iceland under the name Vørður. Other activities include Skyn, a Faroese real estate agency and Birting a seed capital fund.

- Operations in 4 countries
- 171,000 customers
- 500 employees
- 22 branches

Letter from the CEO

Strong and customer focused

Following the strategic long-term expansion of BankNordik's operations in 2010 and 2011 and the far-reaching restructuring that followed, we were finally able once again to dedicate our full attention to serving our customers in 2013.

In order to focus our efforts, we strengthened our services to those of our customers who make the most use of our services. Through a new loyalty programme, we set out to retain and expand our large group of high-value customers. At the same time, we provided more efficiently produced services to those of our customers demanding fewer and less sophisticated services.

By centralising certain tasks, closing branches and discontinuing manual cash handling, and by restructuring the organisation to get fewer management levels, we have successfully achieved significant rationalisation effects during the last couple of years. Together with the partial repayment of subordinated debt, the rationalisations have compensated for the lower interest income from lower loan volumes.

Deleveraging remains on the agenda with low loan demand and fierce competition in all our markets. However, the sharper pricing in our new loyalty programme generated an inflow of new customers in the second half of the year. Our credit policy is based on strict credit principles and strong industrial and geographical diversification with 60 per cent of our lending to retail customers and the public sector. Our loan losses have been in line with the sector average during the credit crisis with losses on larger clients being manageable and declining. On the other hand, the acquired loan portfolios had a negative impact on our impairment charges in 2013 following a thorough review of our large portfolio of retail loans.

By providing better services to our customers and streamlining our in-house activities, BankNordik achieved a profit for 2013 that was in line with the previous year. The much more competitive market environment, especially in the Faroe Islands, has lowered our income level. "However, we are pleased to note that we were able to successfully complete the tasks under our control – especially the significant rationalisations." Our insurance operations returned a healthy profit in 2013, continuing their positive business development of recent years.

BankNordik has successfully maintained a high solvency ratio in recent years at a time when several other banks have experienced considerable difficulty. Although the current competitive market is putting the earnings under pressure, BankNordik is now fit and trimmed to be a competent, long-term business partner to both retail and corporate customers and poised to improve its return on equity.

Janus Petersen
CEO

Key financial ratios – BankNordik Group

Highlights

DKK 1,000	2013	2012	Index 13/12	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	574,032	613,265	94	133,364	142,769	151,118	146,780	154,116
Net fee and commision income	174,265	184,893	94	47,360	41,272	43,045	42,588	52,005
Dividends from shares and other investments	14,108	10,394	136	6,043	1,329	4,839	1,896	1,931
Income from insurance activities, net	69,427	80,975	86	14,213	14,991	28,532	11,691	17,766
Interest and fee income and income from insurance activities, net	831,832	889,527	94	200,981	200,361	227,535	202,955	225,818
Staff cost and administrative expenses	543,390	641,300	85	132,771	130,042	135,559	145,017	146,624
Impairment charges on loans and advances etc.	178,234	148,169	120	45,828	39,730	29,033	63,644	45,812
Reversals of aquired OEI impairments	30,618	33,002	93	5,669	7,620	9,122	8,207	10,530
Profit before tax	113,868	121,470	94	-9,911	47,101	63,309	13,370	41,603
Loans and advances	10,460,299	11,302,702	93	10,460,298	10,586,886	10,749,708	10,819,582	11,302,702
Bonds at fair value	3,493,271	2,881,904	121	3,493,271	3,281,393	3,471,204	3,427,274	2,881,904
Intangible assets	798,141	807,268	99	798,141	799,567	803,929	806,295	807,268
Assets held for sale	58,168	25,811	225	58,168	19,826	20,924	23,439	25,811
Total assets	17,084,562	17,608,966	97	17,084,562	16,875,999	17,368,907	17,816,864	17,608,966
Due to credit institutions and central banks	1,290,408	1,288,052	100	1,290,408	1,302,273	1,387,264	1,372,950	1,288,052
Deposits and other debt	12,192,748	12,745,653	96	12,192,748	12,019,172	12,330,533	12,799,880	12,745,653
Total shareholders' equity	2,155,998	2,053,362	105	2,155,998	2,155,376	2,124,946	2,063,488	2,053,362

Ratios and key figures

	2013	2012	Index 13/12	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Base capital	1,696,191	1,764,115		1,696,191	1,697,710	1,824,955	1,755,153	1,764,115
Core capital	1,468,569	1,537,748		1,468,569	1,464,080	1,594,580	1,530,618	1,537,748
Solvency ratio, %	14.7	14.8		14.7	14.5	15.4	14.9	14.8
Core capital ratio, %	12.8	12.9		12.8	12.5	13.5	13.0	12.9
Return on equity after tax, %	4.4	5.1		-0.2	1.5	2.5	0.6	1.9
Cost / income, %	87.4	87.2		104.9	79.2	73.8	94.3	83.2
Interest rate risk, %	4.8	1.5		4.8	4.8	1.7	3.7	1.5
Excess cover relative to statutory liquidity requirements, %	178.0	152.6		178.0	163.1	176.2	196.3	152.6
Growth in loans and advances, %	-7.5	-4.0		-1.2	-1.5	-0.6	-4.3	0.3
Write-off and impairments ratio, %	1.4	1.1		0.4	0.3	0.2	0.5	0.4
Earnings per share after tax, DKK	9.4	10.5		-0.5	3.3	5.3	1.3	3.9
Proposed dividend per share, DKK	1.5	1.0						
Market price per share, DKK	128.0	76.0		128.0	131.5	96.0	114.0	76.0
Number of full-time employees, end of period	509	550		509	517	529	533	550

Management's report

Financial Review

Income statement, Group

DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	574	613	*93*	133	143	151	147	154
Net fee,commission income and dividends	188	195	*95*	53	43	48	44	54
Net insurance income	69	81	*84*	14	15	28	12	18
Other operating income	14	6	*232*	5	3	3	3	4
Total operating income	**845**	**895**	***93***	**205**	**204**	**230**	**206**	**230**
Operating cost	-558	-592	*93*	-139	-136	-142	-141	-137
Sector costs	-26	-11	*235*	-6	-4	-8	-8	-7
Profit before impairment charges	**261**	**292**	***88***	**60**	**64**	**80**	**57**	**86**
Impairment charges	-178	-148	*119*	-46	-40	-29	-63	-46
Reversals of acquired OEI impairments	31	33	*93*	6	8	9	8	11
Operating profit	**114**	**177**	***63***	**20**	**32**	**60**	**2**	**51**
Non-recurring items	-11	-77	*13*	-19	0	18	-10	-17
Profit before value adjustments and tax	**103**	**100**	***102***	**1**	**32**	**78**	**-8**	**34**
Market value adjustments	11	21	*51*	-11	15	-15	22	8
Profit before tax (as reported)	**114**	**121**	***92***	**-10**	**47**	**63**	**14**	**42**
Operating cost/income, %	66	66	*99*	68	67	61	68	61
Number of FTE, end of period	509	550	*92*	509	517	529	533	550

The BankNordik Group delivered a profit before tax of DKK 114m for 2013 against DKK 121m in 2012.

The summary income statement set out above has been adjusted for special items in each relevant quarter. Certain non-recurring items (especially integration and restructuring costs) have had a relatively strong impact on the Group's financial performance in recent quarters. These items are shown in a separate line in the table.

The following comments relate to the adjusted figures and are generally stated relative to 2012.

Operating income

Net interest income amounted to DKK 574m compared to DKK 613m in 2012. The decrease was a consequence of the fall in loan volumes and increasing competition affecting interest margins, especially in the Faroese market.

Net fee, commission income and dividends decreased by DKK 7m from DKK 195m in 2012 to DKK 188m in 2013. The continuing lack of demand for new mortgage loans was the main contributor to the decrease.

Net insurance income was down DKK 12m from DKK 81m to DKK 69m. The decrease is mainly related to the increased competition in the Faroese market forcing premium prices down and increased claims due to storms in December.

Operating costs

Operating costs decreased by 7% to DKK 558m in 2013 from DKK 592m in 2012. This is a reflection on the many initiatives taken to increase efficiency and centralising customer services in the resutructuring process. The Group has reduced FTE employees by 7% from 550 in 2012 to 509 at year-end 2013.

Impairment charges

BankNordik's impairment charges for 2013 amounted to DKK 178m compared to DKK 148m in 2012, an increase of DKK 30m. Reversals of OEI impairments related to acquired activities amounted to DKK 31m. Net impairment charges were DKK 148m relative to DKK 115m in 2012. The increase is mostly related to the subdued economy which is reflected in the impairment assessments.

Balance sheet

BankNordik's total assets decreased by DKK 0.5bn from DKK 17.6bn in 2012 to DKK 17.1bn in 2013 (3%).

Lending

Loans and advances amounted to DKK 10.5bn in 2013 compared to DKK 11.3bn in 2012. The fall is a result of the continued low level of activity in the lending market and generally subdued economic activity.

Deposits

Total deposits amounted to DKK 12.2bn at the end of 2013 compared to DKK 12.7bn in 2012. That is a fall of 4% and is a consequence of the bank lowering its deposit rates in 2013.

Capital and solvency

BankNordik's base capital was DKK 1.7bn in 2013 compared to 1.8bn in 2012, a fall of DKK 63m. The core capital was DKK 1.5bn in 2013 the same as in 2012. Total shareholder's equity was DKK 2.2bn in 2013 compared to DKK 2.1bn in 2012.

The Group's solvency requirement was 8.9% at year-end 2013. The Group's solvency was 14.7% in 2013 compared to 14.8% in 2012.

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 2013 of 178% above the required level compared to 153% at the beginning of the year.

Financial Results for Q4

Profit before tax amounted to a loss of DKK 10m compared to a profit of DKK 47m in Q3 2013 mainly caused by a storm impacting the result in the Faroese insurance company by DKK 10m and non-recurring costs amounting to DKK 19m.

Operating income

Net interest income in the fourth quarter decreased by DKK 10m to DKK 133m from DKK 143m in Q3. This was mainly caused by reversals of Interest income due to impairments on loans and advances in Q4 as interest on these loans are reversed for the whole year. Net fee, commission income and dividends increased by DKK 10m to DKK 53m in Q4 compared to DKK 43m in Q3. Net insurance income was DKK 14m in Q4 compared to DKK 15m in Q3.

Operating costs

Operating costs was DKK 139m in Q4 compared to DKK 136 in Q3. The increase in costs in Q4 can mainly be explained by a large marketing campaign.

Lending

In Q4 2013, loans and advances were DKK 10.5bn at approximately the same level as in Q3.

Impairments charges

Impairments of DKK 46m were recognised in the fourth quarter (26% of total). This was DKK 6m higher than in Q3 (DKK 40m).

Deposits

Deposits increased by DKK 174m to DKK 12.2 in Q4 from DKK 12.0bn in Q3.

Other issues

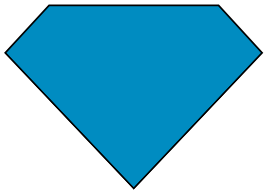
Repayment of state issued subordinated loan capital

On the 6th of August BankNordik repaid bonds issued as subordinated loan capital from the state amounting to DKK 100m, and in September 26th another DKK 41m. At 31th of December bonds issued as subordinated loan capital of DKK 63m were in circulation.

Obligations towards the Guarantee Fund for Depositors and Investors

The Guarantee Fund for Depositors and Investors has been established under Bank Package IV to resolve solvency problems in the banking sector. Such sector-related costs are recognised under other operating expenses. In 2013 BankNordik paid DKK 23m to the Guarantee Fund for Depositors and Investors in relation to distressed banks. This was DKK 12m more than in 2012. Costs relating directly to distressed banks in 2013 amounted to DKK 2.9m.

The Supervisory Diamond



Sum of large exposures < 125%

2013	2012
52.0%	36.3%

Loan growth < 20%

2013	2012
-7.5%	-4.0%

Funding-ratio < 1.0

2013	2012
0.70	0.68

Property exposure < 25%

2013	2012
8.5%	7.9%

Excess liquidity > 50%

2013	2012
178.0%	153.2%

Supervisory diamond

The Supervisory Diamond measures the risk profile of banks. The model identifies five areas considered to be indicators of increased risk if not within certain limits.

As shown in the figure the Bank meets by a wide margin all limits (large exposures, exposures towards property, excess liquidity and stable funding and loan growth). All large exposures are of good quality, and are classified as 2a5 or 3 customers.

Dividends paid

The Board of Directors will propose at the forthcoming Annual General Meeting that DKK 15m be paid out in dividends for 2013. More information on the dividend policy is available by visiting the webpage www.banknordik.com/dp/.

Events after the balance sheet date

No events have occurred since the end of 2013 which are deemed to have a significant impact on the Group's financial position.

Outlook

In 2014, BankNordik continues to develop the Bank in line with the corporate strategy and on the basis of the Bank's standards.

The interest rates are expected to remain low, and the economic growth in the market area is also expected to be subdued. Therefore the loan demand is expected to remain low. The Bank however targets a gross loan growth to compensate for the repayment of loans, whereby the Bank expects lending to remain the same by year-end 2014 as in 2013. Given the fierce competition the Banks's interest margin is expected to decrease somewhat.

The Bank therefore expects both the net interest income and insurance income to decrease in 2014 compared with 2013. The net fee income is expected to grow marginally driven by growing activity in pensions, investments, and mortgage lending.

The Bank remains focused on reducing costs in 2014.

Impairments on loans including reversals of acquired OEI impairments in 2014 are estimated to be lower than in 2013 (DKK 148m).

In light of the expected development the BankNordik Group projects 2014 pre-tax profit before impairments, non-recurring items and value adjustments to be in the range of DKK 200–240m (2013: DKK 261m).

Being competitive and cost efficient is key to better cross-selling

Customer segmentation at the forefront

In January, the Bank implemented more stringent customer segmentation. Thereby we provide more efficiently produced services to those customers demanding less sophisticated and fewer services, while offering competitive pricing in the new customer loyalty program.

To support the new customer segmentation, we implemented a new organisation with a flatter hierarchy and a shorter line of command from the executive management to staff responsible for customer handling. The reorganisation was also a natural consequence of the segmentation moving staff from the branch network to the central customer service centre.

The sharper pricing of some of the core products attracted new customers. This was especially the case in Denmark in the fourth quarter, after MyBanker, a portal providing price comparisons, pointed to BankNordik as one of the three most competitive banks in Denmark for retail customers with large business volumes and a broad need for financial services.
Making insurance products a part of the customer loyalty programme was also a success.

Cost efficiency is a guiding principle

Expanding the Bank's business volumes through acquisitions in 2010 and 2011 also lifted our cost base. However, after having finalised the integration of the acquired activities in late 2012, we lowered our cost base considerably by reducing the number of full-time employees by more than 15%. In 2013, cost efficiency was a guiding principle in the decision to implement a sharper segmentation of our customers and rethink the structure of our banking services. In connection with the reorganisation, the Bank centralised a series of tasks otherwise performed by the branches. Through this, the Bank reaped some of the benefits of being a larger organisation.

In January, two bank branches were merged with larger branches for efficiency reasons. In Denmark manual handling of cash was discontinued at all branches except one in Copenhagen. The manual handling of cash was also phased out at several of the branches in the Faroes, and from April 2014 only one of our five Faroe branches will handle cash manually. In connection with the changes to the branch network, we relocated a few branches to more cost efficient locations in terms of both pricing and size, while redesigning other branches to better support the focus on providing advice on complex financial decisions.

In May, we sold our current domicile and other buildings and commissioned the construction of a more cost-efficient new domicile. From 2015, this will centralise all support functions in the Faroe Islands and all customer functions of our banking and insurance operations in Tórshavn in a single building.

Acknowledging the need to strengthen our corporate culture in the wake of the acquisitions and to facilitate better cooperation across borders, the Bank organised a large event in October, where all employees of the banking divisions gathered in the Faroe Islands. In addition, the Bank has strengthened its internal communication platform, adding a new intranet that extends across all borders to facilitate knowledge-sharing and strengthen company loyalty.

Diversified portfolio of loans

The business cycle has now stabilised somewhat after the turmoil and negative developments of the last couple of years. Deleveraging has nevertheless remained high on the agenda for both retail and corporate customers. Growth is recovering, but the new normal seems to imply a permanently lower gearing than before the financial crisis, and this is reflected in the decline of lending volumes in 2013.

The subdued economic growth prospects are also reflected in the higher-than-expected level of impairments on retail and small corporate customers in all markets. This is the main explanation for the deviation of our impairment charges from the level expected in the second half of the year.

The credit policy focuses on minimizing risks. The bank remains a partner to corporate and private customers needing investment financing, but the underlying plans are studied carefully. The industrial and geographical composition of the overall lending portfolio is continuously monitored to ensure that the loan portfolio remains financially strong and well diversified.

Robust capital base

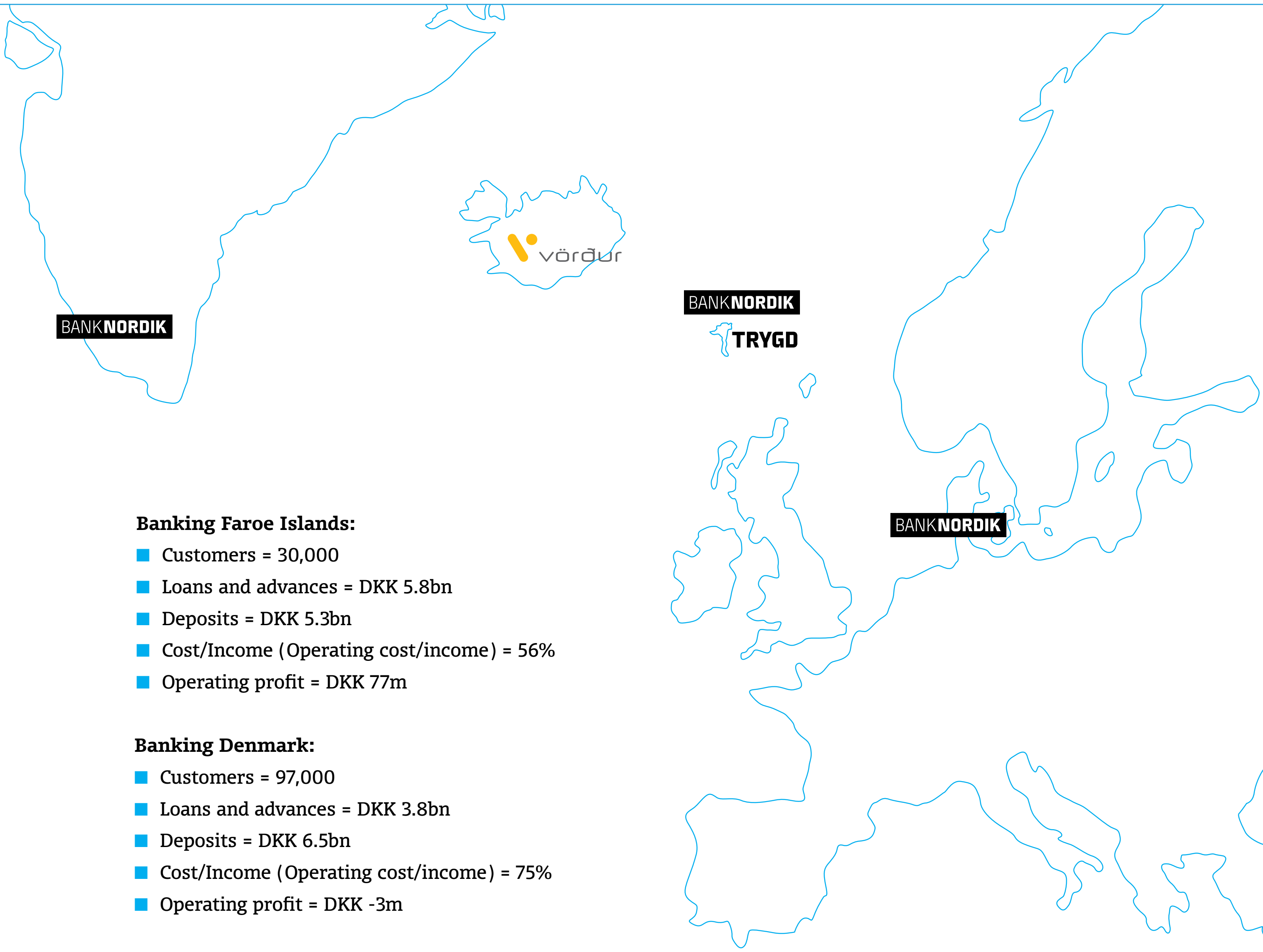
The minimum solvency requirement amounts to 8%, while the Group's calculated individual solvency requirement amounts to 0.9%. The forthcoming CRD IV requirements stipulate a capital conservation buffer of 2.5% and SIFI requirements of 2.5%. At year-end 2013 the Group had a minimum solvency target of 13.9% covering the current and forthcoming capital requirements. Furthermore, during the period 2014-2019 the Group plans to gradually increase the minimum solvency target to 16.4% to cover future requirements regarding the possible contra cyclical buffer of up to 2.5%.

The current solvency ratio of 14.7% shows that BankNordik already complies with the upcoming CRD IV requirements.

In 2013, the Group repaid DKK 141m in hybrid capital financed by earnings to optimise the capital structure and minimise capital costs.

According to the capital plan, the Group will repay the remaining of the state funded hybrid capital in Q2 2014 and to refinance subordinated debt DKK 180m with CRD IV compliant capital.

Segments



Banking Faroe Islands:

- Customers = 30,000
- Loans and advances = DKK 5.8bn
- Deposits = DKK 5.3bn
- Cost/Income (Operating cost/income) = 56%
- Operating profit = DKK 77m

Banking Denmark:

- Customers = 97,000
- Loans and advances = DKK 3.8bn
- Deposits = DKK 6.5bn
- Cost/Income (Operating cost/income) = 75%
- Operating profit = DKK -3m

Banking Greenland:

- Customers = 4,000
- Loans and advances = DKK 0.8bn
- Deposits = DKK 0.4bn
- Cost/Income (Operating cost/income) = 60%
- Operating profit = DKK 11m

Iceland (Vörður):

- Customers = 31,000
- Premium, net of reinsurance = DKK 216m
- Combined ratio = 94%
- Claims Ratio = 77%
- Operating profit = DKK 29m

Trygd:

- Customers = 9,000
- Premium, net of reinsurance = DKK 81m
- Combined ratio = 95%
- Claims Ratio = 74%
- Operating profit = DKK 6m

Banking

Income statement, Banking

DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	562	602	*92*	130	140	148	144	151
Net fee and commission income	189	192	*97*	54	43	47	45	54
Other operating income	12	1	*95*	5	3	2	2	2
Total Operating income	**763**	**795**	***95***	**189**	**186**	**197**	**190**	**207**
Operating cost	-505	-536	*93*	-128	-122	-127	-128	-129
Sector costs	-26	-11	*248*	-6	-4	-8	-8	-6
Profit before impairment charges	**232**	**249**	***92***	**56**	**59**	**62**	**54**	**71**
Impairment charges	-178	-148	*119*	-46	-40	-29	-64	-46
Reversals of acquired OEI impairments	31	33	*91*	6	8	9	8	11
Operating profit	**85**	**134**	***62***	**16**	**27**	**42**	**-1**	**36**
Non-recurring items	-11	-77	*13*	-19	0	18	-10	-17
Profit before value adjustments and tax	**74**	**58**	***127***	**-2**	**27**	**61**	**-11**	**19**
Market value adjustments	11	14	*75*	-7	11	-8	14	4
Profit before tax (as reported)	**85**	**72**	***117***	**-9**	**38**	**53**	**3**	**24**
Loans and advances	10,460	11,303	*92*	10,460	10,587	10,750	10,820	11,303
Deposits and other debt	12,285	12,861	*95*	12,285	12,108	12,437	12,902	12,861
Cost/Income (Operating cost/income), %	66	67	*97*	67	66	64	67	62
Number of FTE, end of period	431	469	*91*	431	440	451	452	469

In 2013 focus was on implementing a sharper segmentation of the banking customers in order to service the low volume segment more efficiently while providing a more competitive offering to the high volume segment of customers. The sharper segmentation implied creating a centralised customer service center for small volume customers as well as a centralised support center to handle many of the administrative tasks in the branches. In this connection efficiency has been a central tenet resulting in rationalisations of the banking business. The FTE in banking was reduced by 38 in 2013 to 431.

Even though Operating income came out 5% lower because of an even sharper decline in lending of 8% the operating profit before impairments was retained relative to 2012. This was a result of the before mentioned rationalisation reducing cost by 7%.

Impairment charges were higher than expected, which is primarily explained by economic challenges of the weakest segment of our customer base in all markets.

Banking Faroe Islands

Income statement, Faroe Islands

DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	257	276	*92*	59	62	71	66	69
Net fee and commission income	62	60	*102*	20	13	17	12	18
Other operating income	9	1	*97*	4	2	1	1	2
Total Operating income	**328**	**336**	***97***	**83**	**76**	**89**	**80**	**89**
Operating cost	-185	-196	*93*	-50	-44	-45	-45	-46
Sector costs	-11	-5	*242*	-2	-2	-3	-3	-3
Profit before impairment charges	**132**	**136**	***96***	**30**	**31**	**40**	**31**	**40**
Impairment charges	-55	-67	*82*	-22	-11	-6	-16	-36
Operating profit	**77**	**69**	***111***	**8**	**20**	**34**	**15**	**3**
Non-recurring items	-3	-14	*23*	-19	0	18	-2	-9
Profit before value adjustments and tax	**74**	**55**	***134***	**-11**	**20**	**52**	**13**	**-5**
Market value adjustments	11	14	*65*	-7	11	-8	14	7
Profit before tax (as reported)	**85**	**69**	***119***	**-17**	**31**	**45**	**26**	**1**
Loans and advances	5,813	6,044	*95*	5,813	5,904	5,982	5,969	6,044
Deposits and other debt	5,311	5,217	*101*	5,311	4,996	5,154	5,294	5,217
Cost/Income (Operating cost/income), %	56	67	*83*	61	57	51	57	52
Number of FTE, end of period	169	177	*94*	169	173	176	173	177

Launching the new customer loyalty programme set the agenda for the Faroese banking operations in 2013, where the branches reached their sales goals by a large margin by year-end. A large share of the targeted customer segment have signed up for the new programme already. This has improved cross-selling of insurance and savings products, but this has also lowered the interest margin, since the competitors tried to match the new customer offerings.

Lending decreased by 5%, but interest income decreased by even more in the second half of the year driven by the lower margins on retail lending. While retail lending decreased because of repayments outpacing new lending, lending to corporate customers was stable.

Banking Denmark

Income statement, Denmark

DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	266	285	*92*	61	68	68	68	67
Net fee and commission income	118	121	*96*	32	28	28	30	33
Other operating income	2	1	*226*	0	1	1	0	1
Total Operating income	**385**	**407**	***94***	**94**	**97**	**97**	**98**	**101**
Operating cost	-290	-305	*94*	-68	-72	-75	-75	-74
Sector costs	-14	-6	*242*	-3	-2	-4	-4	-4
Profit before impairment charges	**81**	**95**	***84***	**22**	**23**	**17**	**19**	**23**
Impairment charges	-114	-77	*119*	-23	-27	-22	-43	-30
Reversals of acquired OEI impairments	31	33	*91*	6	8	9	8	11
Operating profit	**-3**	**52**	***-7***	**5**	**3**	**5**	**-16**	**3**
Non-recurring items	-8	-63	*12*	0	0	0	-8	-8
Profit before tax (as reported)	**-11**	**-11**	***102***	**5**	**3**	**5**	**-24**	**-5**
Loans and advances	3,827	4,332	*87*	3,827	3,878	3,964	4,056	4,332
Deposits and other debt	6,541	7,127	*91*	6,541	6,658	6,826	7,055	7,127
Cost/Income (Operating cost/income), %	75	75	*99*	73	74	78	76	74
Number of FTE, end of period	243	269	*89*	248	247	254	257	269

In Denmark sales activities in connection with the launch of the new customer loyalty programme also set the agenda. The reorganisation of customer oriented departments by both centralisation, and closing manual cashiers in all branches except one, also required some effort to adjust to. The achieved rationalisations financed improved customer offerings to the high volume customer segment. These rationalisations have also led to positive profit before tax in the last three quarters in a row.

The improved customer offering in the new customer loyalty programme turned out to be one of most competitive offerings on the Danish market in a comparison by independent price portal. This led to an increase in customer inflow in the second half of the year. But this has not yet materialised in new lending, and therefore the downward trend on the loan volume to retail customers continued in 2013. On the other hand this was partly compensated by a growth in lending to corporate customers in Denmark.

Banking Greenland

Income statement, Greenland

DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	39	41	*93*	10	10	9	10	11
Net fee and commission income	10	11	*84*	2	2	3	3	3
Other operating income	1	0		1	0	0	0	-0
Total Operating income	**50**	**53**	***93***	**13**	**12**	**12**	**13**	**13**
Sector costs	-1	-0		-1	-0	-0	-0	-0
Operating cost	-30	-34	*86*	-9	-7	-6	-8	-9
Profit before impairment charges	**19**	**19**	***102***	**3**	**5**	**6**	**5**	**4**
Impairment charges	-8	-5	*168*	1	-2	-2	-5	-0
Profit before tax (as reported)	**11**	**14**	***79***	**4**	**3**	**4**	**0**	**4**
Loans and advances	821	927	*88*	821	806	804	794	927
Deposits and other debt	433	523	*82*	433	454	456	553	523
Cost/Income (Operating cost/income), %	60	65	*91*	69	55	53	61	67
Number of FTE, end of period	19	23	*82*	19	20	21	22	23

As in the other banking markets our Greenland operation experienced a fall in business volumes in 2013. This is mostly caused by a large fall in the first quarter. During the year the volumes increased indicating a positive development. This is partly explained by fluctuations in some large corporate exposures over the course of the year, but it also reflects customer inflow in 2013. Rationalisations executed in 2012 are reflected in the results for 2013, where operational costs were reduced significantly. In 2014 the current country manager has decided to return to the Faroe Islands, and will be replaced by another experienced banker from the Faroese banking operation.

Insurance Faroe Islands

Income statement, Trygd

DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Premium income, net of reinsurance	81	82	*98*	19	19	21	21	21
Claims, net of reinsurance	-60	-40	*147*	-25	-14	-9	-11	-12
Net insurance income	**21**	**41**	***50***	**-6**	**5**	**12**	**10**	**8**
Net Income from investement activities	1	3	*51*	1	1	-0	0	1
Operating income	**23**	**44**	***50***	**-5**	**6**	**12**	**10**	**9**
Operating cost	-17	-21	*81*	-4	-4	-4	-5	-5
Profit before tax (as reported)	**6**	**23**	***12***	**-9**	**2**	**8**	**5**	**4**
Combined ratio	95%	74%	*126*	150%	96%	65%	73%	82%
Claims ratio	74%	49%	*149*	129%	73%	45%	54%	59%
Number of FTE, end of period	22	23	*95*	22	22	22	23	23

There were three themes setting the agenda for Trygd in 2013: Cross-selling improved, price reductions, and costly storms. Cross-selling through BankNordik's branches to retail customer improved significantly, which was a result of the new customer loyalty programme providing customers with an incentive to become insurance customers. But the launch of the customer programme also sparked a rather fierce price competition on the Faroese insurance market leading to a 20% reduction of insurance prices. In the last two months of the year the Faroe Islands experienced two large storms resulting in large claims reservations at year-end.

Insurance Iceland

Income statement, Vørður DKKm	2013	2012	*Index 13/12*	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Premium income, net of reinsurance	216	197	*109*	57	56	55	48	49
Claims, net of reinsurance	-166	-159	*103*	-37	-46	-38	-45	-31
Net insurance income	**50**	**38**	***131***	**20**	**10**	**17**	**3**	**18**
Net Income from investement activities	15	17	*87*	2	7	0	6	3
Operating income	**65**	**55**	***117***	**22**	**17**	**17**	**9**	**21**
Operating cost	-36	-32	*112*	-8	-9	-6	-13	-8
Profit before tax (as reported)	**29**	**23**	***125***	**14**	**8**	**11**	**-4**	**12**
Combined ratio	94%	97%	*96*	79%	98%	86%	113%	85%
Claims ratio	77%	81%	*94*	65%	82%	69%	94%	64%
Number of FTE, end of period	51	53	*95*	51	51	51	53	53

Iceland was spared of the large storms hitting both the Faroe Islands and Denmark in late 2013, and the year turned out to be satisfactorily profitable in terms of achieving a net profit above the year before. Both the operational insurance business and the investment income experienced a favourable development in 2013.

Other Activities

Skyn

Skyn is a real estate agent fully owned by the BankNordik Group.

Skyn has 5 employees and is the largest real estate agent in the Faroe Islands in terms of number of deals.

Profit before tax in 2013 was DKK 0.3m compared to DKK 1.2m in 2012.

P/f Birting

Birting is a seed capital fund owned by BankNordik. The fund was founded in mid-2010 and has made investments in local start-up companies, the most prolific being P/f Greensteam.

Profit before tax was DKK -0.2m in 2013 as in 2012.

The Group has decided to liquidate P/F Birting in 2014 and all activities will be continued in the Parent Company.

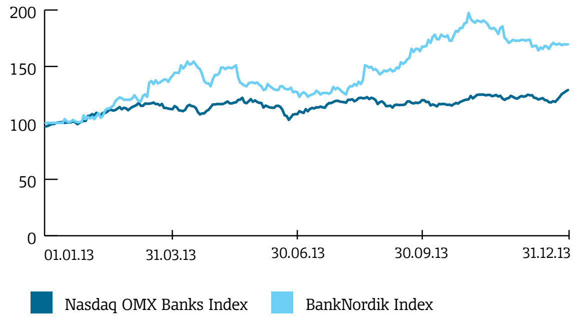
Shareholders

BankNordik share performance

The closing price of BankNordik's shares at 30 December 2013 on Nasdaq OMX Denmark was DKK 128 or 68 pct. higher than the closing price of DKK 76 at 28 December 2012. The turnover in BankNordik's shares on Nasdaq OMX Copenhagen was DKK 189m compared to 53m in 2012. Turnover on Nasdaq OMX Iceland was 34m in 2013 compared to 22m in the 2012.

Developments in the BankNordik share and the Nasdaq OMX Banking Index on OMX Nasdaq Copenhagen in 2013:

**BankNordik share vs.
OMX Copenhagen Bank Index**



Shareholder structure

At the time of publication of the Annual Report 2013, the following shareholders had notified the relevant authorities that they held 5% or more of the Bank's shares:

- Fíggingargrunnurin frá 1992 (Faroese Government)
- Lind Invest (DK)

The majority of shareholders are based in the Faroe Islands.

Country	% of nominal shareholdings
Faroe Islands	56
Iceland	18
Denmark	17
U.S.A.	3
Others	6
Total	**100**

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 2013, BankNordik held 1.37% of the share capital.

BankNordik´s investor relations policy can be found on the bank's webpage www.banknordik.com/irp/.

Corporate Governance and responsibility

Recommendations

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. Corporate governance at BankNordik provides the framework under which the Bank is directed and managed, and the relationships between the Bank's Executive Board, Board of Directors, its shareholders and other stakeholders. BankNordik has a dual listing on Nasdaq OMX Iceland and Nasdaq OMX Copenhagen, respectively; with Iceland as the primary listing. Accordingly, the corporate governance principles comply with the Icelandic corporate governance recommendations as issued by Nasdaq OMX Iceland and which can be found on www.nasdaqomx.com/listing/europe/rulesregulations/. For further information regarding the Bank's compliance with the Corporate Governance Recommendations, see www.banknordik.com/cg/.

Remuneration

The members of the Board of Directors and Executive Board of BankNordik receive a fixed fee and do not share in any incentive or performance-related payments. In addition, pension contributions are paid to the members of the Executive Board under a pension scheme. Additional information on the remuneration of the Board of Directors, the Executive Board, and other executives, identified as key decision makers can be found in note 9 to the Group's financial statements. For further information regarding the Bank's remuneration policy, see www.banknordik.com/rp/.

Risk management

The Board of Directors always gives the Bank's various risks and the aggregated risk profile its full attention, and follows up on risks on a regular basis. The Board of Directors maintains steady and close cooperation with the Bank's internal and external auditors. The Bank's current external auditors are P/F Januar and PwC. For further information on the Bank's risk management, see the Group's Risk Management Report 2013 at www.banknordik.com/rm/.

Corporate social responsibility

Corporate responsibility remains an important part of BankNordik's strategy. The Group considers responsible corporate governance a precondition for long-term value creation.

The Group's CSR initiatives are formalised in a Corporate Social Responsibility policy. The management believes that the Group's CSR initiatives will yield the best results if there is a natural connection between such activities and the Group's business strategy and core competences. Therefore, the BankNordik Group's CSR activities and initiatives are strategically rooted in the Group's vision, business strategy, core competencies and business values. For further information on the Bank's corporate governance and Corporate Social Responsibility policy, see www.banknordik.com/csr/.

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 2013.

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 OMX 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 2013 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 2013. 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, 27 February 2014

Executive Board

Janus Petersen
CEO

John Rajani
Deputy CEO

Board of Directors

Klaus Rasmussen
Chairman

Jens Erik Christensen
Deputy Chairman

Niels Vestermark

Nils Sørensen

Mette Dahl Christensen

Kenneth M. Samuelsen

Internal auditors' report

We have audited the consolidated financial statements, pp. 26–100, and the Parent Company's financial statements of BankNordik P/F, pp. 101–121, for the financial year 2013. 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 OMX 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, 2013, and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2013 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 OMX 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, 27 February 2014

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, pp. 26–100, and the Parent Company's financial statements of BankNordik P/F, pp. 101–121, for the financial year 2013. 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 OMX 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 OMX 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, 2013, and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2013 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 OMX 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, 27 February 2014

JANUAR P/F
Løggilt grannskoðanarvirki

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jørmann Petersen
state authorised public accountant

H.C. Krogh
state authorised public accountant

Financial statement BankNordik Group

Contents

Income statement – BankNordik Group

Note	DKK 1,000	2013	2012
3	Interest income	721,175	815,486
3	Interest expenses	147,143	202,221
	Net interest income	**574,032**	**613,265**
3	Dividends from shares and other investments	14,108	10,394
4	Fee and commission income	200,515	199,065
4	Fee and commissions paid	26,250	14,172
	Net interest and fee income	**762,404**	**808,552**
5	Premium income, net of reinsurance	295,285	281,260
6	Claims, net of reinsurance	225,857	200,285
	Interest and fee income and income from insurance activities, net	**831,832**	**889,527**
3	Market value adjustments	15,640	19,369
7	Other operating income	63,547	39,029
8, 9, 10	Staff costs and administrative expenses	543,390	641,300
	Amortisation, depreciation and impairment charges	27,582	27,293
11	Other operating expenses	43,323	11,409
12	Impairment charges on loans and advances etc.	178,234	148,169
20	Income from associated undertakings	-4,622	1,716
	Profit before tax	**113,868**	**121,470**
13	Tax	21,472	18,396
	Net profit	**92,396**	**103,073**
	Portion attributable to		
	Shareholders of BankNordik P/F	92,396	103,073
	Net profit	**92,396**	**103,073**
	EPS Basic for the period, DKK*	9.37	10.45
	EPS Diluted for the period, DKK *	9.37	10.45

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

Statement of comprehensive income – BankNordik Group

DKK 1,000	2013	2012
Net profit	92,396	103,073
Other comprehensive income		
Items which will subsequently be recycled to the income statement if certain conditions are met:		
Foreign currency translation	11,410	-1,727
Items which will not subsequently be recycled:		
Revaluation reserve	10,756	0
Tax on other comprehensive income	-1,936	0
Total other comprehensive income	**20,230**	**-1,727**
Total comprehensive income	**112,626**	**101,347**
Portion attributable to		
Shareholders of BankNordik P/F	112,626	101,347
Non-controlling interests	0	0
Total comprehensive income	**112,626**	**101,347**

Balance Sheet – BankNordik Group

Note	DKK 1,000	2013	2012
	Assets		
14	Cash in hand and demand deposits with central banks	479,757	644,335
	Due from credit institutions and central banks	824,289	839,116
15, 16	Loans and advances at fair value	681,617	1,038,103
16	Loans and advances at amortised cost	9,778,682	10,264,599
17	Bonds at fair value	3,493,271	2,881,904
18	Shares, etc.	334,677	411,512
19, 38	Assets under insurance contracts	78,434	85,683
20	Holdings in associates	14,186	14,875
21	Intangible assets	798,141	807,268
	Total land and buildings	291,386	353,455
22	investment property	120,358	158,093
23	domicile property	171,028	195,362
24	Other property, plant and equipment	25,455	24,296
	Current tax assets	4,533	6,846
25	Deferred tax assets	44,589	43,407
26	Assets held for sale	58,168	25,811
27	Other assets	161,382	150,316
	Prepayments	15,995	17,440
	Total assets	**17,084,562**	**17,608,966**

Balance Sheet – BankNordik Group

Note	DKK 1,000	2013	2012
	Shareholders' equity and liabilities		
	Liabilities other than provisions and subordinated debt		
	Due to credit institutions and central banks	1,290,408	1,288,052
	Deposits and other debt	12,192,748	12,745,653
28, 38	Liabilities under insurance contracts	375,155	339,769
	Current tax liabilities	1,386	4,505
29	Other liabilities	374,714	383,699
	Deferred income	15,570	18,400
	Total liabilities other than provisions and subordinated debt	**14,249,980**	**14,780,077**
	Provisions for liabilities		
25	Provisions for deferred tax	79,129	56,433
	Provisions for other liabilities	17,499	3,112
30	Provisions for losses on guarantees	56,511	43,551
	Total provisions for liabilities	**153,139**	**103,096**
	Subordinated debt		
31	Subordinated debt	525,445	672,431
	Total liabilities	**14,928,564**	**15,555,604**
	Shareholders' equity		
	Share capital	200,000	200,000
	Foreign currency translation reserve	29,854	18,443
	Revaluation reserve	8,820	0
	Retained earnings	1,902,324	1,824,919
	Proposed dividends	15,000	10,000
	Total shareholders' equity	**2,155,998**	**2,053,362**
	Total liabilities and equity	**17,084,562**	**17,608,966**

Statement of capital – BankNordik Group

Changes in shareholders' equity:

DKK 1,000	Share capital	Foreign currency translation reserve	Re-valuation reserve	Proposed dividends	Retained earnings	Total	Minority interests	Total
	Shareholders of P/F BankNordik (the Parent Company)							
2013								
Shareholders' equity at Jan. 1,	200,000	18,443		10,000	1,824,919	2,053,362		2,053,362
Revalution of assets			10,756			10,756		10,756
Translation of foreign units		11,411				11,411		11,411
Tax on entries on income recognised as Other comprehensive income			-1,936			-1,936		-1,936
Other comprehensive income		11,411	8,820			20,230		20,230
Net profit				15,000	77,393	92,393		92,393
Total comprehensive income		**11,411**	**8,820**	**15,000**	**77,393**	**112,623**		**112,623**
Acquisition of own shares					-13,865	-13,865		-13,865
Sale of own shares					13,878	13,878		13,878
Dividends paid				-10,000		-10,000		-10,000
Shareholders' equity at Dec. 31,	**200,000**	**29,854**	**8,820**	**15,000**	**1,902,324**	**2,155,998**		**2,155,998**
2012								
Shareholders' equity at Jan. 1,	200,000	13,274			1,738,739	1,952,013	5,682	1,957,695
Translation of foreign units		5,169			-6,896	-1,727		-1,727
Other comprehensive income		5,169			-6,896	-1,727		-1,727
Net profit				10,000	93,073	103,073		103,073
Total comprehensive income		**5,169**		**10,000**	**86,177**	**101,347**		**101,347**
Purchase of minority interests in Vørður							-5,682	-5,682
Acquisition of own shares					-17,425	-17,425		-17,425
Sale of own shares					17,428	17,428		17,428
Shareholders' equity at Dec. 31,	**200,000**	**18,443**		**10,000**	**1,824,919**	**2,053,362**		**2,053,362**

Statement of capital – BankNordik Group

Shares

DKK 1,000	2013	2012
Net profit	**92,396**	**103,073**
Average number of shares outstanding	9,863	9,863
Number of dilutive shares issued		
Average number of shares outstanding, including dilutive shares	**9,863**	**9,863**
Earnings per share, DKK	9.37	10.45
Diluted earnings per share, DKK	**9.37**	**10.45**

The share capital is made up of shares of a nominal value of DKK 20 each.
All shares carry equal rights and 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
Shares in issue 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
Average number of shares outstanding	**9,863**	**9,863**

Holding of own shares	Number 2013	Number 2012	Value 2013	Value 2012
Investment portfolio	27,245	27,245	3,487	2,071
Trading portfolio	109,997	109,997	14,080	8,360
Total	**137,242**	**137,242**	**17,567**	**10,430**

	Investment portfolio	Trading portfolio	Total 2013	Total 2012
Holding at 1 January	2,071	8,360	10,430	10,820
Acquisition of own shares	0	13,865	13,865	17,425
Sale of own shares	0	13,878	13,878	17,428
Value adjustment	1,416	5,732	7,149	-387
Holding at 31 December	**3,487**	**14,080**	**17,567**	**10,430**

Statement of capital – BankNordik Group

Solvency

DKK 1,000	2013	2012
Core capital	1,468,569	1,537,748
Base capital	1,696,191	1,764,115
Risk-weighted items not included in the trading portfolio	8,900,568	9,644,767
Risk-weighted items with market risk etc.	1,294,186	1,172,371
Risk-weighted items with operational risk	1,316,520	1,084,613
Total risk-weighted items	11,511,274	11,901,750
Core capital rato, excl. hybrid core capital	10.6%	9.6%
Core capital ratio	12.8%	12.9%
Solvency ratio	14.7%	14.8%
Core capital and shareholders' equity		
Share capital	200,000	200,000
Reserves	126,811	99,826
Net profit	92,396	103,099
Retained earnings	1,729,181	1,643,331
Shareholders' equity	**2,148,388**	**2,046,255**
Deduction of dividend	15,000	10,000
Deduction of foreign currency translation reserve	29,348	18,443
Deduction of intangible assets	788,695	797,779
Deduction of revaluation reserve	8,820	0
Deduction of deferred tax assets	31,773	26,333
Deduction of insurance subsidiaries	56,413	51,008
Core capital exclusive of hybrid core capital	**1,218,339**	**1,142,692**
Hybrid core capital	**250,230**	**395,055**
Core capital	**1,468,569**	**1,537,748**
Base capital		
Core capital	1,468,569	1,537,748
Addition of revaluation reserve	8,820	0
Subordinated loan capital	275,216	277,375
Deduction of insurance subsidiaries	56,413	51,008
Base capital	**1,696,191**	**1,764,115**

The BankNordik Group holds a licence to operate as a bank and is therefore subject to a capital requirement under the Faroese Financial Business Act. The Faroese provisions on capital requirements apply to both the Parent Company and the Group. The capital requirement provisions 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 assets, investments in insurance subsidiaries, holdings in credit institutions etc.

Cash flow statement – BankNordik Group

DKK 1,000	2013	2012
Cash flows from operations		
Net profit for the period	92,396	103,073
Profit/loss from associates	4,622	-2,511
Amortisation and impairment charges for intangible assets	12,976	15,077
Depreciation and impairment charges for tangible assets	14,225	11,608
Impairment of loans and advances/guarantees	179,654	152,009
Other adjustments	-14,108	-2,000
Gains, sale of tangible assets	-16,313	0
Tax charged to the income statement	21,472	18,396
Paid tax	-1,268	-3,581
Other non-cash operating items	849	-47,611
Total	**294,506**	**244,461**
Changes in operating capital		
Change in loans at fair value	309,557	-15,450
Change in loans at amortised cost	306,258	329,700
Change in holding of bonds	-624,735	-363,055
Change in holding of shares	110,096	-35,374
Acquisition of Amagerbanken	0	30,000
Change in deposits	-552,956	-165,105
Due to credit institutions and central banks	2,356	-41,264
Change in other assets / liabilities	31,421	-17,056
Assets/liabilities under insurance contracts	43,532	0
Prepayments	-2,832	5,996
Cash flows from operations	**-82,798**	**-27,148**
Cash flow from investing activities		
Dividends received	14,108	2,000
Acquisition of intangible assets	0	-648
Acquisition of tangible assets	-36,194	-14,169
Sale of tangible assets	67,614	4,422
Cash flows from investing activities	**45,528**	**-8,396**
Cash flow from financing activities		
Increase in loans from central banks	0	1,000,000
Change in subordinated debt	-140,218	-150,000
Acquisition of own shares	-13,865	-17,425
Sale of own shares	13,878	17,428
Payment of dividends	-10,000	0
Repayment of issued bonds	0	-98,276
Cash flows from financing activities	**-150,206**	**751,726**
Change in cash and cash equivalents	**-187,476**	**716,182**

Cash flow statement – BankNordik Group

DKK 1,000	2013	2012
Cash in hand and demand deposits with central banks, and due from credit institutions, etc. at the beginning of the year	1,483,451	770,042
Foreign currency translation	8,072	-2,773
Cash flows	-187,476	716,182
Cash and cash equivalents at 31 December	**1,304,047**	**1,483,451**
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	479,757	644,335
Due from credit institutions, etc.	824,289	839,116
Total	**1,304,047**	**1,483,451**

Notes – BankNordik Group

Note

Contents

1

1 Basis of preparation

The BankNordik Group presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the EU and with applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). 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 2012 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 2013.

Notes – BankNordik Group

Note

1) Estimates and assumptions

1 (cont'd)

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
- business acquisitions
- 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 notes 12 and 16 provide details on the amounts recognised and the notes on risk management also provide more details on impairment charges for loans and advances.

B) Fair value of investment and domicile properties

The asset return model is used to measure real property at fair value. The future cash flows 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 notes 22 and 23 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.

Assessments are made in connection with determining the fair value of financial instruments in the following areas:

Notes – BankNordik Group

Note

1

(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 15 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 writedowns for impairment. Details on the amounts recognised are provided in note 18.

D) Business acquisitions

When taking over parts of another company, the acquisition method must be applied for recognizing the assets, liabilities and contingent liabilities of the acquired company. There are no effective markets that can be used to determine the fair value of some of the acquired assets and liabilities. Consequently, the management makes estimates in connection with determining the fair values of the acquired assets, liabilities and contingent liabilities. The determination may be subject to uncertainty, depending on the nature of the item.

The unallocated purchase price (positive amounts) is recognised in the balance sheet as goodwill, which is allocated to the cash- generating units which are expected to benefit from the synergies. In this connection, the management makes an estimate of the cash-flow generating units acquired and the consequent goodwill allocation. Management believes that the allocation is based on documented estimates, taking into consideration the uncertainty attaching to the calculation of the acquired cash-flow generating units.

Goodwill is tested for impairment annually, based on an estimate of the future cash flows that is expected to be generated by the respective cash generating units.

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.

Notes – BankNordik Group

Note

1

(cont'd)

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. The fair value of assets held for sale is estimated by the Group's valuation experts.

2) Adoption of new standards in 2013

The following new standards and amendments to standards which are relevant for the Group are mandatory for the first time for the financial year beginning 1 January 2013:

- IFRS 10, Consolidated financial statements: The new standard replaces IAS 27's guidance regarding determination of when control over another entity exists.
- IFRS 12, Disclosure about interests in other entities: The new standard replaces and extends the disclosure requirements of IAS 27 on investments in subsidiaries, IAS 28 on investments in associates.
- IFRS 13, Fair value measurement: A general standard on determination of value which replaces current guidance in specific standard. The basic principle is that an asset is measured at the transaction price between a buyer and a seller whereas a liability is measured at the amount which a third party would charge as payment for undertaking the liability.
- Amendment to IFRS 7, "Disclosures – Offsetting Financial Assets and Financial Liabilities" introducing additional disclosure requirements regarding financial assets and liabilities which are offset in the financial statements and which are not presented net but can be offset contingent on bankruptcy etc.
- Further, The Group has early adopted the amendment to IAS 36, "Impairment of Assets" effective for annual periods beginning on or after 1 January 2014. The amendment rolls back the requirement to disclose value in use for cash generating units to which a significant amount of goodwill has been allocated.

The new and amended standards have no impact on recognition and measurement and limited impact on disclosures.

3) Changes in IFRSs not yet applied by BankNordik

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

- IFRS 9, 'Financial instruments', issued in November 2009 and October 2010. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. Further, it introduces a new hedge accounting model that is designed to be more closely aligned with risk management activities.

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

The group is yet to assess the full impact on those new and amended standards.

Notes – BankNordik Group

Note

4) Consolidation

1 (cont'd)

The consolidated financial statements comprise the parent company, P/F BankNordik, as well as undertakings in which P/F BankNordik exercises control over financial and operating policy decisions. 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.

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.

Notes – BankNordik Group

Note

6) Foreign currency translation

1 (cont'd)

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.

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

Assets and liabilities of subsidiaries outside Faroe Islands and Denmark are translated into DKK at the exchange rates at the balance sheet date. 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.

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.

Note

2 Critical accounting policies

1

(cont'd)

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.

2) Interest income and expenses

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 from carrying out a given transaction is recognised as revenue once the transaction is complete.

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.

Notes – BankNordik Group

Note

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

1 (cont'd)

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.

8) Market value adjustments

Market value adjustments comprise all value adjustments of assets and liabilities that are measured at fair value, and exchange rate adjustments which are included in the income statement. Excluded is own credit risk on loans at fair value.

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 that the Group expects to pay for work carried out during the year are expensed under Staff costs and administrative expenses. 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.

Notes – BankNordik Group

Note

13) Other operating expenses

1 (cont'd)

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.

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.

Notes – BankNordik Group

Note

2) Financial instruments – general

1 (cont'd)

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.

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

- 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

Note

1

(cont'd)

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.

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

Notes – BankNordik Group

Note 1 (cont'd)

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.

Determination of fair value of shares

Fair value is determined according to the following order of priorities:

Notes – BankNordik Group

Note

1 (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".

Notes – BankNordik Group

Note

Goodwill on associated undertakings is recognised under Holdings in associates.

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 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.

Notes – BankNordik Group

Note

1

(cont'd)

The fair value is assessed based on the asset return model. Also a valuation assessment Is obtained by the Group's valuation experts once a year. The section on domicile property below explains the asset return 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.

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 asset return 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 directly in equity. Depreciation and impairments are recognised in the income statement under the item "Amortisation, depreciation and impairment charges". Impairments are only recognised in the income statement to the extent that it cannot be offset in former period's revaluations.

Domicile property which, according to a publicly announced plan, is expected to be sold within twelve months is recognised as an asset held for sale. Real property taken over as part of the settlement of debt, not qualifying for recognising under Assets held for sale, is recognised under Investment Property.

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.

Notes – BankNordik Group

Note

9) Assets held for sale

1 (cont'd)

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 will 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 marked are reclassified to other items for example investment properties.

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.

Notes – BankNordik Group

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.

6) Liabilities under insurance contracts

Liabilities under insurance contracts consist of provisions for unearned premiums and claims provisions.

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.

Notes – BankNordik Group

Note

8) Provisions

1 (cont'd)

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 debts are recognised at the date of borrowing, at the proceeds received less directly attributable transaction cost. Subsequently the subordinated debt are measured at fair value as described under "Due to credit institutions and central banks and deposits measured at amortised cost".

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.

Notes – BankNordik Group

Note

1

(cont'd)

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.

Operating segments

Note

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 companies Vörður Tryggingar hf and P/F TRYGD based in Iceland and The Faroe Islands respectively. Vörður and TRYGD are responsible for the Group's non-life insurance products. Vörður and TRYGD target personal and corporate customers with a full range of property and casualty products. Vörður distributes its operations through agreement with Landsbankin and through other independent brokerages in Iceland. TRYGD's operations are handled by its own sales team and distributed through Group's banking units.

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

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

Notes - BankNordik Group

Note 2

Operating segments 2013	Banking				Insurance			Other	Elimina-tion	Group
DKK 1,000	Faroe Islands	Denmark	Greenland	Total	Faroe Islands	Iceland	Total			
External interest income, Net	315,521	198,329	47,789	561,639	2,374	9,965	12,339	54		574,032
Internal interest	-58,378	67,289	-8,910							
Net interest income	257,143	265,618	38,878	561,639	2,374	9,965	12,339	54		574,032
Net Fee and dividends income	61,506	117,989	9,707	189,203		-830	-830			188,372
Premium income, net of reinsurance					80,811	215,615	296,426		-1,141	295,285
Net premium income of reinsurance and claims					21,180	49,388	70,569		-1,141	69,427
Other income	38,888	1,616	1,238	41,741	-1,054	5,756	4,702	-1,578	-918	43,947
Total income	**357,536**	**385,223**	**49,824**	**792,583**	**22,500**	**64,279**	**86,779**	**-1,524**	**-2,059**	**875,779**
Total operating expenses	216,883	312,365	31,009	560,258	16,739	35,626	52,365	3,731	-2,059	614,294
Impairment charges, incl. reversals of aquired OEI impairments	55,303	84,265	8,048	147,616						147,616
Profit before tax	**85,350**	**-11,407**	**10,766**	**84,709**	**5,761**	**28,653**	**34,415**	**-5,256**		**113,868**
Total assets	**10,807,596**	**7,446,403**	**868,030**	**19,122,029**	**189,308**	**454,786**	**644,094**	**16,830**	**-2,698,391**	**17,084,562**
of which Loans and advances	5,812,886	3,826,873	820,540	10,460,299						10,460,299
Total liabilities and equity	**10,807,596**	**7,446,403**	**868,030**	**19,122,029**	**189,308**	**454,786**	**644,094**	**16,830**	**-2,698,391**	**17,084,562**
of which Deposits	5,311,214	6,540,709	432,749	12,284,672					-91,925	12,192,748
of which Insurance liabilities					74,026	301,130	375,155			375,155

Operating segments 2012	Banking				Insurance			Other	Elimina-tion	Group
DKK 1,000	Faroe Islands	Denmark	Greenland	Total	Faroe Islands	Iceland	Total			
External interest income	344,425	206,129	51,167	601,721	2,773	8,077	10,851	693		613,265
Internal interest	-68,725	78,439	-9,713							
Net interest income	275,700	284,568	41,453	601,721	2,773	8,077	10,851	693		613,265
Net Fee and dividends income	59,620	121,269	11,364	192,253		3,600	3,600	123	-688	195,287
Premium income, net of reinsurance					81,613	196,872	278,485	3,946	-1,171	281,260
Net premium income of reinsurance and claims					41,454	38,151	79,605	2,541	-1,171	80,975
Other income	15,110	34,110	102	49,321	-255	4,903	4,648	6,701	-556	60,114
Total income	**350,429**	**439,947**	**52,919**	**843,295**	**43,972**	**54,731**	**98,703**	**10,058**	**-2,415**	**949,641**
Total operating expenses	213,989	374,301	34,652	622,942	20,942	32,068	53,010	6,465	-2,415	680,002
Impairment charges, incl. reversals of aquired OEI impairments	67,033	76,670	4,756	148,460		-299	-299	8	0	148,169
Profit before tax	**69,407**	**-11,025**	**13,511**	**71,893**	**23,030**	**22,962**	**45,992**	**3,585**		**121,470**
Total assets	**10,819,565**	**8,022,377**	**970,609**	**19,812,551**	**199,333**	**388,921**	**588,254**	**60,549**	**-2,852,389**	**17,608,966**
of which Loans and advances	6,043,865	4,331,783	927,050	11,302,698		4	4			11,302,702
Total liabilities and equity	**10,819,565**	**8,022,377**	**970,609**	**19,812,551**	**199,333**	**388,921**	**588,254**	**60,549**	**-2,852,389**	**17,608,966**
of which Deposits	5,211,395	7,127,159	522,911	12,861,466					-115,813	12,745,653
of which Insurance liabilities					65,696	274,073	339,769			339,769

Notes - BankNordik Group

Note **BankNordik Group - Geografical revenue information**

2

(Cont'd)

	Total income		Non.current assets		Additions on material assets		Additions on immaterial assets	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Faroe Islands	376,453	401,249	268,239	335,810	-50,441	132,208	0	0
Denmark	385,223	439,947	677,530	681,513	10,843	-3,708	0	17,815
Iceland	64,279	55,526	12,747	11,919	2,304	-11	0	-12,504
Greenland	49,824	52,919	170,652	170,652	4,083	535	0	0
Total	**875,779**	**949,641**	**1,129,167**	**1,199,894**	**-33,211**	**129,024**	**0**	**5,311**

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

Notes – BankNordik Group

Note	DKK 1,000	Interest income 2)	Interest expenses	Net interest	Market value adjustment 3)	Dividend	Total
3	**Net income, financial instruments 2013 1)**						
	Financial instruments at amortised cost:						
	Due to and from credit institutions and central banks	6,304	-115	6,419			6,419
	Loans and advances and deposits	628,770	87,299	541,471			541,471
	Subordinated debt		56,887	-56,887	6,767		-50,120
	Other financial instruments	5,106		5,106			5,106
	Other		3,072	-3,072			-3,072
	Total	**640,180**	**147,143**	**493,037**	**6,767**		**499,804**
	Financial instruments at fair value:						
	Bonds and shares, listed	62,044		62,044	17,676	8,755	88,475
	Other shares and derivatives etc	-17,350		-17,350	50,763	5,353	38,766
	Loans and advances at fair value	36,301		36,301	-46,929		-10,628
	Investment property				-12,637		-12,637
	Total	**80,995**		**80,995**	**8,873**	**14,108**	**103,976**
	Total net income from financial instruments	**721,175**	**147,143**	**574,032**	**15,640**	**14,108**	**603,780**
	Net income, financial instruments 2012						
	Financial instruments at amortised cost:						
	Due to and from credit institutions and central banks	8,098	342	7,756			7,756
	Loans and advances and deposits	713,826	126,875	586,951			586,951
	Subordinated debt		70,722	-70,722	-10,480		-81,202
	Other financial instruments	4,100		4,100			4,100
	Other	-462	4,282	-4,744			-4,744
	Total	**725,562**	**202,221**	**523,341**	**-10,480**		**512,861**
	Financial instruments at fair value:						
	Bonds and shares, listed	59,095		59,095	15,769	9,270	84,133
	Other shares and derivatives etc	-12,637		-12,637	25,288	1,124	13,775
	Loans and advances at fair value	43,466		43,466	245		43,711
	Assets and deposits under pooled schemes and unit-linked				-53		-53
	Investment property				-11,400		-11,400
	Total	**89,924**		**89,924**	**29,849**	**10,394**	**130,167**
	Total net income from financial instruments	**815,486**	**202,221**	**613,265**	**19,369**	**10,394**	**643,029**

1) The Group does not have held-to-maturity investments
2) Interest income recognised on impaired financial assets amounts to DKK 23m (2012: DKK 14m)
3) Market value adjustments on Subordinated debt relate to fair value adjustments

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
4	**Net fee and commission income**		
	Fee and commission income		
	Securities trading and custody accounts	40,012	21,084
	Credit transfers	29,319	32,194
	Loan commissions	10,758	12,192
	Guarantee commissions	22,061	23,450
	Other fees and commissions	98,365	110,144
	Total fee and commission income	**200,515**	**199,065**
	Fee and commissions paid		
	Securities trading and custody accounts	26,250	14,172
	Total fee and commission paid	**26,250**	**14,172**
	Net fee and commission income	**174,265**	**184,893**
5	**Premium income, net of reinsurance**		
	Regular premiums, life insurance	7,957	6,593
	Reinsurance premiums paid	-3,052	-2,457
	Change in unearned premiums provisions	-365	-189
	Total life insurance	4,541	3,946
	Gross premiums, non-life insurance	309,835	300,401
	Reinsurance premiums paid	15,744	17,835
	Change in gross premium provisions	-3,071	-5,282
	Change in reinsurers' share of premiums	-276	30
	Total non-life insurance	290,744	277,313
	Total	**295,285**	**281,260**
6	**Claims, net of reinsurance**		
	Benefits paid	2,160	2,573
	Reinsurers' share received	-1,198	-1,399
	Change in outstanding claims provisions	-554	231
	Total life insurance	408	1,405
	Gross claims paid	200,446	190,762
	Claims handling costs	16,885	15,156
	Reinsurance received	-18,302	-11,704
	Change in gross claims provisions	12,917	-2,070
	Change in reinsurers' share relating to provisions	13,503	6,737
	Total non-life insurance	225,449	198,880
	Total	**225,857**	**200,285**

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
7	**Other operating income**		
	Profit on sale of investment and domicile properties and		
	assets held for sale	18,252	625
	- of which assets held for sale	*0*	*0*
	Profit on sale of operating equipment	568	0
	Reversals of acquired OEI impairments	30,618	33,002
	Other income	12,272	5,864
	Operation of properties:		
	Rental income	3,097	121
	Operating expenses	*-1,260*	*-430*
	- of which investment properties	*-258*	*-200*
	- of which assets held for sale	*-1,002*	*-230*
	Maintenance	0	-152
	- of which on investment properties	*0*	*-152*
	Total other operating income	**63,547**	**39,029**
8	**Staff costs and administrative expenses**		
	Staff costs:		
	Salaries	270,281	307,104
	Pensions	31,073	34,234
	Social security expences	39,071	38,449
	Total staff costs	**340,425**	**379,787**
	Other administrative expenses:		
	IT	89,473	129,577
	Marketing etc	24,107	21,547
	Education etc	5,966	5,893
	Advisory services	3,964	8,541
	Other expenses	96,339	111,110
	Total administrative expenses	**219,849**	**276,668**
	Total staff costs	340,425	379,787
	Staff costs incl. under the item “Claims, net of reinsurance”	-16,884	-15,155
	Other administrative expenses	219,849	276,668
	Total employee and administrative expenses	**543,390**	**641,300**
	Number of employees		
	Average number of full-time employees in the financial year	528	567
	Executive remuneration:		
	Board of Directors	1,755	1,620
	Executive Board:		
	salaries	4,690	4,488
	pension	694	657
	Total executive board	**5,384**	**5,145**
	Total executive remuneration	**7,139**	**6,765**

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
9	**Remuneration of senior executives**		
	The Board of Directors of P/F BankNordik		
	Klaus Rasmussen, chairman of the board	585	540
	Jens Erik Christensen, deputy chairman	390	360
	Bent Naur (Until 30 March 2013)	45	135
	Keld Søndergaard Holm (Until 30 March 2012)	0	45
	Niels Vestermark (From 1. April 2013)	150	0
	Nils Sørensen	195	180
	Mette Dahl Christensen	195	180
	Kenneth M. Samuelsen	195	180
	Total	**1,755**	**1,620**

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

	2013	2012
The Executive Board of P/F BankNordik		
Janus Petersen:		
Fixed salary	2,810	2,668
Pension	416	394
Directors' emolument Vørður Trygging hf.	0	30
Total	**3,226**	**3,092**
John Rajani:		
Fixed salary	1,880	1,789
Pension	278	264
Total	**2,158**	**2,053**
Total	**5,384**	**5,145**

Pension and termination conditions:	Janus Petersen	John Rajani
Age at which the Executive Board member is entitled to retire	62	62
Notice of termination by the Bank, in months	36	24
Notice of termination by the Executive Board member, in months	12	12
Type of pension plan	Defined contribution through pension fund	Defined contribution through pension fund
Annual contribution	Bank contributes 15% of salary	Bank contributes 15% of salary

Note	DKK 1,000	2013	2012
9	**Shareholdings**		
(cont'd)	The number of shares in P/F BankNordik held by the members of the Board of Directors and the Executive Board at the end of 2013 totalled 23,580 and 18,808 respectively (end of 2012: 22,080 and 18,808). Note 34 contains details on related parties.		
	Remuneration of other executives (key decision makers)		
	Fixed salary	5,423	5,357
	Pension	729	725
	Total	**6,152**	**6,082**

The executives included in this group are:
Árni Ellefsen, CFO
Rune Nørregaard, CCO
Jan Ulsø Madsen, CM Denmark
Henrik Jensen, CIO

This group is defined as key decision makers of the Group, along with the Board of Directors and the Executive Board

The Group does not have bonus programmes.

Shareholdings
The number of shares in P/F BankNordik held by other executives at the end of 2013 totalled 5,370. (2012: 5,370) Note 34 and 35 contains details on related parties.

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
10	**Audit fees**		
	Fees to audit firms appointed at the general meeting	2,751	2,924
	Fees to audit firm regarding audit of Vørður	345	626
	Total audit fees	**3,096**	**3,550**
	Total fees to audit firms appointed at the general meeting break down as follows:		
	Statutory audit	1,353	1,333
	Other assurance engagements	321	825
	Tax and VAT advice	469	234
	Other services	608	531
	Total fees to audit firms appointed at the general meeting	**2,751**	**2,923**
11	**Other operating expenses**		
	Guarantee Fund for Depositors and Investors	26,319	10,828
	Liability regarding construction of new headquarters	14,032	0
	Other operating expenses	2,972	581
	Total	**43,323**	**11,409**
12	**Impairment charges on loans and advances etc.**		
	Loans and advances at amortised cost	159,536	111,826
	Loans and advances at fair value	4,846	11,352
	Guarantees and loan commitments	12,960	15,422
	Assets held for sale	892	9,569
	Total	**178,234**	**148,169**

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
12	**Individual impairment charges etc.**		
(cont'd)	Interest income on impaired loans is offset in impairments by	22,818	14,473
	New and increased impairment charges	224,739	176,742
	Reversals of impairment charges	62,297	43,226
	Write-offs charged directly to the income statement	13,978	20,091
	Received on claims previously written off	1,420	3,903
	Total individual impairment charges	**175,001**	**149,704**
	Collective impairment charges		
	New and increased impairment charges	3,938	1,168
	Reversals of impairment charges	705	2,703
	Total collective impairment charges	**3,233**	**-1,535**
	Total impairment charges	**178,234**	**148,169**

		Faroes	Iceland	Denmark	Greenland	Total
13	**Tax 2013**					
	Tax on profit for the year	14,277	5,386	-5,962	7,770	21,472
	Total tax	**14,277**	**5,386**	**-5,962**	**7,770**	**21,472**
	Tax on profit for the year					
	Profit before tax	85,856	28,653	-11,407	10,766	113,868
	Current tax charge	959	311	0	0	1,270
	Change in deferred tax	13,319	5,075	-3,195	3,424	18,622
	Adjustment of prior-year tax charges	0	0	-2,766	4,347	1,580
	Total	**14,277**	**5,386**	**-5,962**	**7,770**	**21,472**
	Effective tax rate					
	Tax rate	18.0%	20.0%	25.0%	31.8%	18.9%
	Non-taxable income and non-deductible expenses	-2.6%	-1.2%	3.0%	0.0%	11.5%
	Tax on profit for the year	15.4%	18.8%	28.0%	31.8%	17.5%
	Adjustment on prior-year tax charges	0.0%	0.0%	24.3%	40.4%	1.4%
	Effective tax rate	**15.4%**	**18.8%**	**52.3%**	**72.2%**	**18.9%**

Notes – BankNordik Group

Note	DKK 1,000	Faroes	Iceland	Denmark	Greenland	Total
13	**Tax 2012**					
(cont'd)	Tax on profit for the year	14,520	4,034	-4,210	4,053	18,396
	Total tax	**14,520**	**4,034**	**-4,210**	**4,053**	**18,396**
	Tax on profit for the year					
	Profit before tax	96,022	22,962	-11,025	13,511	121,470
	Current tax charge	4,455				4,455
	Change in deferred tax	12,194	4,034	-2,370	4,053	17,912
	Adjustment of prior-year tax charges	-3,972				-3,972
	Total	**12,678**	**4,034**	**-2,370**	**4,053**	**18,396**
	Effective tax rate					
	Tax rate	18.0%	20.0%	25.0%	31.8%	8.7%
	Non-taxable income and non-deductible expenses	-0.0%	16.4%	-3.5%	-1.8%	6.9%
	Tax on profit for the year	18.0%	16.4%	21.5%	30.0%	18.4%
	Adjustment on prior-year tax charges	-5.9%				-3.4%
	Effective tax rate	12.1%	16.4%	21.5%	30.0%	15.1%

Note		2013	2012
14	**Cash in hand and demand deposits with central banks**		
	Cash in hand	108,574	113,882
	Demand deposits with central banks	371,183	530,453
	Total	**479,757**	**644,335**
15	**Loans and advances at fair value**		
	Nominal value	662,488	966,783
	Fair value adjustment	19,129	71,320
	Total	**681,617**	**1,038,103**

Of the total adjustment for credit risk on loans and advances at fair value, changes in 2013 were recognised as an expense of DKK 5m (2012: DKK 11m).

The changes in credit risk on borrowers are calculated on the same basis as described in the accounting policies regarding loans at amortised cost.

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
16	**Loans and advances, total**		
	Loans and advances	10,921,878	11,658,721
	Impairment charges	461,579	356,019
	Total	**10,460,299**	**11,302,702**
	Impairment charges		
	Individual impairment charges etc.		
	At 1 January	332,417	316,798
	New and increased impairment charges	201,579	190,913
	Reversals of impairment charges	51,837	39,649
	Written-off, previously impaired	47,415	135,647
	Foreign currency translation	0	2
	At 31 December	**434,744**	**332,417**
	Collective impairment charges		
	At 1 January	23,602	25,137
	New and increased impairment charges	3,938	1,168
	Reversals of impairment charges	705	2,703
	At 31 December	26,835	23,602
	Total at 31 December	**461,579**	**356,019**

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
17	**Bonds at fair value**		
	Mortgage bonds	2,601,986	2,151,357
	Government bonds	530,893	389,457
	Other bonds	360,392	341,090
	Bonds at fair value	**3,493,271**	**2,881,904**

All bonds form part of the Group's trading portfolio.

Note	DKK 1,000	2013	2012
18	**Shares etc.**		
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	56,704	69,851
	Shares/unit trust certificates listed on other stock exchanges	100,990	171,100
	Other shares at fair value using the fair-value option	176,983	170,561
	Total shares etc.	**334,677**	**411,512**

Note	DKK 1,000	2013	2012
19	**Assets under insurance contracts**		
	Non-life insurance		
	Reinsurers' share of provisions for unearned premiums	13	289
	Reinsurers' share of claims provisions	8,157	20,593
	Receivables from insurance contracts	65,103	60,369
	Total non-life insurance	**73,273**	**81,251**
	Maturing within 12 months	**65,103**	**15,957**
	Life insurance		
	Reinsurers' share of provisions	3,284	3,078
	Other assets	1,877	1,354
	Total life insurance	**5,161**	**4,432**
	Total Assets under insurance contracts	**78,434**	**85,683**
20	**Holdings in associates**		
	Cost at 1 January	25,400	22,300
	Additions	2,575	3,100
	Disposals	150	0
	Cost at 31 December	**27,825**	**25,400**
	Revaluations at 1 January	-10,525	10,286
	Share of profit	-13	1,716
	Dividends	0	22,527
	Impairment charges during the year	3,100	0
	Revaluations at 31 December	**-13,639**	**-10,525**
	Carrying amount at 31 December	**14,186**	**14,875**

	Ownership %	Total assets	Total liabilities	Income	Net profit
Holdings in associates 2013					
P/F Elektron	34%	72,054	38,231	96,500	-40
P/F Nema	28%	109,836	68,825	138,951	-1,698
Holdings in associates 2012					
P/F Løkir	30%	80,842	5,252	-165	2,202
P/F Elektron	34%	86,673	56,075	107,396	3,266
P/F Nema	28%	119,332	76,261	154,069	-1,257

The information disclosed is extracted from the companies' most recent annual reports (2012 and 2011).

Notes – BankNordik Group

Note DKK 1,000

21 Intangible assets

2013	Goodwill	Customer relations	Longterm cost	Total
Cost at 1 January	705,133	122,574	24,291	851,998
Additions	989			989
Adjustment to contingent consideration Vørður	-838			-838
Foreign currency translation	3,629		1,729	5,358
Cost at 31 December	**708,913**	**122,574**	**26,020**	**857,508**
Amortisation and impairment charges at 1 January		-21,386	-23,344	-44,730
Amortisation charges during the year		-12,257	-718	-12,976
Foreign currency translation			-1,661	-1,661
Amortisation and impairment charges at 31 December		**-33,644**	**-25,724**	**-59,367**
Carrying amount at 31 December	**708,913**	**88,931**	**296**	**798,141**
Amortisation period	Annual impairment test	10 years	3 years	

Intangible assets

2012	Goodwill	Customer relations	Longterm cost	Total
Cost at 1 January	685,343	122,574	25,248	833,166
Additions			589	589
Re-assesment of fair value of loan acquired Amagerbanken	44,516			44,516
Adjustment to the purchase price Amagerbanken	-30,000			-30,000
Adjustment to contingent consideration Vørður	-3,086			-3,086
Foreign currency translation	8,359		-1,545	6,814
Cost at 31 December	**705,133**	**122,574**	**24,291**	**851,998**
Amortisation and impairment charges at 1 January		-9,129	-22,079	-31,208
Amortisation charges during the year		-12,257	-2,616	-14,874
Foreign currency translation			1,351	1,351
Amortisation and impairment charges at 31 December		**-21,386**	**-23,344**	**-44,730**
Carrying amount at 31 December	**705,133**	**101,188**	**947**	**807,268**
Amortisation period	Annual impairment test	10 years	3 years	

Notes – BankNordik Group

Note 21 (cont'd)

In 2009 BankNordik acquired goodwill in connection with the acquisition of the icelandic company Vørður. In 2010 BankNordik acquired 12 branches in Denmark and Greenland from Sparbank. In 2011 BankNordik acquired 13 branches in Denmark from Amagerbanken.

Vörður Tryggingar hf. and Vörður Líftryggingar hf. have capitalized long term cost that are sale costs due to new insurances policies issued in the period. The amount is expensed over three years. Management views this capitalization as matching income and costs.

The remaining amortization periods are six to seven years for customer relations (2012: seven to eight years) and goodwill had an indefinite life in both 2012 and 2013.

IMPAIRMENT TEST

The BankNordiks Groups goodwill with an indefinite life are tested annually for impairment. The activities are tested on the identified cash-generating unit to wich the assets have been allocated. Goodwill is allocated to the cash-generating areas Denmark, Greenland and Iceland. Customer relations are allocated to Denmark and Greenland.

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 impairment test of goodwill and customer relations shows no need for impairment charges to be recognised in 2013.

Management assesses whether probable changes in basic assumptions will lead the carrying amount of goodwill to exceed its recoverable amount. Sensitivity analysis show that both the goodwill relating to the branches (Denmark and Greenland) and Vørður (Iceland) and the goodwill relating to customer relations (Denmark and Greenland) are robust to changes in assumptions. In terms of the required rate of return before tax the tolerance regarding Denmark 0.5%, Greenland 1.2% and regarding Iceland 1.7%. An increase in the required rate of return of 1.0 percentage point, would reduce fair value at end-2013 by DKK 246m.

Impairment test:	**Denmark**	**Greenland**	**Iceland**
Carrying amount:			
Goodwill, branches	541m	113m	
Goodwill, Vørður			54m
Customer relations	80m	9m	
Budgetting assumptions:			
Interest margin	Declining	Stable	
Fees	Growing	Growing	
Costs/income	Declining	Declining	Declining
Impairments on loans and guarantees	1.0%	0.9%	
Loans	Growing	Growing	
Deposits	Growing	Growing	
Growth: Insurance income, net			2.5%
Impairment test:			
Budgetting period	**5 years**	**5 years**	**3 years**
Required rate of return before tax	11.0%	11.0%	17.3%
Growth rate, terminal period	2.5%	2.5%	2.5%
NPV, budgetting period (required rate of return before tax 11.0% and 17.3%)	266m	37m	62m
NPV, terminal period (required rate of return before tax 11.0% and 17.3%)	989m	187m	169m
Tolerance of the impairment test	0.5%	1.2%	1.9%
Required impairment of goodwill and customer relations	None	None	None

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
22	**Investment property**		
	Fair value at 1 January	158,093	2,500
	Additions	12,625	16,633
	Reclassification from assets held for sale	0	134,016
	Reclassification from domicile property	0	16,344
	Reclassification to assets held for sale	35,223	0
	Disposals	2,500	0
	Fair value adjustment	-12,637	-11,400
	Fair value at 31 December	**120,358**	**158,093**

Rental income from investment property amounted to DKK 0.5m in 2013 (2012: DKK 0.1m). Expenses directly attributable to investment property generating rental income amounted to DKK 0.3 (2012: DKK 0.2m).

The fair value is assessed by the group's internal valuers at least once a year on the basis of a discounted cash flow model. Valuations rely substantially on non-observable input. 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 5.0-9.0% (2012: 6.0%-7.0%) and averaged 5.8% (2012: 5.9%). An increase in the required rate of return of 1.0 percentage point, would reduce fair value at end-2013 by DKK 17m.

Note	DKK 1,000	2013	2012
23	**Domicile property**		
	Cost at 1 January	198,128	215,934
	Additions	12,802	4,475
	Reclassification to investment property	0	16,344
	Disposals	43,435	5,937
	Cost at 31 December	**167,495**	**198,128**
	Adjustments at 1 January	-2,766	-1,154
	Depreciation charges during the year	892	1,974
	Reversal of depreciation charges on disposals during the year	403	361
	Revaluations recognised directly in equity	10,756	0
	Impairments recognised in the income statement	3,968	0
	Adjustments at 31 December	**3,533**	**-2,766**
	Carrying amount at 31 December	**171,028**	**195,362**

Tangible assets include domicile property of DKK 171m (2012: DKK 195m). If indications of impairment exist, domicile property is written down to the lower of the carrying amount and its value in use. The properties were valued individually by the goups internal valuars on the basis of the rate of return used for investment property disclosed in note 22. At the end of 2013, the fair value of domicile property was DKK 174m (31 December 2012: DKK 193m). The required rate of return of 5-9% (2012: 6–7%). The depreciation period is 50 years.

In 2013 an agreement was made on the sale of part of the domicile property in Tórshavn with deliverance in 2015. This property is measured to the agreed sales price which results in a revaluation income of 10.8m recognised directly in equity.

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
24	**Other property, plant and equipment**		
	Cost at 1 January	79,746	80,629
	Additions	10,692	4,071
	Disposals	1,161	4,158
	Foreign currency translation	701	-796
	Cost at 31 December	**89,978**	**79,746**
	Depreciation and impairment charges at 1 January	55,450	49,183
	Depreciation charges during the year	9,605	11,034
	Reversals of depreciation and impairment charges	1,060	4,121
	Foreign currency translation	528	-646
	Depreciation and impairment charges at 31 December	**64,523**	**55,450**
	Carrying amount at 31 December	**25,455**	**24,296**

The depreciation period is 3-5 years.

Note		2013	2012
25	**Deferred tax**		
	Deferred tax assets	44,589	43,407
	Deferred tax liabilities	79,129	56,433
	Deferred tax, net	**34,540**	**13,026**

Change in deferred tax	At 1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	At 31 Dec.
2013					
Intangible assets	39,708		38,746		78,454
Tangible assets	11,895		-4,774	1,936	9,057
Securities	-527		0		-527
Provisions for obligations	0		-63		-63
Tax loss carryforwards	-36,976	-1,894	-13,044		-51,914
Other	-1,073		607		-467
Total	**13,026**	**-1,894**	**21,472**	**1,936**	**34,540**

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

	At 1 Jan.	Foreign currency translation	Included in profit for the year	Included in shareholders' equity	At 31 Dec.
2012					
Intangible assets	1,010		38,698		39,708
Tangible assets	12,509		-614		11,895
Securities	-514		-13		-527
Provisions for obligations	-201		201		0
Tax loss carryforwards	-19,162		-17,814		-36,976
Foreign currency translation	-2,668		2,668		0
Other	1,114		-2,187		-1,073
Total	**-7,913**		**20,939**		**13,026**

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

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
26	**Assets held for sale**		
	Total purchase price at 1 January	34,025	207,464
	Additions	7,614	6,606
	Reclassification to investment properties	0	-134,016
	Reclassification from investment properties	35,223	0
	Disposals	10,789	46,029
	Total purchase price at 31 December	**66,073**	**34,025**
	Impairment at 1 January	8,214	38,483
	Impairment charges for the year	1,870	7,614
	Reversal of impairment on disposals and write offs during the year	2,179	37,883
	Impairment at 31 December	**7,905**	**8,214**
	Total assets held for sale at 31 December	**58,168**	**25,811**
	Specification of assets held for sale		
	Real property taken over in connection with non-performing loans	58,100	25,200
	Other tangible assets taken over in connection with non-perf. loans	68	612
	Total	**58,168**	**25,811**

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 loansis recognised under the item „Other operating income". It is the Group's real estate agency that is responsible for selling the real property.

The apartments in the real property project „Gráisteinur" were reclassified in 2012 from „Assets held for sale" to „Investment Property" under the assumption that they would not be sold within 12 months. As negotiations were ongoing at year-end 2013 with a potential buyer of 24 apartments, this property is reclassified to „Assets held for sale". The 24 apartments were sold in January 2014.

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
27	**Other assets**		
	Interest and commissions due	48,361	42,906
	Derivatives with positive fair value	53,956	37,554
	Other amounts due	59,065	69,856
	Total	**161,382**	**150,316**
28	**Liabilities under insurance contracts**		
	Non-life insurance		
	Provisions for unearned premiums	114,741	105,866
	Claims provisions	254,176	227,808
	Total non-life	368,917	333,674
	Life insurance		
	Life insurance provisions	2,748	2,561
	Other technical provisions	3,491	3,534
	Total life	6,239	6,095
	Total	**375,155**	**339,769**
29	**Other liabilities**		
	Sundry creditors	93,363	97,334
	Accrued interest and commissions	52,853	73,143
	Derivatives with negative value	69,431	89,603
	Accrued staff expenses	55,245	51,971
	Debt regarding sale of investment assets	52,355	30,202
	Other obligations	51,467	41,445
	Total	**374,714**	**383,699**
30	**Provisions for losses on guarantees**		
	At 1 January	43,551	31,516
	Corrections	0	-3,386
	New and increased provisions	23,160	18,535
	Reversals of provisons	10,200	3,114
	At 31 December	**56,511**	**43,551**

The Group issues a number of guarantees in the ordinary course of its business. 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 – BankNordik Group

Note DKK 1,000

31 **Subordinated debt**

		Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2013	2012
Subordinated loan capital	a	DKK	P/F BankNordik	270,000	8.4%	2011	6/24/2021	No	100	275,216	277,375
Hybrid core capital	b	DKK	P/F BankNordik	63,138	10.3%	2009	Perpetual	Yes	100	62,240	203,240
Hybrid core capital	c	DKK	P/F BankNordik	180,000	10.4%	2011	Perpetual	No	100	187,990	191,816
At 31 December 2013				**Principal**						**525,445**	**672,431**
Of which fair value hedging of interest rate risk										**16,867**	**23,634**

Step-up clause:

Hybrid core capital, DKK 63,138 (b)	**Optional redemption date**	**Price**
	28.9.2014	105
	28.9.2015	110

Interest rate:		**Until 23.6.2016**	**From 24.6.2016**
Subordinated loan capital	a	8.4%	CIBOR 3M + 7,0%
Hybrid core capital	c	10.4%	CIBOR 3M + 7,5%

Subordinated debt is included in the capital base in accordance with the Faroese Financial Business Act and applicable executive orders.

The subordinated debt can not be converted into share capital. Early redemption of subordinated debt must be approved by the Danish FSA.

In the event of BankNordik's voluntary or compulsory winding-up, this liability will not be repaid until claims of ordinary creditors have been met.

Notes – BankNordik Group

Note	DKK 1,000	2013	2012
32	**Contingent liabilities**		
	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 in the balance sheet.		
	Guarantees		
	Financial guarantees	149,765	127,824
	Mortgage finance guarantees	417,194	507,446
	Registration and remortgaging guarantees	242,915	439,846
	Other guarantees	917,556	705,284
	Total	**1,727,430**	**1,780,400**

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 2013, such unused credit facilities amounted to DKK 2.6bn (2012: DKK 2.6bn). Furthermore the Group has granted irrevocable loan commitments amounting to DKK 185m.

In total operational leasing (rent) liabilities amount to DKK 36.1m (2012: DKK 20.3m). Renting contracts for an amount of DKK 10,5m (2012: DKK 14.1m) have a 12 months term of notice. Renting contracts for an amount of DKK 24.0m (2012: DKK 6.2m) have a term of notice from 1 to 5 years. Renting contracts for an amount of DKK 1.6m (2012: DKK 0m) have a term of notice of more than 5 years.

In connection with the acquisition of shares in Vørður 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 Vørður 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 Vørður 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.

33 **Assets deposited as collateral**

At the end of 2013 the Group had deposited bonds at a total market value of DKK 289m with Danmarks Nationalbank (the Danish Central Bank) primarily in connection with clearing (2012: DKK 227m). Furthermore at the end of 2013 the Group has deposited at total of DKK 1.5bn of the Groups loan portefolio and deposited bonds at a total market value of DKK 44m with Danmarks Nationalbank in connection with the Groups borrowing of DKK 1 bn from Danmarks Nationalbank (2012: loans DKK 1,3bn and bonds DKK 165m).

At the end of 2012 the Group had deposited bonds at a total market value of DKK 39m as a collateral with Danske Bank and Nordea Bank and DKK 4m as a cash deposit with Nykredit. (2012: DKK 60m in total)

Notes – BankNordik Group

Note DKK 1,000

34 **Related parties**

	Parties with significant influence		Associated undertakings		Board of Directors		Excecutive Board	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets								
Loans			51,681	53,640	8,177	634	2,792	3,059
Total			**51,681**	**53,640**	**8,177**	**634**	**2,792**	**3,059**
Liabilities								
Deposits	2,971	2,533	2,668	1,933	1,518	2,184	1,281	1,010
Total	**2,971**	**2,533**	**2,668**	**1,933**	**1,518**	**2,184**	**1,281**	**1,010**
Off-balance sheet items								
Guarantees issued			3,405	2,115				
Guarantees and collateral received			13,063	8,400	0	108	2,412	755
Income statement								
Interest income	0	2	3,766	4,049	338	10	157	105
Interest expense	18	26	12	2	52	28	19	13
Fee income	1	5	79	4	23	6	5	2
Total	**-17**	**-19**	**3,834**	**4,051**	**309**	**-12**	**0**	**94**

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

Note 20 lists associated undertakings.

In 2013, the interest rates on credit facilities granted to associated undertakings were between 5.27%–14.5% (2012: 5.14%-14.5%).

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 2013, the interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were between 2.00%-17.35% (2012: 2.28%-17.35%). Note 9 specifies the remuneration and shareholdings of the management.

P/F BankNordik acts as bank to a number of its related parties. 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's shares (5% or more of BankNordik's share capital) on the basis of the most recent holdings reported to the Bank.

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

Notes – BankNordik Group

Note **BankNordik shares held by members of the Board of Directors and the Executive Board**

35

	Beginning of 2013	Additions	Disposals	End of 2013
Board of directors				
Klaus Rasmussen	17,147	1,000		18,147
Jens Erik Christensen	1,161			1,161
Bent Naur (until 30 March 2013)	1,000		1,000	0
Niels Vestermark (from 1 April 2013)	0	500		500
Nils Sørensen	302			302
Mette Dahl Christensen	51			51
Kenneth M. Samuelsen	2,419			2,419
Total	**22,080**	**1,500**	**1,000**	**22,580**
Executive Board				
Janus Petersen	15,756			15,756
John Rajani	3,052			3,052
Total	**18,808**			**18,808**

Fair value information

Financial instruments are carried in the balance sheet at fair value or amortised cost. The table below breaks down for each item financial instruments by valuation method.

36 **Financial instruments, 2013 classification and measurement**

DKK 1,000	Fair value through profit and loss		Amortised cost		
	Held for trading	Designated	Assets	Liabilities	Total
Assets					
Cash in hand and demand deposits with central banks			479,757		479,757
Due from credit institutions and central banks			824,289		824,289
Loans and advances at fair value		681,617			681,617
Loans and advances at amortised cost			9,778,682		9,778,682
Bonds at fair value	3,493,271				3,493,271
Shares, etc.	157,694	176,983			334,677
Assets under insurance contracts			78,434		78,434
Derivatives with positive fair value	53,956				53,956
Total financial assets	**3,704,921**	**858,600**	**11,161,162**		**15,724,683**
Liabilities					
Due to credit institutions and central banks				1,290,408	1,290,408
Deposits and other debt				12,192,748	12,192,748
Liabilities under insurance contracts				375,155	375,155
Derivatives with negative fair value	69,431				69,431
Subordinated debt		316,867		208,579	525,445
Total financial liabilities	**69,431**	**316,867**		**14,066,889**	**14,453,187**

Notes – BankNordik Group

Note DKK 1,000

36 **Financial instruments, 2012 classification and measurement**

(cont'd)

	Fair value through profit and loss		Amortised cost		
	Held for trading	Designated	Assets	Liabilities	Total
Assets					
Cash in hand and demand deposits with central banks			644,335		644,335
Due from credit institutions and central banks			839,116		839,116
Loans and advances at fair value		1,038,103			1,038,103
Loans and advances at amortised cost			10,264,599		10,264,599
Bonds at fair value	2,881,904				2,881,904
Shares, etc.	240,951	170,561			411,512
Assets under insurance contracts			85,683		85,683
Derivatives with positive fair value	37,554				37,554
Total financial assets	**3,160,409**	**1,208,664**	**11,833,733**		**16,202,805**
Liabilities					
Due to credit institutions and central banks				1,288,052	1,288,052
Deposits and other debt				12,745,653	12,745,653
Liabilities under insurance contracts				339,769	339,769
Derivatives with negative fair value	89,603				89,603
Subordinated debt		319,313		353,118	672,431
Total financial liabilities	**89,603**	**319,313**		**14,726,592**	**15,135,508**

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 comprise unlisted shares that 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 shareholder agreements and using generally accepted estimation and valuation techniques. The valuation of unlisted shares is based mainly on non-observable input.

Notes DKK 1,000

36 (Cont'd)

Loans and advances at fair value	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Loans and advances at fair value		681,617		681,617
Bonds at fair value	3,493,271			3,493,271
Shares, etc.	157,694		176,983	334,677
Investment properties			120,358	120,358
Domicile property			171,028	171,028
Derivatives with positive fair value		53,956		53,956
Total	**3,650,965**	**735,573**	**468,369**	**4,854,907**
Financial liabilities				
Derivatives with negative fair value		69,431		69,431
Total		**69,431**		**69,431**

2012	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Loans and advances at fair value		1,038,103		1,038,103
Bonds at fair value	2,881,904			2,881,904
Shares, etc.	240,951		170,561	411,512
Investment properties			158,093	158,093
Domicile property			195,362	195,362
Derivatives with positive fair value		37,554		37,554
Total	**3,122,855**	**1,075,657**	**524,016**	**4,722,528**
Financial liabilities				
Derivatives with negative fair value		89,603		89,603
Total		**89,603**		**89,603**

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 input category. The category covers derivatives and loans and advances at fair value, valued on the basis of observable yield curves or exchange rates. Other financial assets are recognised in the Non-observable input. This category covers unlisted shares, investment properties (se note 22 for further information on Investment properties), and domicile property (se note 23 for further information on Domicile property).

At 31 December 2013 financial assets valued on the basis of non-observable input comprised unlisted shares of DKK 177m (2012: DKK 171m), Investment properties of DKK 120m (2012: DKK 158m), and Domicile property of DKK 171m (2012: DKK 195m). In 2013, the Group recognised unrealised value adjustments of unlisted shares valued on the basis of non-observable input in the amount of DKK 8m (2012: DKK 5m). A 10% increase or decrease in fair value of unlisted shares would amount to DKK 177m (2012: DKK 171m). Regarding Investment properties the Group recognised value adjustments of DKK -13m in 2013 (2012: DKK -11m). The Group recognised value adjustments of DKK 7m in 2013 on domicile property.

Financial instruments at fair value valued on the basis of non-observable input	2013	2012
Fair value at 1 January	170,561	138,655
Value adjustments through profit or loss	8,069	5,118
Acquisitions	1,689	28,685
Disposals	3,336	1,897
Fair value at 31 December	**176,983**	**170,561**

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

Notes – BankNordik Group

Note DKK 1,000

36 **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 parties may arrive at other estimated values. The Group discloses information about the fair value of financial instruments at amortised cost on the basis of the following assumtions:

- 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.

Financial instruments at amortised cost	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Financial assets				
Cash in hand and demand deposits with central banks	479,757	479,757	644,335	644,335
Due from credit institutions and central banks	824,289	824,289	839,116	839,116
Loans and advances at amortised cost	9,778,682	9,778,682	10,264,599	10,264,599
Assets under insurance contracts	78,434	78,434	85,683	85,683
Total	**11,161,162**	**11,161,162**	**11,833,733**	**11,833,733**
Financial liabilities				
Due to credit institutions and central banks	1,290,408	1,290,408	1,288,052	1,288,052
Deposits and other debt	12,192,748	12,192,748	12,745,653	12,745,653
Liabilities under insurance contracts	375,155	375,155	339,769	339,769
Subordinated debt	208,579	208,579	353,118	353,118
Total	**14,066,889**	**14,066,889**	**14,726,592**	**14,726,592**

Loans and advances at amortised cost are measured at non-observable input. The remaining items are measured at nom. value

Notes – BankNordik Group

Note DKK 1,000

37

Group holdings and undertakings	Shared capital	Functional currency	Net profit	Shareholders' equity	Share capital %
P/F BankNordik	200,000	DKK	92,396	2,148,388	100%
Insurance companies					
P/F Trygd	40,000	DKK	4,692	92,639	100%
Vörður Tryggingar hf	42,310	ISK	23,267	142,101	100%
Real estate agency					
P/F Skyn	4,000	DKK	225	2,300	100%
Venture capital company					
P/F Birting	10,000	DKK	-924	7,839	100%
Group holdings recognised under assets held for sale and investment properties					
Sp/f 25.04.2008	80	DKK	84,331	-49,291	0%
Sp/f Íbúðir undir Gráasteini	125	DKK	84,374	-41,845	0%

Notes – BankNordik Group

Note DKK 1.000

38 **Reconciliation of changes in insurance liabilities**

	2013		2012	
	Non-life	Life	Non-life	Life
Unearned premium provisions	114,741	3,491	105,866	2,561
Outstanding claims provisions	254,176	2,748	227,808	3,534
Liabilities under insurance contracts, year-end	**368,917**	**6,239**	**333,674**	**6,094**
Unearned premium provisions				
Beginning of year	105,866	2,561	105,727	2,372
Foreign currency translation	5,697	182	-2,233	-76
Premiums received	315,606	8,150	289,038	6,220
Premiums recognised as income	-312,428	-7,402	-286,666	-5,956
Unearned premium provisions, year-end	**114,741**	**3,491**	**105,866**	**2,561**
Outstanding claims provisions				
Beginning of year	227,808	3,534	241,863	3,362
Foreign currency translation	13,373	251	-4,875	-130
Claims paid regarding current year	-96,394	-992	-82,014	-1,879
Claims paid regarding previous years	-107,845	-1,220	-108,889	-651
Change in claims regarding current year	189,712	645	153,062	1,998
Change in claims regarding previous years	27,521	530	28,662	835
Outstanding claims provisions, year-end	**254,176**	**2,748**	**227,808**	**3,534**

Reconciliation of changes in insurance assets	**2013**		**2012**	
DKK 1.000	Non-life	Life	Non-life	Life
Reinsurers' share of premium provisions	13	0	289	1,266
Reinsurers' share of claims provisions	8,157	3,284	20,593	1,812
Receivables from insurance contracts and reinsurers	65,103	1,877	60,369	0
Reinsurers' share of insurance contracts, year-end	**73,273**	**5,161**	**81,251**	**3,078**
Reinsurers' share of premium provisions				
Beginning of year	289	1,266	259	1,152
Foreign currency translation	0	90	0	-39
Premiums ceded	-4,563	-1,722	-5,493	2,344
Payments to reinsurers	4,287	366	5,523	-2,191
Reinsurers' share of premium provisions, year-end	**13**	**0**	**289**	**1,266**
Reinsurers' share of claims provisions				
Beginning of year	20,593	1,813	27,577	1,753
Foreign currency translation	1,219	128	-476	-97
Claims ceded	-15,363	-1,227	-1,682	-1,334
Payments received from reinsurers	1,707	2,571	-4,826	1,492
Reinsurers' share of claims provisions, year-end	**8,157**	**3,284**	**20,593**	**1,813**

Note

Risk Management

39 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 and Vörður Tryggingar hf, including market risk, life insurance risk (for Vörður Tryggingar hf subsidiary), business risk and operational risk

Management's Report and the Risk Management Report 2013 contain further information about the Group's approach to risk management. The Risk Management Report 2013 is available on the Group's website: 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 16 March 2012. Faroese as well as Danish capital adequacy rules are based on the EU capital requirement directives and apply to both the parent company and the Group.

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 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 32 to the financial statements show the P/F BankNordik's subordinated debt.

At the beginning of 2013, the Group's core capital and solvency ratios were 12.9% and 14.8%, respectively. At the end of 2013, the core capital and solvency ratio were 12.8% and 14.7%, respectively. The Group's target is to have a solvency ratio at least 5 percentage points higher than the individual solvency ratio.

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.

Exposures related to trading and investment activities — Table 1

(DKKm)	2013	2012
Bonds at fair value	3,493	2,882
Derivatives with positive fair value	54	38
Total credit risk	**3,547**	**2,920**
Equity	335	412
Total	**3,882**	**3,332**

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

Risk exposure concentrations Table 2

(DKKm)	2013 DKKm	In %	2012 DKKm	In %
Public authorities	578	3.6%	631	3.9%
Corporate sector:				
Agriculture and farming, others	115	0.7%	68	0.4%
Aquaculture	142	0.9%	146	0.9%
Fisheries	461	2.9%	469	2.9%
Manufacturing industries, etc.	567	3.6%	575	3.5%
Energy and utilities	322	2.0%	346	2.1%
Building and construction, etc.	521	3.3%	559	3.4%
Trade	1,361	8.6%	1,245	7.7%
Transport, mail and telecommunications	570	3.6%	616	3.8%
Hotels and restaurants	47	0.3%	24	0.1%
Information and communication	98	0.6%	173	1.1%
Property administration, etc.	1,202	7.6%	1,120	6.9%
Financing and insurance	416	2.6%	360	2.2%
Other industries	707	4.4%	850	5.2%
Total corporate sector	**6,529**	**41.0%**	**6,550**	**40.4%**
Personal customers	8,807	55.3%	9,038	55.7%
Total	**15,913**	**100.0%**	**16,219**	**100.0%**
Credit institutions and central banks	1,304		816	
Total incl. credit institutions and central banks	**17,217**		**17,035**	

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.

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, including 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.

No single industry exceeded 9% of total exposures.

Credit exposure broken down by geographical area

The Bank's loans are mainly granted to domestic customers in the Faroe Islands, Denmark and Greenland. Table 3 provides a geographical breakdown of total exposures.

Credit exposure by geographical area Table 3

(DKKm)	2013				2012			
	Exposures	in%	Loan/Credits	Guarantees	Exposures	in%	Loan/Credits	Guarantees
Faroe Islands	7,344	46%	6,035	642	7,568	47%	6,220	582
Denmark	7,114	45%	4,476	641	7,112	44%	4,503	676
Greenland	1,455	9%	837	363	1,540	9%	954	444
Total	**15,913**	**100%**	**11,348**	**1,646**	**16,219**	**100%**	**11,677**	**1,702**

Quality of loan portfolio excl. financial institutions 2013

Table 4

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a5)	Exposure in DKKm	3,029	4,140	7,168
Portfolio with some weakness (2b15, 2b30)	Exposure in DKKm	1,338	3,527	4,865
Portfolio with weakness (2c50)	Exposure in DKKm	194	483	677
	Unsecured	73	275	347
Portfolio with OEI (1)	Exposure in DKKm	659	1,194	1,852
	Unsecured	355	799	1,153
	Impairments/provisions	153	338	491
Portfolio without individual classification	**Exposure in DKKm**	**0**	**1,351**	**1,351**
Total	**Exposure in DKKm**	**5,220**	**10,694**	**15,913**

Quality of loan portfolio excl. financial institutions 2012

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a5)	Exposure in DKKm	3,356	3,650	7,006
Portfolio with some weakness (2b15, 2b30)	Exposure in DKKm	1,210	3,533	4,743
Portfolio with weakness (2c50)	Exposure in DKKm	189	534	723
	Unsecured	50	323	372
Portfolio with OEI (1)	Exposure in DKKm	551	553	1,105
	Unsecured	226	318	543
	Impairments/provisions	138	236	374
Portfolio without individual classification	**Exposure in DKKm**	**11**	**2,631**	**2,642**
Total	**Exposure in DKKm**	**5,317**	**10,903**	**16,219**

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, 91% of total exposures are individually classified in 2013 (2012: 84%).

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, 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 2013, none of the Group's exposures exceeded these limits.

The Bank has a few customers with exposures exceeding 10% of the base capital, all of which are classified 2a5 or 3.

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

Credit exposure and collateral for 2013

Table 5

(DKKm)	Personal	Corporates	Personal & Corporate	Public	Total
Exposure	8,807	6,529	15,336	578	15,913
Loan balance and guarantees	7,459	5,096	12,555	439	12,994
Collateral	4,680	3,683	8,363	47	8,410
Unsecured (of exposures)	4,127	2,846	6,973	530	7,503
Unsecured (loan balance and guarantees)	2,796	1,413	4,209	392	4,601
Unsecured ratio	47%	44%	45%	92%	47%
Unsecured ratio balance	37%	28%	34%	89%	35%

Credit exposure and collateral for 2012

(DKKm)	Personal	Corporates	Personal & Corporate	Public	Total
Exposure	9,038	6,550	15,588	631	16,219
Loan balance and guarantees	7,515	5,388	12,903	557	13,460
Collateral	5,398	3,771	9,169	185	9,354
Unsecured (of exposures)	3,640	2,779	6,419	446	6,865
Unsecured (loan balance and guarantees)	2,117	1,617	3,733	372	4,105
Unsecured ratio	40%	42%	41%	71%	42%
Unsecured ratio balance	28%	30%	29%	67%	31%

ing 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 (70%), ships/aircraft (8%) and motor vehicles (3%). In addition to guarantees provided by owners or, in the Danish market, by floating charge (virksomhedspant).

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 accounted for 45% of personal exposures and 39% of corporate exposures. The largest part of the Bank's credit is granted against collateral in real estate.

As shown in table 6, DKK 19m is more than 90 days past due.

According to IAS 39, OEI (Objective evidence of im-

Distrubution of past due amount

Table 6

	2013				2012		
(DKKm)	Exposure	Past due total	Past due > 90 days	Total balance with past due	Exposure	Past due total	Past due > 90 days
Portfolio without weakness (3, 2a5)	7,168	30	2	1,535	7,006	73	2
Portfolio with some weakness (2b15, 2b30)	4,865	36	5	1,354	4,743	51	6
Portfolio with weakness (2c50)	677	8	2	275	723	14	4
Portfolio with impairment/provision (1)	1,852	42	9	752	1,105	37	18
Portfolio without individual classification	1,351	7	2	212	2,642	21	1
Total	**15,913**	**124**	**19**	**4,127**	**16,219**	**196**	**32**
Past due in % of exposure		0.78%	0.12%			1.21%	0.20%

Exposures and individual impairments by sector				Table 7
(DKKm)	2013		2012	
	Exposure	Impair-ments./ Provisions	Exposure	Impair-ments./ Provisions
Public	578	-	631	0
Private	8,807	216	9,038	116
Corporate	6,529	275	6,550	260
Total	**15,913**	**491**	**16,219**	**376**

pairment) 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 2013 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 aquired 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.

A further breakdown by maturity of loans and advances can be found in table 8 and 15. There are no aggregated data on the collateral behind matured loans and advances.

Loans and advances specified by maturity		Table 8
(DKKm)	2013	2012
On demand	728	116
3 months and below	905	873
3 months to 1 year	1,437	1,414
Over 1 year to 5 years	3,381	3,638
Over 5 years	4,008	5,262
Total loans and advances	**10,460**	**11,303**

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 determine the Bank's official position on strategic asset allocation.

Specification of individual and collective impairments				Table 9
	2013		2012	
DKKm	Individual impair-ments/provisions	Impairments from acquired portfolio	Individual impair-ments	Impairments from acquired portfolio
Faroe Islands	202	-	178	0
Denmark	272	410	181	469
Greenland	17	0	18	3
Total individual impairments	491	410	376	471
Collective impairments:				
Faroe Islands	19		17	0
Denmark and Greenland	7	2	6	3
Total collective impairments	27	2	24	3
Total impairments	**518**	**412**	**400**	**474**

The Investment Group refers to the Executive Management. The decisions are communicated throughout the organisation and forms the basis for all advice provided to customers. Participants in the Investment Group are the CFO, the CIO, Treasury and the Head of Portfolio Management.

Markets monitors developments in the financial markets on a daily basis, and at least every two months the Bank's Investment Working Group receives an update containing a recommendation on strategic asset allocation on about a 12-month horizon.

The Head of portfolio management (PM), who is responsible for preparing the recommendation on forecasts for the asset classes to the Investment Working Group, presents the recommendation to the Investment Working Group. Based on the recommendation, the Investment Working Group then decides whether to retain or revise the Bank's official outlook. If the Working Group decides to change the outlook, the recommendation is submitted to the Executive Board. Decisions are evaluated before they are announced internally 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 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

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 Danish government and mortgage bonds, and to a lesser extent investing in other markets and currencies. In 2013 corporate bonds are added to the bank's portfolio.

The Finance Department monitors and reports market risk to the Board of Directors and the Executive Board on a monthly basis.

Market Risk Management

Level	Board of Directors	Executive Board	CFO	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 — Table 10

	Change	2013	% of Base Capital	2012	% of Base Capital
Equity risk DKKm (+/-)	10%	33.5	2.0%	41.2	2.3%
Exchange risk DKKm (+/-) EUR	2.25%	0.1	0.0%	1.6	0.1%
Exchange risk DKKm (+/-) Other currencies	10%	22.2	1.3%	19.5	1.1%
Interest rate risk DKKm (parallel shift)	100 bp	68.2	4.0%	37.7	2.1%

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 calculation is based on all factors developing in an unfavourable direction for the Bank.

Interest rate risk

The Group's policy is to invest most of its excess liquidity in highly liquid bonds. As a consequence, BankNordik holds a large portfolio of bonds and most of the Group's interest rate risk stems from this portfolio. Furthermore, as can be seen from table 14, the credit quality of the bond portfolio is high.

BankNordik does not hold unlisted bonds.

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. The exposure in ISK comes from the Group's Icelandic subsidiary.

Interest rate risk broken down by Currency — Table 11

(DKKm)	2013	2012
DKK	48	21
ISK	16	16
EUR	4	-
Other	0	1
Interest rate risk	68	38

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

Foreign exchange position — Table 12

(DKKm)	2013	2012
Assets in foreign currency	229	265
Liabilities and equity in foreign currency	0	0
Exchange rate indicator 1	229	265

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.

Equity risk — Table 13

DKKm	2013	2012
Shares/unit trust certificates listed on the Copenhagen Stock Exchange	57	70
Shares/unit trust certificates listed on other stock exchanges	101	171
Other shares at fair value based on the fair-value option	177	171
Total shares etc.	**335**	**412**

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.

Liquidity Risk

Definition

Liquidity risk is defined as the risk of loss resulting from

- increased funding costs
- lack of funding of new activities
- 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.

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's bond portfolio forms a substantial part of the Bank's liquidity. It is therefore essential that the portfolio can be traded at fair prices at any time. BankNordik believes that a solid rating is a prerequisite for ensuring a fair price in the market. Hence BankNordik's policy is to invest in bonds with high ratings and thereby minimise the liquidity risk of the Bank's bond portfolio. Most of these bonds are also accepted by the Danish central bank for repo transactions.

Rating af bonds Table 14

	2013	2012
AAA	72%	84%
AA1-A2	14%	13%
Other	14%	3%

Liquidity stress testing

BankNordik has incorporated a liquidity stress testing model. This model is used at least monthly to forecast developments in the Bank's liquidity on a 12-month horizon and to forecast whether, on a 6-month horizon, the Bank will comply with the Board of Directors' target that excess liquidity should equal at least 100% of the statutory requirement. The test is based on the business-as-usual situation with outflows from undrawn committed facilities and further stress measures. If the 6-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 2013, 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 15 shows assets and liabilities by a maturity structure.

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.

Liquidity Management

	Board of Directors	Executive Board	CFO	Treasury
Objective	Defines the objectives for liquidity policies			
Tactical		Sufficient and well diversified funding	Planning	Providing background materials
Operational			Monitoring	Establish contact

Table 15

Remaining maturity, DKKm

	0-1 month	1-3 months	3-12 months	More than 1 year	Without fixed maturity	Total
2013						
Cash in hand and demand deposits with central banks	480					480
Due from Credit institution	806			19		824
Loans and advances	728	905	1,437	7,389		10,460
Bonds	217	111	57	3,108		3,493
Shares					335	335
Derivatives		4	8	42		54
Other Assets	272	7	61	1,099		1,438
Total assets	**2,503**	**1,026**	**1,564**	**11,657**	**335**	**17,085**
Due to credit institutions						
and central banks	290			1,000		1,290
Deposits	8,292	1,650	430	1,820		12,193
Derivatives	3	9	57			69
Other liabilities						689
Provisions for liabilities	287	38	222	142		161
Subordinated debt				161		525
Equity					**2,156**	**2,156**
Total Liability	**8,872**	**1,698**	**709**	**3,399**	**2,406**	**17,085**
Off-balance sheet items						
Guarantees, etc.	1,727					1,727
Other commitments	185					185
Total	**1,912**					**1,912**
2012						
Cash in hand and demand deposits with central banks	632	12	1			644
Due from Credit institution	816		16	7		839
Loans and advances	116	873	1,414	8,900		11,303
Bonds	126	97	1,119	1,540		2,882
Shares					412	412
Derivatives				38		38
Other Assets	190	17	74	1,210		1,492
Total assets	**1,880**	**998**	**2,624**	**11,695**	**412**	**17,609**
Due to credit institutions						
and central banks	1,288					1,288
Deposits	8,729	1,990	212	1,815		12,746
Derivatives	3	9	57			69
Other liabilities						677
Provisions for liabilities	350	48	138	141		103
Subordinated debt				103		672
Equity					**2,053**	**2,053**
Total Liability	**10,370**	**2,047**	**407**	**2,337**	**2,448**	**17,609**
Off-balance sheet items						
Guarantees, etc.	1,780					1,780
Other commitments	130					130
Total	**1,910**					**1,910**

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.

In 2013 the bank has made early repayment of Subordinated debt of 141m. For further information see note 31 in the annual report 2013.

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 2013 had pledged bonds and cash deposits valued at DKK 43m 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 2013, this collateral amounted to DKK 289m.

In September 2012 the bank obtained a loan from the Danish Central bank of DKK 1bn. As security for this loan, the bank has pledged loans for the value of DKK 1.4bn and bonds for the value of DKK 44m.

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.

Assessing the Bank's operational risks in the IT field is considered an important area. The Bank's IT department and management regularly review IT security, including contingency plans for IT breakdowns etc., that are designed to ensure that operations can continue at a satisfactory level in case of extraordinary events. All IT systems running at BankNordik and from the bank's service providers must adhere to documented running schedules and guidelines. IT operations must be safe and stable; a requirement complied with through the greatest possible degree of automation and capacity adjustments. IT services run by service providers must be based on written agreements.

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.

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 and Vørður's equity. This is done with statistical spread of risks and accumulation of funds, quantified by statistical methods, to meet these obligations.

Distrubution of portfolio of Vørður and Trygd — Table 16

(in %)	2013	2012
Commercial lines	40%	41%
Personal lines	60%	59%

The Group has defined internal procedures to minimise the possible loss regarding insurance liabilities. TRYGD and Vørður 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 and Vørður is well diversified in personal and commercial lines, see table 16.

Insurance risk
The companies cover the insurance liabilities through a portfolio of securities and investment assets exposed to market risk.

The companies have invested in investment securities and cash and cash equivalents in the effort to balance the exposure to market and currency risk.

The Bank reviews its market risk exposure on a regular basis, and the likely effect of market changes on

Financial assets linked to insurance risk — Table 17

(mDKK)	2013	2012
Listed securities on stock exchange	239	218
Accounts receivable (total technical provisions)	65	65
Cash and cash equivalents	151	150
Total	**455**	**432**
Incurance contracts, short term, net	373	326

the Bank's results. The likely changes are revised on an ongoing basis and may be assessed in the context of historic or anticipated market fluctuations.

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices affecting the Company´s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Likely effects from changes in markets value Table 18

	Change	2013	2012
Equity risk DKKm (+/-)	10%	5.1	12.7
Exchange risk DKKm (+/-) in euro	2.25%		
Exchange risk DKKm (+/-) others currency	10%		
Interest rate risk DKKm (parallel shift) - Trygd	100 bp	0.9	0.9
Interest rate risk DKKm (parallel shift) - Vørður Lif	100 bp	1.6	1.1
Interest rate risk DKKm (parallel shift) - Vørður	100 bp	14.2	15.1
Interest rate risk DKKm (parallel shift) Total	**100 bp**	**16.7**	**17.1**

The Board of Directors sets out the instructions under which the companies operate. The Executive Management's role is to have internal procedures to monitor any risk on an ongoing basis to ensure compliance with the framework and to be able to meet future obligations.

Trygd holds shares, bonds and cash in DKK only and Vørður is only exposed in ISK.

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.

Run-off gains/losses in Trygd Table 19

(mDKK)

Sector:	2013	2012	2011	2010	2009
Industry	-1.31	-4.9	1.66	0.92	-1.35
Private	0.96	0.48	0.63	-0.59	-0.04
Accidents	-0.10	0	0.02	-0.09	0.01
Automobile	0.86	2.8	2.54	1.30	-1.00
Total	**0.41**	**-1.62**	**4.84**	**1.53**	**-2.38**

Insurance is primarily sold by the Group´s employees at Trygd and through BankNordik branches, and secondarily through selected collaboration partners. Insurance to commercial customers is mainly sold by employees at Trygd.

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.

Vørður insurance

Vørður tryggingar hf. operates risk management under the supervision and guidelines of the Icelandic FSA and according to recognized best practices within the insurance industry. The responsibility of risk management lies with the Board of Directors and the CEO of Vørður. The Board of Directors reviews its risk management and ORSA policy annually.

Run-off gains/losses in Vørður Table 20

(DKKm)

Sector:	2013	2012	2011	2010	2009
Automobile	2.43	-2.38	4.85	-3.54	-12.29
Other sectors	3.72	3.16	-2.98	-9.75	-7.95
Total	**6.15**	**0.78**	**1.87**	**-13.29**	**-20.23**

Risk exposure and sensitivity analysis

Careful analysis of insurance risk exposure is performed annually in connection with reinsurance renewals. The objective of this analysis is to identify possible worst case scenarios, especially in relation to property and marine risks with regards to known and unknown accumulation of risks which might involve a loss from a single event. Reinsurance placements are tailored to meet those risks. The company purchases "Clashes of Retention" reinsurance to meet possible worst case scenarios such as a major storm, affecting many different classes of insurance. Another factor of risk exposure is the number of risks underwritten by the company within different portfolios of insurance classes. These numbers are monitored and reported monthly to the management team.

The companies protect their balance sheet from large losses by purchasing reinsurance. Maximum losses payable by the companies are therefore fully known factors. The companies' own risk is determined by known recognised principles based on their own assets, annual premiums of the relevant portfolio and actuarial calculations to ensure efficiency.

The reserving for outstanding losses is based on a case-by-case assessment of the final cost of each claim, supplemented by statistical and historical analysis and actuarial calculations. Reserves are adjusted individually as new information is gathered and the claim develops. In addition, a complete review is performed at least twice a year and by the end of each year an actuarial calculation is performed. A monthly report is issued and presented to the Board of Directors of all outstanding default premiums. Accordingly, the default rate is carefully monitored. In addition, a procedure has been applied to ensure that the company gets off risk if premiums are not paid within 90 days of the due date.

Natural disaster risk

Vørður tryggingar hf. does write a few policies which include natural disaster risk, mainly storm. In Iceland, there is, however, a separate government-owned insurance company, the Icelandic Natural Catastrophe Fund (NATCAT), which insures most property in Iceland against natural disasters such as earthquakes, volcanic eruption, avalanches, landslides and floods. However, the NatCat fund does not cover all property against the aforementioned disasters, the most notable category being ships. Therefor Vørður covers ships against natural catastrophes but that exposure is fully and specifically reinsured with a maximum exposure of approx. ISK 50m.

As for storm coverage in relation to possible exposure, Vörður's standard property reinsurance with a limit of ISK 2,000m is deemed sufficient to cover possible loss from a major storm, whereas the MPL (Maximum Probable Loss) is less than ISK 200m for such incidents based on current reinsurance contracts.

Market risk

The investment strategies are conservative with both predetermined spread of investments and with respect to type of assets. Furthermore, the companies are bound by regulation that determines allowable investments and how they are spread.

The current investment strategy is largely based on investments in bonds which are likely to give stable and reliable returns, such as government-, municipalities and mortgage bonds with high ratings or deposits. Furthermore the company applies prudent operational planning as regards expected investment income.

Fluctuations in market prices affect the value of the portfolio. The company's objective is to practise a cautious investment policy in order to minimize the value changes of the portfolio as well as focus on listed securities with emphasis on the liquidity of assets.

Currency risk

Vørður tryggingar hf. operates only in ISK and only issues insurance policies in ISK. All reinsurance agreements prior to October 2008 were in ISK whereas premiums and claims are settled in ISK. Following the collapse of the Icelandic banking sector, this policy was changed effective from October 2008. Current reinsurance treaties are strictly in ISK, but a clause has been added to the treaties, under which it is agreed that the parties to the contract may exchange premiums as well as claims to EUR / ISK four times a year applying the Icelandic Central Bank's official exchange rate prevailing at the date of payment. This means that Vørður does not carry any currency risk, as reinsurers are always obliged to pay ISK-denominated claims amounts in EUR at the Icelandic central bank's official exchange rate applying at the time of payment. Accordingly, Vørður always receives correct settlement in ISK.

Liquidity risk

The current investment policy ensures that sufficient funds are available. The aim is for two months 'expenses, claims and costs to be available at all times. In addition, large share of investments are highly liquid market securities.

Contractual maturity of assets and expected maturity of liabilities, excluding interests, from insurance activities are shown in table 21. The table also illustrates the expected cash flow from insurance provisions.

Counterparty- / Consentration risk

Vørður only deals with reinsurance companies with an S&P A-rating or better, for long-tail business, and at least BBB or better for short tail business. Current reinsurers of the company are all A rated or better with the exception for one small marine line for which the reinsurer is rated BBB. The risk of each reinsurance treaty is also spread on 2–10 different reinsurance companies according to the capacity of the treaty, spreading the risk of reinsurance default. The company sends quarterly reports of assets to the Icelandic Financial Supervisory Authority as required.

Operational risk

The company applies a detailed operational plan, which is reviewed once a year and approved by the Board of Directors. Yearly reviews take into account recent changes and information to make all underlying factors as precise as possible.

A detailed security plan is in operation regarding the security of the IT systems and data banks. All data are backed-up at least once daily and kept in secure off-site locations.

The company is a member of the Icelandic Financial Services Association which monitors and reports to members any proposed changes of statutes relating to the insurance industry.

Vørður Life

Vørður Líftryggingar hf. is a small life insurance company established in 2007. The company began operations in early 2008. The company is 100% owned by Vørður Tryggingar hf.

Vørður Líftryggingar hf. conducts regular life and critical illness business in the Icelandic market. The insurance portfolio has grown slowly but steadily and the number of issued policies is now at just over 3,000. Traditionally, life insurance is a very stable business

Contractual maturity for the insurance segment

Tabel 21

2013	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	308,338	16,341			32,845	357,524
Reinsurance assets		5,818	2,351			8,169
Accounts receivables		66,980				66,980
Restricted cash		25,640	50			25,690
Cash and cash equivalents	157,070					157,070
Total financial assets	**465,408**	**114,780**	**2,400**		**32,845**	**615,433**
Liabilities						
Technical provision		221,530	141,281	8,171		370,983
Account payable		22,455				22,455
Total financial liabilities		**243,985**	**141,281**	**8,171**		**393,438**
Assets - liabilities	**465,408**	**-129,206**	**-138,881**	**-8,171**	**32,845**	**221,995**

2012	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	269,378		72		29,573	299,022
Reinsurance assets		15,311	6,791			22,101
Accounts receivables		65,029				65,029
Restricted cash		14,438	7,896			22,334
Cash and cash equivalents	149,779					149,779
Total financial assets	**419,157**	**94,778**	**14,758**		**29,573**	**558,266**
Liabilities						
Technical provision		246,741	101,945	4,057		352,744
Account payable		21,511				21,511
Total financial liabilities		**268,252**	**101,945**	**4,057**		**374,254**
Assets - liabilities	**419,157**	**-173,474**	**-87,187**	**-4,057**	**29,573**	**184,012**

as the underlying risks are statistically very well-known and calculated. All life insurance companies operate with mortality rates derived from the entire population and calculated by qualified actuaries.

As Vørður tryggingar hf. operates Vørður líftryggingar hf. through an outsourcing contract, all of the risk management processes for Vørður tryggingar hf. described above also applies to Vørður Líftryggingar hf.

Note

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

40

Highlights

DKK 1,000	2013	2012	Index 13 / 12	2011	2010	2009
Net interest income	574,032	613,265	94	547,005	479,520	410,172
Net fee and commision income	174,265	184,893	94	127,901	92,846	42,209
Net interest and fee income	762,404	808,552	94	680,654	589,019	455,049
Net insurance income	69,427	80,975	86	54,351	54,660	41,878
Interest and fee income and income from insurance activities, net	831,832	889,527	94	735,006	643,679	496,928
Market value adjustments	15,640	19,369	81	9,761	16,914	23,915
Other operating income	63,547	39,029	163	26,862	420,528	-10,756
Staff cost and administrative expenses	543,390	641,300	85	597,263	456,629	210,778
Impairment charges on loans and advances etc.	178,234	148,169	120	100,806	200,233	128,162
Net profit	92,396	103,073	90	31,971	312,743	111,047
Loans and advances	10,460,299	11,302,702	93	11,768,892	8,674,663	6,937,560
Bonds at fair value	3,493,271	2,881,904	121	2,508,938	3,497,466	1,252,056
Intangible assets	798,141	807,268	99	801,957	407,732	39,312
Assets held for sale	58,168	25,811	225	168,980	160,794	175,908
Total assets	17,084,562	17,608,966	97	17,086,357	14,243,358	10,267,021
Due to credit institutions and central banks	1,290,408	1,288,052	100	329,316	245,249	1,498,499
Deposits and other debt	12,192,748	12,745,653	96	13,032,047	8,843,972	5,496,550
Issued bonds at amortised cost	0	0		98,276	2,199,843	999,843
Total shareholders' equity	2,155,998	2,053,362	105	1,957,695	2,013,480	1,663,122

Ratios and key figures

	2013	2012	Index 13 / 12	2011	2010	2009
Solvency						
Solvency ratio, %	14.7	14.8		15.6	17.0	26.2
Core capital ratio, %	12.8	12.9		12.4	17.2	26.6
Core capital ratio excl. hybrid core capital, %	10.6	9.6		9.1	15.2	23.6
Risk-weighted Items, DKKm	11,511	11,902		12,313	10,080	6,648
Profitability						
Return on equity before tax, %	5.4	6.1		1.6	20.9	8.5
Return on equity after tax, %	4.4	5.1		1.6	17.0	7.0
Income / Cost ratio	1.1	1.1		1.0	1.5	1.4
Cost / income, % (excl. value adjustm. and impairments)	69.0	73.1		84.0	47.1	50.5
Market risk						
Interest rate risk, %	4.8	1.5		2.3	3.1	1.3
Foreign exchange position, %	7.1	17.3		8.7	24.6	1.5
Liquidity						
Loans and advances plus impairment charges as % of deposits	89.6	91.5		92.9	101.9	131.4
Excess cover relative to statutory liquidity requirements, %	178.0	152.6		115.3	292.9	275.7
Credit risk						
Large exposures as % of capital base	52.2	36.3		23.3	22.8	22.8
Impairment and provisioning ratio, %	4.1	3.0		2.7	3.2	3.8
Write-off and impairments ratio, %	1.4	1.1		0.7	1.9	1.4
Share of amounts due on which interest rates have been reduced, %	2.0	1.7		1.9	1.6	3.8
Growth in loans and advances, %	-7.5	-4.0		35.7	25.0	-9.0
Gearing of loans and advances, %	4.9	5.5		6.0	4.4	4.2
Shares						
Earnings per share after tax, DKK	9.4	10.5		3.2	32.2	11.5
Book value per share, DKK	218.6	208.2		198.5	210.0	171.8
Proposed dividend per share, DKK	1.5	1.0		0.0	4.0	0.0
Market price per share, DKK	128.0	76.0		78.8	144.0	131.3
Market price / earnings per share, DKK	13.7	7.3		24.4	4.5	11.5
Market price / book value per share, DKK	0.6	0.4		0.4	0.7	0.8
Other						
Number of full-time employees, end of period	509	550		612	433	288

Highlights, ratios and key figures – BankNordik Group

Highlights

DKK 1,000	Full year 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
		Unaudited					
Net interest income	574,032	133,364	142,769	151,118	146,780	154,116	153,377
Net fee and commision incomme	174,265	47,360	41,272	43,045	42,588	52,005	42,498
Net interest and fee income	762,404	186,767	185,370	199,003	191,264	208,052	197,435
Net insurance income	69,427	14,213	14,991	28,532	11,691	17,766	28,686
Interest and fee income and income from insurance activities, net	831,832	200,981	200,361	227,535	202,955	225,818	226,120
Market value adjustments	15,640	-6,562	15,828	-15,629	22,004	6,099	3,605
Other operating income	63,547	11,439	10,788	30,081	11,239	14,489	6,612
Staff cost and administrative expenses	543,390	132,771	130,042	135,559	145,017	146,624	140,585
Impairment charges on loans and advances etc.	178,234	45,828	39,730	29,033	63,644	45,812	21,104
Net profit	92,396	-5,260	32,175	52,281	13,200	38,237	54,527
Loans and advances	10,460,299	10,460,298	10,586,886	10,749,708	10,819,582	11,302,702	11,271,249
Bonds at fair value	3,493,271	3,493,271	3,281,393	3,471,204	3,427,274	2,881,904	3,070,316
Intangible assets	798,141	798,141	799,567	803,929	806,295	807,268	832,968
Assets held for sale	58,168	58,168	19,826	20,924	23,439	25,811	40,199
Total assets	17,084,562	17,084,562	16,875,999	17,368,907	17,816,864	17,608,966	17,827,072
Due to credit institutions and central banks	1,290,408	1,290,408	1,302,273	1,387,264	1,372,950	1,288,052	1,287,746
Deposits and other debt	12,192,748	12,192,748	12,019,172	12,330,533	12,799,880	12,745,653	13,087,461
Total shareholders' equity	2,155,998	2,155,998	2,155,376	2,124,946	2,063,488	2,053,362	2,012,716

Ratios and key figures

	Des. 31 2013	Des. 31 2013	Sept. 30 2013	June 30 2013	March 31 2013	Des. 31 2012	Sept. 30 2012
Solvency							
Solvency ratio, %	14.7	14.7	14.5	15.4	14.9	14.8	13.8
Core capital ratio, %	12.8	12.8	12.5	13.5	13.0	12.9	11.9
Core capital ratio excl. hybrid core capital, %	10.6	10.6	10.4	10.2	9.7	9.6	8.6
Risk-weighted Items, DKKm	11,511	11,511	11,674	11,813	11,772	11,902	11,940
Profitability							
Return on equity after tax, %	4.4	-0.2	1.5	2.5	0.6	1.9	2.7
Cost / income, %	87.4	104.9	79.2	73.8	94.3	83.2	71.3
Cost / income, % (excl. value adjustm. and impairments)	69.0	79.6	66.4	58.1	74.3	66.4	63.3
Market risk							
Interest rate risk, %	4.8	4.8	4.8	1.7	3.7	1.5	3.0
Foreign exchange position, %	7.1	7.1	8.7	6.4	16.9	17.3	6.3
Liquidity							
Excess cover relative to statutory liquidity requirements, %	178.0	178.0	163.1	176.2	196.3	152.6	165.6
Credit risk							
Growth on loans and advances, %	-7.5	-1.2	-1.5	-0.6	-4.3	0.3	-1.4
Gearing of loans and advances	4.9	4.9	4.9	5.1	5.2	5.5	5.6
Impairment and provisioning ratio, %	4.1	4.1	3.9	3.6	3.5	3.0	2.8
Write-off and provisioning ratio, %	1.4	0.4	0.3	0.2	0.5	0.4	0.2
Share of amounts due on which interest rates have been reduced, %	2.0	2.0	1.9	1.8	1.8	1.7	1.6
Shares							
Earnings per share after tax, DKK	9.4	-0.5	3.3	5.3	1.3	3.9	5.5
Market price per share, DKK	128.0	128.0	131.5	96.0	114.0	76.0	67.0
Book value per share, DKK	218.6	217.7	218.5	215.5	209.2	208.2	204.1
Other							
Number of full-time employees, end of period	509	509	517	529	533	550	577

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 base, 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
Capital base	The capital base 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 capital base
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

Financial statement P/F BankNordik

Contents

Accounting Policies P/F BankNordik

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 in note 1 to the consolidated financial statements is therefore also valid for the parent company.

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.

Income statement – P/F BankNordik

Note	DKK 1,000	2013	2012
1	Interest income	709,438	805,081
2	Interest expenses	147,799	203,360
	Net interest income	**561,639**	**601,721**
3	Dividends from shares and other investments	7,426	2,000
4	Fee and commission income	198,468	198,240
4	Fee and commissions paid	16,692	7,987
	Net interest and fee income	**750,842**	**793,974**
5	Market value adjustments	11,704	14,431
	Other operating income	60,656	34,891
6.7	Staff costs and administrative expenses	491,852	589,620
8	Amortisation, depreciation and impairment charges	25,083	22,491
	Other operating expenses	43,323	10,832
9	Impairment charges on loans and advances etc.	178,234	148,460
18.19	Income from associated and subsidiary undertakings	22,638	41,284
	Profit before tax	**107,347**	**113,176**
10	Tax	14,951	10,078
	Net profit	**92,396**	**103,099**
	Proposed profit allocation		
	Equity method reserve	22,638	41,284
	Dividends for the year	15,000	10,000
	Retained earnings	54,758	51,815
	Total	**92,396**	**103,099**

Statement of comprehensive income - P/F BankNordik

DKK 1,000	**2013**	**2012**
Net profit	92,396	103,099
Other comprehensive income		
Translation of non-Faroese subsidiaries	10,905	-4,723
Revaluation reserve	10,756	0
Tax on other comprehensive income	-1,936	0
Total other comprehensive income	19,725	-4,723
Total comprehensive income	**112,121**	**98,376**

Balance Sheet – P/F BankNordik

Note	DKK 1,000	2013	2012
	Assets		
	Cash in hand and demand deposits with central banks	404,083	586,907
11	Due from credit institutions and central banks	798,599	815,856
12,13	Loans and advances at fair value	681,617	1,038,103
12,14	Loans and advances at amortised cost	9,778,682	10,264,594
16	Bonds at fair value	3,187,351	2,697,873
17	Shares, etc.	279,029	287,231
18	Holdings in associates	14,186	14,875
19	Holdings in subsidiaries	244,882	229,890
20	Intangible assets	788,695	797,779
	Total land and buildings	289,340	351,419
21	investment property	120,358	175,416
22	domicile property	168,983	176,003
23	Other property, plant and equipment	21,239	21,491
	Current tax assets	4,533	6,846
24	Deferred tax assets	31,773	26,333
25	Assets held for sale	58,168	25,811
26	Other assets	155,993	144,678
	Prepayments	14,664	15,134
	Total assets	**16,752,832**	**17,324,821**

Balance Sheet – P/F BankNordik

Note	DKK 1,000	2013	2012
	Shareholders' equity and liabilities		
	Liabilities other than provisions		
27, 28	Due to credit institutions and central banks	1,290,408	1,288,052
29, 30	Deposits and other debt	12,284,672	12,861,466
	Current tax liabilities	0	0
31	Other liabilities	348,047	348,507
	Deferred income	2,739	5,015
	Total amounts due	**13,925,866**	**14,503,040**
	Provisions for liabilities		
24	Provisions for deferred tax	79,123	56,433
	Provisions for other liabilities	17,498	3,112
33	Provisions for losses on guarantees	56,511	43,551
	Total provisions	**153,132**	**103,096**
	Subordinated debt		
34	Subordinated debt	525,445	672,431
	Total liabilities	**14,604,444**	**15,278,566**
	Shareholders' equity		
	Share capital	200,000	200,000
	Foreign currency translation reserve	29,348	18,443
	Revaluation reserve	8,820	0
	Reserve, equity method	88,643	81,383
	Retained earnings	1,806,577	1,736,429
	Proposed dividends	15,000	10,000
	Total shareholders' equity	**2,148,388**	**2,046,255**
	Total liabilities and equity	**16,752,832**	**17,324,821**

Statement of capital – P/F BankNordik

DKK 1,000

Changes in shareholders' equity	Share capital	Foreign currency translation reserve	Revaluation Reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2013	200,000	18,443		81,383	10,000	1,736,428	2,046,255
Revalution of assets			10,756				10,756
Proposed dividens subsidiaries				-20,000		20,000	0
Translation of foreign units		10,905					10,905
Tax on entries on income recognised as							
Other comprehensive income			-1,936				-1,936
Other comprehensive income		10,905	8,820	-20,000		20,000	19,725
Net profit				27,260	15,000	50,136	92,396
Total comprehensive income		**10,905**	**8,820**	**7,260**	**15,000**	**70,136**	**112,121**
Acquisition of own shares						-13,865	-13,865
Sale of own shares						13,878	13,878
Dividends payed					-10,000		-10,000
Shareholders' equity at Dec. 31, 2013	**200,000**	**29,348**	**8,820**	**88,643**	**15,000**	**1,806,577**	**2,148,388**

	Share capital	Foreign currency translation reserve	Revaluation Reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2012	capital	reserve		reserve		earnings	Total
Translation of foreign units	200,000	16,373		40,099		1,691,405	1,947,877
Other comprehensive income		2,070				-6,794	-4,724
Net profit				41,284	10,000	51,815	103,099
Total comprehensive income		**2,070**		**41,284**	**10,000**	**45,021**	**98,375**
Acquisition of own shares						-17,425	-17,425
Sale of own shares						17,428	17,428
Shareholders' equity at Dec. 31, 2012	**200,000**	**18,443**		**81,383**	**10,000**	**1,736,428**	**2,046,255**

Statement of capital – P/F BankNordik

DKK 1,000	2013	2012
Share:		
Liabilities other than provisions		
Net profit	**92,396**	**103,073**
Average number of shares outstanding	9,863	9,863
Number of dilutive shares issued		
Average number of shares outstanding, including dilutive shares	**9,863**	**9,863**
Earnings per share, DKK	9.37	10.45
Diluted earnings per share, DKK	**9.37**	**10.45**

The share capital is made up of shares of a nominal value of DKK 20 each.
All shares carry equal rights, and there is only one class of shares.

Average number of shares outstanding:		
Shares in issue at the beginning of the year, numbers in 1,000	10,000	10,000
Shares in issue at 31 December	10,000	10,000
Group's average holding of own shares during the year	9,863	9,863
Average number of shares outstanding	**137**	**137**
Shares outstanding at 31 December	**9,863**	**9,863**

Holding of own shares	**Number 2013**	**Number 2012**	**Value 2013**	**Value 2012**
Investment portfolio	27,245	27,245	3,487	2,071
Trading portfolio	109,997	109,997	14,080	8,360
Total	**137,242**	**137,242**	**17,567**	**10,430**
Holding of own shares in per cent of total shares:	1.4	1.4		

	Investment portfolio	**Trading portfolio**	**Total 2013**	**Total 2012**
Holding at 1 January	2,071	8,360	10,430	10,820
Acquisition of own shares	0	13,865	13,865	17,425
Sale of own shares	0	13,878	13,878	17,428
Value adjustment	1,416	5,732	7,149	-387
Holding at 31 December	**3,487**	**14,080**	**17,567**	**10,430**

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
1	**Interest income and premiums on forwards**		
	Credit institutions and central banks	1,386	2,293
	Loans and advances	665,070	758,423
	Bonds	60,331	57,464
	Total derivatives of which:	-17,228	-12,637
	Interest rate contracts	*-17,228*	*-12,637*
	Other interest income	-121	-462
	Total interest income	**709,438**	**805,081**
2	**Interest expenses**		
	Credit institutions and central banks	-121	339
	Deposits	87,961	128,017
	Issued Bonds	0	-56
	Subordinated debt	56,887	70,722
	Other interest expenses	3,072	4,338
	Total interest expenses	**147,799**	**203,360**
	Dividends from shares and other investments		
3	Shares	7,426	2,000
	Total dividends	**7,426**	**2,000**
4	**Net fee and commission income**		
	Fee and commission income		
	Securities trading and custody accounts	40,012	21,084
	Credit transfers	29,319	32,194
	Loan commissions	10,758	12,192
	Guarantee commissions	22,061	23,450
	Other fees and commissions	96,318	109,320
	Total fee and comission income	**198,468**	**198,240**
	Fee and commissions paid		
	Securities trading and custody accounts	16,692	7,987
	Net fee and commission income	**181,776**	**190,253**

Notes - P/F BankNordik

Note	DKK 1,000	2013	2012
5	**Market value adjustments**		
	Loans and advances at fair value	-46,929	245
	Bonds	-13,380	-10,286
	Shares	33,905	23,967
	Investment properties	-12,637	-11,400
	Foreign exchange	-812	4,555
	Total derivatives of which:	44,790	-3,078
	Currency contracts	*14,225*	*17,936*
	Interest Swaps	*30,565*	*-21,014*
	Other obligations	6,767	10,374
	Assets under pooled schemes	0	-7,230
	Deposits under pooled schemes	0	7,283
	Total market value adjustments	**11,704**	**14,431**
6	**Staff costs and administrative expenses**		
	Executive remuneration:		
	Board of Directors	1,755	1,620
	Executive Board	5,384	5,055
	Total	**7,139**	**6,675**
	Note 9 to the consolidated financial statements contains additional information about the renumeration of the Executive Board and the Board of Directors		
	Staff costs:		
	Salaries	235,553	274,519
	Pensions	27,275	30,626
	Social security expences	31,844	32,199
	Total staff costs	**294,672**	**337,344**
	Total administrative expenses	197,180	252,276
	Total staff costs and administrative expenses	**491,852**	**589,620**
	As a consequence of the Bank's participation in Bank Package II a deduction is made in the taxable income relating to the remuneration of the executive board amounting to:	2,692	2,557
	Number of employees		
	Average number of full-time employees in the financial year	449	488
	For further information regarding remuneration etc. on executives, see note 9 to the consolidated financial statement		
7	**Audit fees**		
	Fees to audit firms appointed at the general meeting	2,493	2,628
	Fees to other firms for service other than audit	0	0
	Total audit fees	**2,493**	**2,628**
	Total fees to audit firms appointed at the general meeting break down as follows:		
	Statutory audit	1,133	1,125
	Other assurance engagements	283	738
	Tax and VAT advice	469	234
	Other services	608	531
	Total fees to the audit firms appointed at the general meeting	**2,493**	**2,628**

Notes - P/F BankNordik

Note	DKK 1,000	2013	2012
8	**Amortisation, depreciation and impairment charges**		
	Amortisation charges for intangible assets	12,258	12,257
	Depreciation charges for tangible assets	12,825	10,234
	Total	**25,083**	**22,491**
9	**Impairment charges on loans and advances etc.**		
	Loans and advances at amortised cost	159,536	112,117
	Loans and advances at fair value	4,846	11,352
	Guarantees and loan commitments	12,960	15,422
	Assets held for sale	892	9,569
	Total	**178,234**	**148,460**
	Individual impairment charges etc.		
	New and increased impairment charges	224,739	176,731
	Reversals of impairment charges	62,297	43,112
	Write-offs charged directly to the income statement	13,978	19,924
	Received on claims previously written off	1,420	3,549
	Total individual impairment charges	**175,001**	**149,995**
	Collective impairment charges		
	New and increased impairment charges	3,938	1,168
	Reversals of impairment charges	705	2,703
	Total collective impairment charges	3,233	-1,535
	Total impairment charges	**178,234**	**148,460**
10	**Tax**		
	Change in deferred tax	13,371	14,158
	Adjustment of prior-year tax charges	1,580	-4,080
	Total	**14,951**	**10,078**
	Effective tax rate		
	Tax rate	18.0%	18.0%
	Non-taxable income and non-deductible expenses	-4.1%	-5.5%
	Adjustment on prior-year tax charges	1.0%	-3.6%
	Effective tax rate	**14.9%**	**8.9%**

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
11	**Due from credit institutions etc. specified by maturity**		
	On demand	798,599	812,256
	3 months or less	0	3,600
	Total	**798,599**	**815,856**
12	**Loans and advances specified by sectors**		
	Public authorities	3%	4%
	Corporate sector:		
	Fisheries, agriculture and farming	5%	5%
	Industry and raw materials extraction	4%	3%
	Energy supply	1%	1%
	Building and construction	4%	4%
	Trade	8%	8%
	Transport, hotels and restaurants	4%	4%
	Information and communications	1%	1%
	Financing and insurance	7%	6%
	Real property	7%	7%
	Other industries	3%	4%
	Total corporate sector	**44%**	**43%**
	Retail customers	53%	53%
	Total	**100%**	**100%**
13	**Loans and advances at fair value specified by maturity**		
	3 months to 1 year	44,572	1,051
	Over 1 year to 5 years	169,854	160,720
	Over 5 years	467,191	876,332
	Total loans and advances	**681,617**	**1,038,103**
14	**Loans and advances at amortised cost specified by maturity**		
	On demand	728,246	115,647
	3 months or less	905,177	872,958
	3 months to 1 year	1,392,911	1,412,666
	Over 1 year to 5 years	3,211,349	3,477,439
	Over 5 years	3,540,999	4,385,883
	Total loans and advances	**9,778,682**	**10,264,594**

Notes – P/F BankNordik

Note DKK 1,000

15 **Impairment charges for loans, advances and guarantees, etc**

	Loans and advances individual impairment	Loans and advances collective impairment	Guarantees etc individual impairment	Total
2013				
Impairment charges at 1 January	332,676	23,602	43,551	399,829
Impairment charges during the year	201,579	3,938	23,160	228,678
Reversal of impairment charges	52,097	705	10,200	63,002
Written-off, previously impaired	47,415	0	0	47,415
Impairment charges at 31 December	**434,744**	**26,835**	**56,511**	**518,090**
2012				
Impairment charges at 1 January	316,769	25,137	28,129	370,035
Impairment charges during the year	191,204	1,168	18,535	210,907
Reversal of impairment charges	39,649	2,703	3,114	45,466
Written-off, previously impaired	135,647	0	0	135,647
Impairment charges at 31 December	**332,676**	**23,602**	**43,551**	**399,829**

	2013		**2012**	
	Individual	Collective	Individual	Collective
Total loans, advances and other amounts due (including portfolios) with objective evidence of impairment before impairment charges (the amount does not include loans, advances and other amounts due recognised at nil)	1,419,614	6,815,386	1,154,928	7,298,615
Carrying amount net of impairment charges	**984,870**	**6,788,551**	**822,251**	**7,275,014**

Note		**2013**	**2012**
16	**Bonds at fair value**		
	Mortgage bonds	2,512,689	2,070,011
	Government bonds	438,996	310,769
	Other bonds	235,666	317,093
	Bonds at fair value	**3,187,351**	**2,697,873**
17	**Shares etc.**		
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	56,704	69,851
	Shares/unit trust certificates listed on other stock exchanges	49,454	51,185
	Other shares at fair value based on the fair-value option	172,871	166,195
	Total shares etc.	**279,029**	**287,231**

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
18	**Holdings in associates**		
	Cost at 1 January	25,400	22,300
	Additions	2,575	3,100
	Disposals	150	0
	Cost at 31 December	**27,825**	**25,400**
	Revaluations at 1 January	-10,525	10,286
	Share of profit	-13	1,716
	Dividends	0	22,527
	Impairment charges during the year	3,100	0
	Revaluations at 31 December	**-13,639**	**-10,525**
	Carrying amount at 31 December	**14,186**	**14,875**

	Ownership %	Total assets	Total liabilities	Income	Net profit
Holdings in associates 2013					
P/F Elektron	34%	72,054	38,231	96,500	-40
P/F Nema	28%	109,836	68,825	138,951	-1,698
Holdings in associates 2012					
P/F Løkir	30%	80,842	5,252	-165	2,202
P/F Elektron	34%	86,673	56,075	107,396	3,266
P/F Nema	28%	119,332	76,261	154,069	-1,257

The information disclosed is extracted from the companies' most recent annual reports (2012 and 2011).

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
19	**Holdings in subsidiaries**		
	Cost at 1 January	188,252	144,119
	Additions	0	50,220
	Disposals	0	6,087
	Cost at 31 December	**188,252**	**188,252**
	Revaluations at 1 January	41,638	5,372
	Share of profit	27,260	39,738
	Dividends	20,000	0
	Foreign currency translation	7,732	-3,472
	Revaluations at 31 December	**56,630**	**41,638**
	Carrying amount at 31 December	**244,882**	**229,890**

Holdings in subsidiaries	Ownership %	Share capital end of year	Shareholders' equity for the year	Profit/loss for the year
P/F Trygd	100%	40,000	92,639	4,692
P/F Skyn	100%	4,000	2,300	225
Vørður Tryggingar hf	100%	42,310	142,101	23,267
P/F Birting	100%	10,000	7,839	-924
Sp/f 25.04.2008 (end-2012)	0%	80	-49,291	84,331
Sp/f Íbúðir undir Gráasteini (end-2012)	0%	125	-41,845	84,374

The information disclosed is extracted from the companies' most recent annual reports (P/F Trygd, P/F Skyn, P/F Birting and Vørður tryggingar hf for 2013, others for 2012). Regarding the subsidiaries Sp/f 25.04.2008 and Sp/f Íbúðir undir Gráasteini a disclosure is made in note 26 to the consolidated financial statements.

Notes – P/F BankNordik

Note DKK 1,000

20 **Intangible assets 2013**

	Goodwill	Customer relations	Total
Cost at 1 January	696,590	122,574	819,165
Foreign currency translation	3,174		3,174
Cost at 31 December	**699,764**	**122,574**	**822,339**
Amortisation and impairment charges at 1 January		-21,386	-21,386
Amortisation charges during the year		-12,258	-12,258
Amortisation and impairment charges at 31 December		**-33,644**	**-33,644**
Carrying amount at 31 December	**699,764**	**88,931**	**788,695**
Amortisation period	Annual impairment test	10 years	

Intangible assets 2012

	Goodwill	Customer relations	Total
Cost at 1 January	666,519	122,574	789,093
Additions	61,300		61,300
Adjustments	-36,748		-36,748
Foreign currency translation	5,520		5,520
Cost at 31 December	**696,591**	**122,574**	**819,165**
Amortisation and impairment charges at 1 January		-9,129	-9,129
Amortisation charges during the year		-12,257	-12,257
Amortisation and impairment charges at 31 December		**-21,386**	**-21,386**
Carrying amount at 31 December	**696,591**	**101,188**	**797,779**
Amortisation period	Annual impairment test	10 years	

In 2009 BankNordik acquired goodwill in connection with the acquisition of the icelandic company Vørður. In 2010 BankNordik acquired 12 branches in Denmark and Greenland from Sparbank. In 2011 BankNordik acquired 13 branches in Denmark from Amagerbanken. An impairment test has been performed of the goodwill as of the end of 2013. The impairment test shows that there is no need for impairments to be recognised at 31 december 2013.

Note 22 of the consolidated Financial statements contains information of BankNordiks impairment test of goodwill, customer relations and software.

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
21	**Investment property**		
	Fair value at 1 January	175,416	19,823
	Additions	12,625	16,633
	Reclassifications from Assets held for sale	0	134,016
	Reclassifications from Domicile property	0	16,344
	Reclassification to Assets held for sale	35,223	0
	Reclassification to Domicile property	14,157	0
	Disposals	5,666	0
	Fair value adjustment	-12,637	-11,400
	Fair value at 31 December	**120,358**	**175,416**
	Required rate of return for calculation of fair value/revaluation (5–9% per annum)		
22	**Domicile property**		
	Cost at 1 January	178,769	196,611
	Additions	12,793	2,439
	Reclassifications from investment property	14,157	0
	Reclassifications to investment property	0	16,344
	Disposals	40,269	3,937
	Cost at 31 December	**165,450**	**178,769**
	Adjustments at 1 January	-2,766	-1,138
	Depreciation charges during the year	892	1,990
	Reversal of depreciation charges on disposals during the year	403	361
	Revaluations recognised directly in equity	10,756	0
	Impairments recognised directly in equity	3,968	0
	Adjustments at 31 December	**3,533**	**-2,766**
	Revalued amount at 31 December	**168,983**	**176,003**
	Required rate of return for calculation of fair value/revaluation, 5%–9%		
23	**Other property, plant and equipment**		
	Cost at 1 January	65,509	63,663
	Additions	7,772	2,384
	Disposals	433	537
	Cost at 31 December	**72,848**	**65,509**
	Depreciation and impairment charges at 1 January	44,019	35,134
	Depreciation charges during the year	7,952	9,395
	Reversals of depreciation and impairment charges	362	510
	Depreciation and impairment charges at 31 December	**51,609**	**44,019**
	Carrying amount at 31 December	**21,239**	**21,491**

Depreciation period 3-10 years

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
24	**Deferred tax**		
	Deferred tax assets	31,773	26,333
	Deferred tax liabilities	79,123	56,433
	Deferred tax, net	**47,350**	**30,100**

Change in deferred tax	At 1 Jan.	Other adjust-ments	Recognised in profit for the year	Recognised in other compre-hensive income	At 31 Dec.
2013					
Intangible assets	39,451		38,746		78,198
Tangible assets	12,118		-4,774	1,936	9,280
Securities	-51		0		-51
Provisions for obligations	0		-63		-63
Tax loss carryforwards	-20,345		-19,200		-39,546
Other	-1,074	364	242		-468
Total	**30,099**	**364**	**14,951**	**1,936**	**47,350**

Adjustment of prior-year tax charges included in preceding item

	At 1 Jan.	Other adjust-ments	Recognised in profit for the year	Recognised in other compre-hensive income	At 31 Dec.
2012					
Intangible assets	1,418		38,033		39,451
Tangible assets	12,420		-301		12,119
Securities	-514		463		-51
Provisions for obligations	-201		201		0
Tax loss carryforwards	0		-20,345		-20,345
Other	1,065		-2,139		-1,074
Total	**14,188**		**15,912**		**30,100**

25 **Assets held for sale**

Note 26 to the consolidated financial statement specifies the Bank’s assets held for sale.

Notes – P/F BankNordik

Note	DKK 1,000	2013	2012
26	**Other assets**		
	Interest and commissions due	48,361	42,906
	Derivatives with positive fair value	53,956	37,554
	Other amounts due	53,676	64,218
	Total	**155,993**	**144,678**
27	**Due to credit institutions and central banks specified by institution**		
	Due to central banks	1,286,310	1,244,769
	Due to credit institutions	4,098	43,283
	Total	**1,290,408**	**1,288,052**
28	**Due to credit institutions and central banks specified by maturity**		
	On demand	290,408	288,052
	Over 1 year to 5 years	1,000,000	1,000,000
	Total	**1,290,408**	**1,288,052**
29	**Deposits specified by type**		
	On demand	8,194,603	8,869,902
	At notice	1,815,337	1,624,096
	Time deposits	688,332	487,096
	Special deposits	1,586,400	1,880,372
	Total deposits	**12,284,672**	**12,861,466**
30	**Deposits specified by maturity**		
	On demand	8,291,941	8,869,902
	3 months or less	1,650,226	1,969,253
	3 months to 1 year	430,445	212,231
	Over 1 year to 5 years	739,132	385,934
	Over 5 years	1,172,928	1,424,146
	Total deposits	**12,284,672**	**12,861,466**

Notes – P/F BankNordik

Note	DKK 1,000	**2013**	**2012**
31	**Other liabilities**		
	Sundry creditors	69,657	64,987
	Accrued interest and commissions	52,853	73,143
	Derivatives with negative value	69,431	89,603
	Accrued staff expenses	52,257	49,180
	Debt regarding sale of investment assets	52,355	30,202
	Other obligations	51,494	41,392
	Total	**348,047**	**348,507**

Note			
32	**Related parties**		
	DKK 1,000	**2013**	**2012**
		Subsidiaries	Subsidiaries
	Assets		
	Investment Properties	96,192	138,735
	Assets held for sale	35,223	0
	Total	**131,415**	**138,735**
	Liabilities		
	Deposits	90,773	117,657
	Total	**90,773**	**117,657**
	Off-balance sheet items		
	Guarantees issued	0	10,942
	Guarantees and collateral received	118,674	138,320
	Income Statement		
	Interest income		
	Interest expense	662	1,142
	Fee income	0	688
	Other operating income	918	556
	Administrative expenses	1,141	1,172
	Total	**-885**	**-1,070**

Notes – P/F BankNordik

Note	DKK 1,000
33	**Provisions for losses on guarantees** Note 30 to the consolidated financial statements specifies the Bank's provisions for losses on guarantees
34	**Subordinated debt** Note 31 to the consolidated financial statements specifies the Bank's subordinated debt
35	**Contingent liabilities** Note 32 to the consolidated financial statements specifies the Bank's contingent liabilities
36	**Assets deposited as collateral** Note 33 to the consolidated financial statements specifies the Bank's assets deposited as collateral.
37	**Risk Management** The Risk Management section in note 39 to the consolidated financial statements specifies the Bank's risk management.

Note

38

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

Highlights

DKK 1,000	**2013**	**2012**	**2011**	**2010**	**2009**
Net interest income	561,639	601,721	537,957	467,125	403,844
Net fee and commision income	181,777	190,253	134,033	92,067	42,723
Net interest and fee income	750,842	793,974	673,330	566,130	449,235
Market value adjustments	11,704	14,431	-5,740	5,895	23,009
Other operating income	60,656	34,891	23,654	417,534	-11,611
Staff costs and administrative expenses	491,852	589,620	545,189	408,034	191,534
Impairment charges on loans and advances etc.	178,234	148,460	100,787	200,807	128,120
Income from associated and subsidiary undertakings	22,638	41,284	9,733	30,426	20,827
Net profit	92,396	103,099	24,560	307,484	110,661
Loans and advances	10,460,299	11,302,698	11,768,711	8,674,007	6,936,530
Bonds at fair value	3,187,351	2,697,873	2,340,034	3,343,661	1,157,063
Intangible assets	788,695	797,779	779,964	397,977	27,857
Assets held for sale	58,168	25,811	168,980	160,794	175,908
Total assets	16,752,832	17,324,821	16,723,635	13,948,347	10,035,538
Due to credit institutions and central banks	1,290,408	1,288,052	329,316	245,249	1,498,333
Deposits and other debt	12,284,672	12,861,466	13,122,675	8,944,378	5,597,715
Issued bonds at amortised cost	0	0	98,276	2,199,843	999,843
Total shareholders' equity	2,148,388	2,046,255	1,947,877	1,971,078	1,619,245

Ratios and key figures:

Solvency					
Solvency ratio, %	14.7	14.8	15.6	17.0	26.2
Core capital ratio, %	12.8	12.9	12.4	17.2	26.6
Core capital ratio excl. hybrid core capital, end of period, %	10.6	9.6	9.1	15.2	23.6
Risk-weighted Items, DKKm	11,511	11,902	12,313	10,080	6,648
Profitability					
Return on equity before tax, %	5.1	5.7	1.0	21.0	8.2
Return on equity after tax, %	4.4	5.2	1.3	17.1	7.0
Income / cost ratio, DKK	1.1	1.1	1.0	1.6	1.4
Cost / income, % (excl. value adjustm. and impairments)	67.2	71.6	82.1	43.7	48.8
Market risk					
Interest rate risk, %	3.7	0.4	1.4	3.1	1.3
Foreign exchange position, %	7.1	17.3	8.7	24.6	1.5
Liquidity					
Loans, advances and impairments in relation to deposits, %	88.9	90.7	92.3	100.8	129.0
Excess cover relative to statutory liquidity requirements, %	154.9	132.7	99.8	280.6	275.7
Credit risk					
Large exposures as a percentage of equity, %	52.2	36.3	23.3	22.8	22.8
Impairment and provisioning ratio, %	4.1	3.0	2.7	3.2	3.8
Write-off and impairments ratio, %	1.4	1.1	0.7	1.9	1.4
Share of amounts due on which interest rates have been reduced, %	2.0	1.7	1.6	1.6	3.8
Growth on loans and advances, %	-7.5	-4.0	35.7	25.0	-9.1
Gearing of loans and advances	4.9	5.5	6.0	4.3	4.3
Shares					
Earnings per share after tax, DKK	9.4	10.5	2.5	31.6	11.4
Book value per share, DKK	217.8	207.5	197.4	198.8	167.2
Proposed dividend per share, DKK	1.5	1.0	0.0	4.0	0.0
Market price per share, DKK	128.0	76.0	78.8	144.0	131.4
Market price / earnings per share, DKK	13.7	7.3	31.8	4.6	11.5
Market price / book value per share, DKK	0.6	0.4	0.4	0.7	0.8
Other					
Number of full-time employees, end of period	431	469	529	353	210

These ratios and key figures have been prepared in correspondence with regulations from the Danish Financial Supervisory Authority.

Management and directorships

Board of Directors

Klaus Rasmussen (Chairman)

Educational background:	MSc in Business Management and Accounting and MSc in Economics State Authorized Public Accountant
Principal occupation:	Self-employed
Board positions held that are relevant to banking and insurance:	Chairman of the board of: P/F BankNordik
First elected to the Board in:	2008
Address:	Øresundsvej 126 B, 2. sal, 2300 København S, Denmark

Jens Erik Christensen (Deputy Chairman)

Educational background:	MSc Actuarial Science
Principal occupation:	Self-employed, works with business development through the Investment Company Sapere Aude A/S
Board positions held that are relevant to banking and insurance:	Chairman of the board of: Husejernes Forsikring Assurance Agentur A/S, Vörður Tryggingar hf, Vörður Líftryggingar hf, Vice chairman of the board of: P/F BankNordik. Board member of: Alpha Insurance A/S, Nemi Forsikring AS, P/F Trygd.
First elected to the Board in:	2007
Address:	Maglevænget 7, 2920 Charlottenlund, Denmark

Niels Vestermark

Educational background:	HD - Finance and accounting
Principal occupation:	
Board positions held that are relevant to banking an d insurance:	Board member of P/F BankNordik and KPC Holding A/S
First elected to the Board in:	2013
Address:	Rosenvænget 5, 7400 Herning, Denmark

Executive Board

Janus Petersen (CEO)

Educational background:	Master Degree in Law, LL.M, and MSc in Economics from the University of Copenhagen
Principal occupation:	CEO of P/F BankNordik
Board positions held:	Chairman of the board of: P/F Trygd
	Board member of: Vörður Tryggingar hf, Vörður Líftryggingar hf, P/F Elektron, Skandinavisk Datacenter A/S and BI Holding A/S
	Chairman of the Faroese Association of Employers in the Financial Sector (Arbeiðsgevarafelagið fyri fíggjarstovnar) and vice chairman of the Faroese Banking Association (Felagið Peningastovnar)
Date of joining the Executive Board:	1994
Address:	Varðabú 1, 100 Tórshavn, Faroe Islands

John Rajani (Deputy CEO)

Educational background:	MBA from Lancaster University and BSc. in Economics from Copenhagen Business School
Principal occupation:	Deputy CEO of P/F BankNordik
Board position held	Chairman of the board of: P/F Skyn
Date of joining the executive board:	2011
Address:	Áarrás 6, 160 Argir, Faroe Islands

Nils Sørensen

Educational background:	BSc. from Copenhagen Business School and a MBA from Lancaster University
Principal occupation:	Managing director of Faroe Petroleum (Faroes) and Greenland Petroleum AS. Branch Manager for Faroe Petroleum Iceland.
Board positions held that are relevant to banking and insurance:	Board member of: P/F BankNordik and Finansieringsfonden af 1992
First elected to the Board in:	2010
Address:	Birnugøta 41, 100 Tórshavn, Faroe Islands

Kenneth Samuelsen

Educational background:	Financial traineeship
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

Mette Dahl Christensen

Educational background:	Financial traineeship and various internet counsel programmes
Principal occupation:	Employed at BankNordik's Danish Staff and Support unit
Board positions held:	Board member of: P/F BankNordik
First elected to the Board in:	2010
Address:	Tordrupvej 17, Vester Nebel, 6040 Egtved, Denmark

Head Office

P/F BankNordik
Húsagøta 3
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 OMX Iceland and Nasdaq OMX Copenhagen.

IR contact

Johnny í Grótinum
E-mail: ir@banknordik.fo
Tel. +298 330 380

Branches

Faroe Islands

Tórshavn
Niels Finsensgøta 15
100 Tórshavn
Tel. +298 330 330

Klaksvík
Klaksvíksvegur
700 Klaksvík
Tel. +298 330 330

Tvøroyri
Sjógøta 2
800 Tvøroyri
Tel. +298 330 330

Miðvágur
Jatnavegur 26
370 Miðvágur
Tel. +298 330 330

Saltangará
Heiðavegur 54
600 Saltangará
Tel. +298 330 330

Customer Service
Niels Finsensgøta 15
100 Tórshavn
Tel. +298 330 330

Corporate Banking
Húsagøta 3
100 Tórshavn
Tel. +298 330 330

Markets
Húsagøta 3
100 Tórshavn
Tel. +298 330 330

Denmark

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

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

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

Vejle
Dæmningen 34
7100 Vejle
Tlf. +45 76 97 80 00

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

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

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

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

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

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

Horsens
Sundvej 101
8700 Horsens
Tlf. +45 76 97 80 00

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

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

Kolding
Bredgade 15
6000 Kolding
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

Corporate Banking Region east
Amagerbrogade 25
2300 København S
Telefon: +45 32 66 61 38

Corporate Banking Region west
Bredgade 15
6000 Kolding
Telefon: +45 76 97 80 00

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

Greenland

Nuuk
Qullilerfik 2
3900 Nuuk
Tel. +299 34 79 00

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

P/F BankNordik
Húsagøta 3
P.O. Box 3048
FO-110 Tórshavn
Tel. +298 330 330
Fax +298 330 001
www.banknordik.fo

SENDISTOVAN