

Interim Report Q3 2019

BANK **NORDIK**

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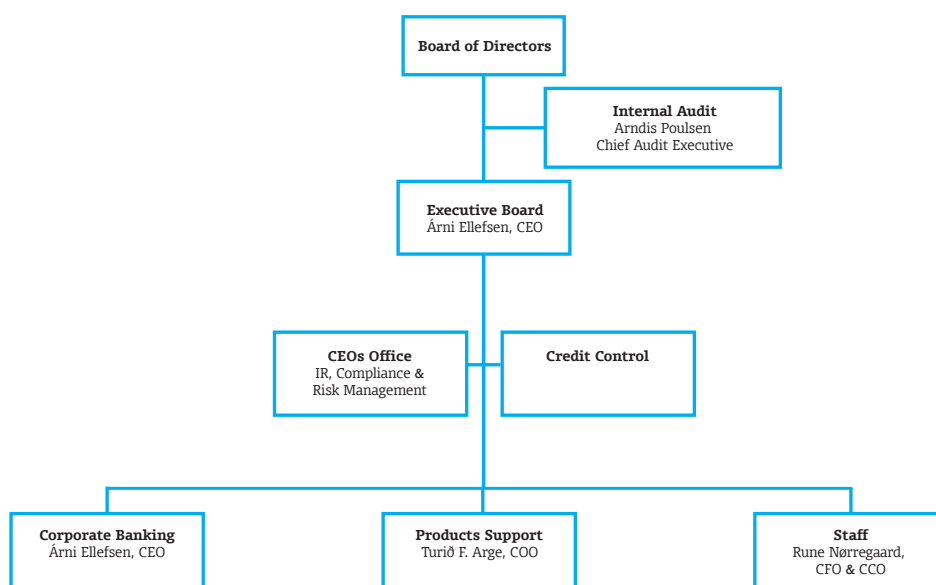
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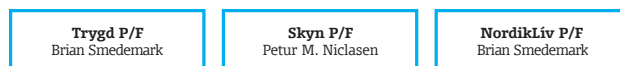
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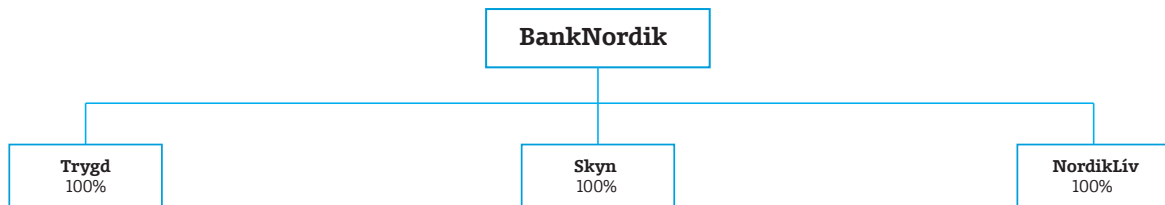
BankNordik Organisation



Subsidiaries



Overview of the Group



Banking is the principal business activity under the BankNordik brand in the Faroe Islands, Denmark and Greenland. The Group has non-life and life insurance operations in the Faroe Islands under the Trygd and NordikLív brands.

Other activities include Skyn, a Faroese estate agency.



Highlights, ratios, and key figures - BankNordik Group

Highlights DKK 1,000	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	271,906	281,794	96	90,413	90,459	91,034	92,349	94,286
Dividends from shares and other investments	13,984	11,314	124	0	13,743	240	83	77
Net fee and commission income	140,482	129,736	108	47,126	45,479	47,876	42,477	42,741
Net interest and fee income	426,371	422,843	101	137,539	149,681	139,151	134,909	137,104
Net insurance income	38,697	31,152	124	14,875	15,305	8,517	12,598	12,999
Interest and fee income and income from insurance activities, net	465,068	453,995	102	152,414	164,987	147,668	147,507	150,103
Market value adjustments	1,222	12,651	10	749	-15,075	15,548	-5,538	4,330
Other operating income	11,326	17,636	64	5,612	2,922	2,791	2,311	-4,728
Staff costs and administrative expenses	346,226	345,102	100	113,734	115,784	116,707	114,145	115,025
Impairment charges on loans and advances etc.	-80,355	-92,748	87	-8,566	-52,732	-19,057	-18,033	-45,736
Net profit	158,212	229,334	69	39,847	65,946	52,419	32,763	60,050
Loans and advances	9,982,999	10,007,984	100	9,982,999	10,052,620	10,006,218	9,956,478	10,007,984
Bonds at fair value	5,024,465	4,558,273	110	5,024,465	5,159,449	5,174,715	4,565,087	4,558,273
Intangible assets	9,043	2,421	373	9,043	8,122	7,511	6,678	2,421
Assets held for sale	3,865	4,861	80	3,865	19,795	19,795	20,364	4,861
Total assets	17,618,509	16,716,361	105	17,618,509	17,715,177	17,417,463	16,700,158	16,716,361
Amounts due to credit institutions and central banks	368,008	320,950	115	368,008	150,905	83,127	298,610	320,950
Deposits and other debt	13,528,109	13,162,921	103	13,528,109	14,131,224	14,003,644	13,432,228	13,162,921
Total shareholders' equity	2,064,175	1,948,568	106	2,064,175	2,031,275	1,965,329	1,986,752	1,948,568
	Sept. 30 2019	Sept. 30 2018		Sept. 30 2019	June 30 2019	March 31 2019	Dec. 31 2018	Sept. 30 2018
Ratios and key figures								
Solvency								
Solvency ratio, %	21.0	17.6		21.0	19.6	19.2	19.8	17.6
Core capital ratio, %	18.9	15.5		18.9	17.5	17.2	17.7	15.5
Core capital ratio excl. hybrid core capital, end of period, %	17.5	15.5		17.5	17.5	17.2	17.7	15.5
Risk-weighted Items, DKK mill	10,664	10,634		10,664	10,720	10,907	10,621	10,634
Profitability								
Return on shareholders' equity after tax, %	7.8	12.2		1.9	3.3	2.7	1.7	3.1
Cost / income, %	58.0	41.0		68.6	43.7	61.1	73.9	47.7
Cost / income, % (excl. value adjustm. and impairments)	75.0	61.8		74.3	71.2	80.0	83.2	80.5
Return on assets	0.9	1.4		0.2	0.4	0.3	0.2	0.4
Market risk								
Interest rate risk, %	1.6	2.2		1.6	1.2	1.4	1.7	2.2
Foreign exchange position, %	1.0	1.9		1.0	2.1	1.9	1.3	1.9
Foreign exchange risk, %	0.0	0.1		0.0	0.1	0.1	0.1	0.1
Liquidity								
Excess cover relative to statutory liquidity requirements, %	225.1	218.6		225.1	238.3	221.5	212.5	218.6
Credit risk								
Change in loans and advances, %	0.3	4.9		-0.7	0.5	0.5	-0.5	2.7
Gearing of loans and advances	4.8	5.1		4.8	4.9	5.1	5.0	5.1
Impairment and provisioning ratio, end of period, %	3.9	3.8		3.9	4.0	4.4	4.5	3.8
Write-off and provisioning ratio, %	-0.6	-0.7		-0.1	-0.4	-0.1	-0.1	-0.3
Share of amounts due on which interest rates have been reduced, end of period, %	0.8	0.4		0.8	0.7	0.8	0.8	0.4
Shares								
Earnings per share after tax (nom. DKK 20), DKK	16.2	23.5		4.1	6.8	5.5	3.4	6.1
Market price per share (nom. DKK 20), DKK	102.5	113.0		102.5	109.0	108.0	108.5	113.0
Book value per share (nom. DKK 20), DKK	216.6	202.1		216.6	213.1	206.3	207.2	202.1
Other								
Number of full-time employees, end of period	383	385		383	390	393	393	385

Financial Review

Income statement, Group								
DKKm	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	272	282	96	90	90	91	92	94
Net fee and commission income	140	130	108	47	45	48	42	43
Net insurance income	39	31	124	15	15	9	13	13
Other operating income (less reclassification)	35	36	97	13	11	11	9	10
Operating income	486	479	102	165	163	158	156	160
Operating costs ¹	-355	-342	104	-116	-119	-120	-115	-111
Sector costs	-1	-1	100	-0	-0	-0	-0	-0
Profit before impairment charges	130	137	95	49	43	38	42	49
Impairment charges, net	80	93	87	9	53	19	18	39
Operating profit	211	230	92	58	96	57	60	88
Non-recurring items ²	-0	82		-0	0	0	-10	-6
Profit before value adjustments and tax	211	311	68	58	96	57	50	81
Market value adjustments ³	-10	-26	39	-8	-10	8	-12	-3
Profit before tax	201	286	70	50	86	65	38	78
Operating cost/income, %	73	71		70	73	76	73	69
Number of FTE, end of period	383	385	100	383	390	393	393	385

1) Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges.
2) Reclassified from Other operating income and Operating costs.
3) Incl. net income from investments accounted for under the equity method (excl. sector shares).

“Strong customer activity continued into Q3 2019, in particular due to sustained demand for mortgage broking services and another strong quarter for our insurance business, which experienced low claims and strong premium income. Operating costs came down QoQ but were up 4% YoY mainly due to general price and wage increases, while impairment charges were reversed for another consecutive quarter in the amount of DKK 9m,” said BankNordik CEO, Árni Ellefsen.

“Effective from mid-September we introduced negative interest rate brackets on corporate deposits in the Faroe Islands, while negative interest rates brackets apply to corporate deposits in Greenland from 20 October 2019. We took those measures in order to protect our interest margins in a negative interest rate environment that does not seem likely to change any time soon. The estimated contribution to pre-tax profit is in the amount of DKK 8-10m on an annual basis,” said Mr. Ellefsen.

The following comments relate to the adjusted figures and are generally stated relative to Q2 2019. Due to seasonal variations, comments on the insurance segment are made relative to Q3 2018.

Income statement

The BankNordik Group generated operating income of DKK 165m in Q3 2019, up by DKK 2m compared to Q2 2019. Net interest income was DKK 90m in Q3 2019, flat compared to Q2 2019. Net fee and commission income amounted to DKK 47m in Q3 2019, up by DKK 2m compared to Q2 2019 driven by strong customer activity, particularly related to mortgage broking services. Net insurance income amounted to DKK 15m in Q3 2019, flat compared to Q2 2019 and up by DKK 2m compared to Q3 2018, in the latter case due to premium growth.

Operating costs amounted to DKK 116m in Q3 2019, down by DKK 4m relative to Q2 2019, as certain staff-related expenditures in Q2 2019 were non-recurring in Q3 2019.

Profit before impairment charges was DKK 49m in Q3 2019, up from DKK 43m in Q2 2019. Net impairment charges were a DKK 9m reversal in Q3 2019 compared to a reversal of DKK 53m in Q2 2019. As a result, operating profit came in at DKK 58m in Q3 2019 relative to DKK 96m in Q2 2019.

The Supervisory Diamond

Sum of large exposures < 175 %

Q3 2019	Q3 2018
131.0%	138.4%

Loan growth < 20 %

Q3 2019	Q3 2018
-0.2%	4.8%

Funding-ratio < 1.0

Q3 2019	Q3 2018
0.63	0.64

Property exposure < 25%

Q3 2019	Q3 2018
6.2%	5.4%

Liquidity indicator > 100%

Q3 2019	Q3 2018
282.1%	279.0%



Balance sheet

BankNordik's total assets at 30 September 2019 amounted to DKK 17.6bn. Loans and advances were DKK 10.0bn, up by DKK 27m compared to 31 December 2018. Deposits were DKK 13.5bn, an increase of DKK 96m compared to 31 December 2018.

Liquidity invested in bonds, primarily in Danish mortgage bonds and Danish government bonds, amounted to DKK 5.0bn, an increase of DKK 459m compared to 31 December 2018. Liquidity invested in equities amounted to DKK 303m, a decrease of DKK 1m relative to 31 December 2018.

The Group's liquidity indicator was 282.1% at 30 September 2019, well above the requirement of 100%. The Group's LCR at 30 September 2019 was 250.0%, also well above the requirement of 100%. Shareholder's equity at 30 September 2019 amounted to DKK 2,064m, up by DKK 77m compared to 31 December 2018.

Capital ratios

The Group's CET1 capital ratio was 17.5% and the total capital ratio was 21%, both at 30 September 2019. The newly issued AT1 capital increased the Group's core capital by 1.4 percentage points.

Net income in 2019 will not be recognised in the capital and solvency statements until the annual report is released in audited form.

Events after the balance sheet date

No events have occurred since 30 September 2019 that are deemed to have a significant impact on the Group's financial position.

Outlook

Management reconfirms the FY2019 guidance of operating profit before impairment charges in the range of DKK 160–200m (9M 2019: DKK 130m).

On 18 October 2019, BankNordik raised its guidance for FY2019 net profit from DKK 150–200m as previously guided to DKK 170–210m (9M 2019: DKK 158m), driven by higher fee and insurance income as well as the continuing reversal of impairment charges.

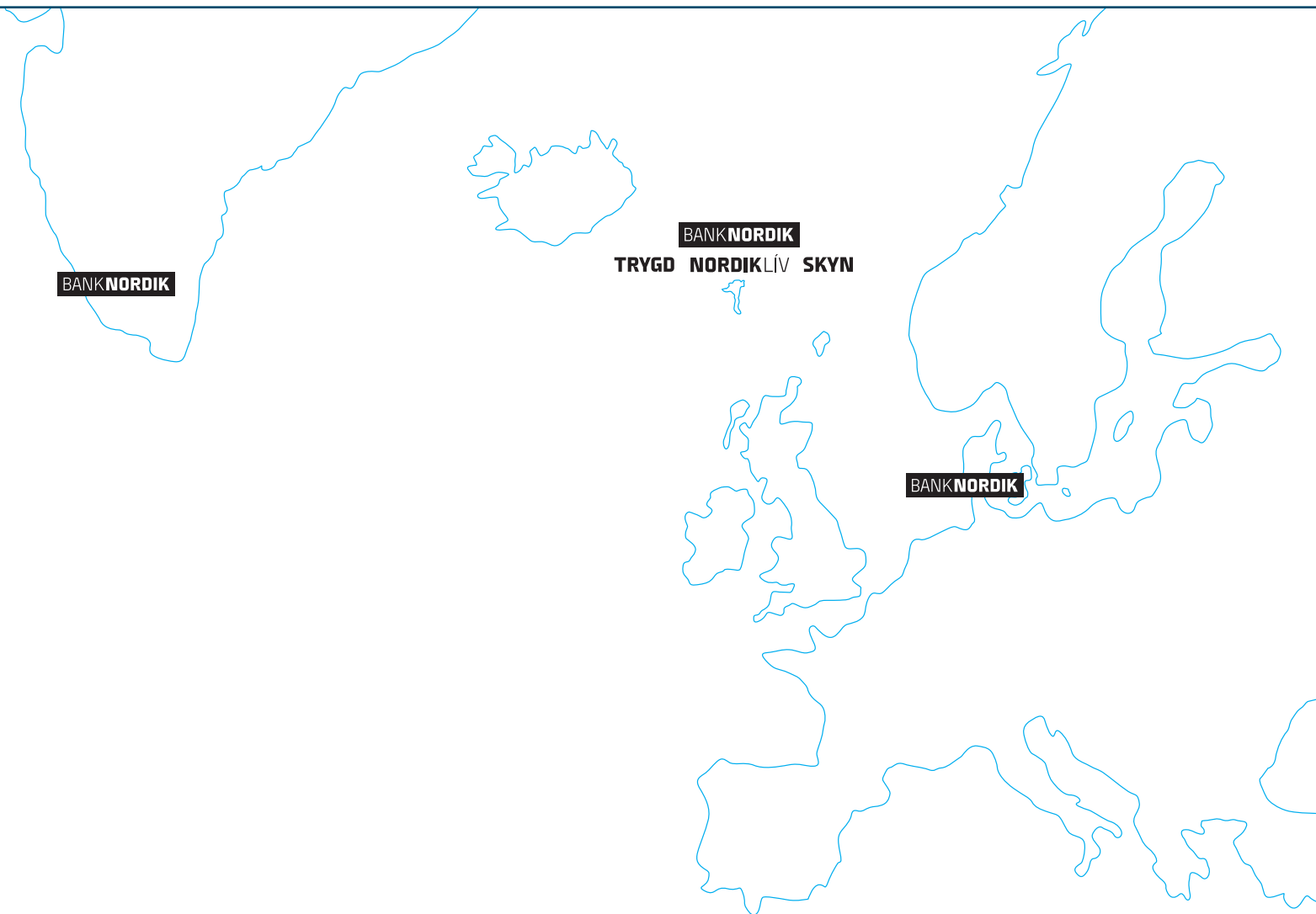
This guidance is generally subject to uncertainty and will, amongst other things, depend on economic conditions, loan impairments and market value adjustments.

Adjusted results

Adjustments made to the income statement are shown below.

Note	Income statement Q1-Q3 2019, Group, DKK 1.000	Income statement	Restatement	Restated income statement
	Net interest income	271,906		271,906
1	Net fee and commission income	154,465	-13,984	140,482
	Net insurance income	38,697		38,697
1, 4, 5	Other operating income	11,326	23,978	35,304
	Operating income	476,394	9,994	486,388
2, 3	Operating costs	356,930	-1,500	355,430
3	Sector costs	507	0	507
	Profit before impairment charges	118,956	11,494	130,451
	Impairment charges	-80,355		-80,355
	Operating profit	199,311	11,494	210,805
2, 4, 5	Non-recurring items	0	-235	-235
	Profit before value adjustments and tax	199,311	11,259	210,570
4	Market value adjustments	1,222	-11,259	-10,037
	Profit before tax	200,534	0	200,534
Note	Income statement Q1-Q3 2018, Group, DKK 1.000			
	Net interest income	281,794		281,794
	Net fee and commission income	141,049	-11,314	129,736
	Net insurance income	31,152		31,152
1, 4	Other operating income	17,636	18,709	36,345
	Operating income	471,632	7,395	479,027
2, 3	Operating costs	290,952	50,644	341,596
3	Sector costs	624	-117	507
	Profit before impairment charges	180,056	-43,131	136,924
1	Impairment charges	-92,748	0	-92,748
	Operating profit	272,804	-43,131	229,673
2, 4	Non-recurring items	0	81,627	81,627
	Profit before value adjustments and tax	272,804	38,495	311,299
4	Market value adjustments	12,835	-38,495	-25,660
	Profit before tax	285,639	0	285,639
Note	Restatements made to the income statement, DKK 1.000		Q1-Q3 2019	Q1-Q3 2018
1	Dividends reclassified from Net fee and commission income to Other operating income		13,984	11,314
2	Reclassification of severance costs from Operating costs to Non-recurring items.		1,500	-9,655
2	Reclassification of reversals of impairment charges regarding the Group's head office from Operating costs to Non-recurring items.		0	-60,181
3	Reclassification of other operating expenses (excl. sector costs) from Other operating expenses to Operating costs.		0	-117
4	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions from Market value adjustments to Other operating income.		11,259	-17,495
4	Reclassification of value adjustments related to sector shares from Market value adjustments to Non-recurring items (regarding revaluation of the Group's holdings of shares in the sector company Bankinvest).		0	-21,000
5	Reclassification of capital gains related to the sale of the Group's head office from Other operating income to Non-recurring items.		1,265	-10,100

Segments



Personal Banking	Q1-Q3 2019	Q1-Q3 2018
Loans and advances	DKK 6.4bn	DKK 6.5bn
Deposits	DKK 10.5bn	DKK 9.9bn
Mortgage credit	DKK 12.5bn	DKK 11.6bn
Cost/Income(Operating cost/income)	38%	39%
Operating profit	DKK 243m	DKK 258m

Corporate Banking	Q1-Q3 2019	Q1-Q3 2018
Loans and advances	DKK 3.5bn	DKK 3.5bn
Deposits	DKK 3.0bn	DKK 3.3bn
Mortgage credit	DKK 0.4bn	DKK 0.4bn
Cost/Income(Operating cost/income)	10%	12%
Operating profit	DKK 131m	DKK 135m

Trygd	Q1-Q3 2019	Q1-Q3 2018
Premium, net of insurance	DKK 84m	DKK 78m
Net insurance income	DKK 32m	DKK 23m
Profit before tax	DKK 14m	DKK 4m
Combined ratio	83%	94%
Claims ratio	62%	71%

Banking

Income statement, Banking								
DKKmn	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	271	281	96	90	90	91	92	94
Net fee and commission income	149	137	108	50	48	51	45	45
Other operating income	31	31	97	11	10	10	8	8
Operating income	450	449	100	151	148	151	145	147
Operating cost	-339	-326	104	-111	-113	-116	-109	-106
Sector costs	-1	-1	100	0	0	0	0	0
Profit before impairment charges	110	123	89	41	34	35	35	42
Impairment charges, net	80	93	87	9	53	19	18	39
Operating profit	190	216	88	49	87	54	54	81
Non-recurring items	0	82		0	0	0	-10	-6
Profit before value adjustments and tax	190	297	64	49	87	54	44	75
Market value adjustments	-8	-24	35	-7	-9	8	-11	-3
Profit before tax	182	273	66	42	78	62	32	72
Loans and advances	9,983	10,008	100	9,983	10,053	10,006	9,956	10,008
Deposits and other debt	13,557	13,184	103	13,557	14,156	14,027	13,452	13,184
Mortgage credit	12,918	12,050	107	12,918	12,644	12,477	12,238	12,050
Operating cost/income, %	75	72		73	77	77	75	72
Number of FTE, end of period	354	355	100	354	358	359	360	355

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

Personal Banking

Income statement, Personal Banking								
DKKm	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	181	195	93	60	60	61	63	65
Net fee and commission income	136	125	109	46	44	46	44	41
Other operating income	24	24	99	8	8	8	7	5
Operating income	342	345	99	114	112	116	114	111
Operating cost	-130	-133	98	-42	-45	-43	-43	-44
Profit before impairment charges	211	211	100	71	67	73	70	67
Impairment charges, net	32	47	70	2	26	4	8	22
Operating profit	243	258	94	74	92	77	78	89
Profit before value adjustments and tax	243	258	94	74	92	77	78	89
Profit before tax	243	258	94	74	92	77	78	89
Loans and advances	6,402	6,481	99	6,402	6,451	6,429	6,455	6,481
Deposits and other debt	10,523	9,928	106	10,523	10,639	10,304	10,096	9,928
Mortgage credit	12,546	11,625	108	12,546	12,280	12,093	11,838	11,625
Operating cost/income, %	38	39		37	40	37	38	40
Number of FTE, end of period	213	206	103	213	212	200	208	206

The Personal Banking segment reported operating income of DKK 114m in Q3 2019, up by DKK 2m compared to Q2 2019.

Net interest income was DKK 60m in Q3 2019, flat compared to the previous quarter. Net fee and commission income in Q3 2019 was up by DKK 2m quarter on quarter, driven by strong customer activity, in particular related to mortgage broking services.

Operating costs were DKK 42m in Q3 2019, down by DKK 3m relative to Q2 2019 when staff-related expenditures were higher than usual. Impairment charges were a reversal of DKK 2m in Q3 2019 compared to a reversal of DKK 26m in Q2 2019.

This brought operating profit to DKK 74m in Q3 2019, down by DKK 18m on the previous quarter.

Bank loans and advances to personal customers during the quarter fell by DKK 49m to DKK 6,402m at 30 September 2019 while mortgage lending was up by DKK 266m to DKK 12,546m, both compared to 30 June 2019. Faroese households have historically funded their housing by way of traditional bank loans, but in recent years BankNordik has observed a gradual increase in household preferences towards the traditional Danish financing model of 80% mortgage funding and the residual in 2nd lien bank lending. As such, household lending demand in the Faroe Islands during the first nine months of 2019 was mostly met in the form of mortgage broking.

Deposits held by personal customers during the quarter fell by DKK 116m to DKK 10,523m at 30 September 2019.

Corporate Banking

Income statement, Corporate Banking								
DKKm	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	88	86	102	30	29	29	27	29
Net fee and commission income	12	10	123	4	4	4	4	3
Other operating income	4	5	78	1	1	1	1	2
Operating income	104	101	103	35	34	35	32	34
Operating cost	-10	-12	90	-4	-3	-3	-4	-4
Profit before impairment charges	93	89	105	31	31	31	29	30
Impairment charges, net	38	46	81	4	24	11	10	17
Operating profit	131	135	97	35	54	42	39	47
Profit before value adjustments and tax	131	135	97	35	54	42	39	47
Profit before tax	131	135	97	35	54	42	39	47
Loans and advances	3,534	3,527	100	3,534	3,573	3,565	3,502	3,527
Deposits and other debt	3,018	3,257	93	3,018	3,498	3,715	3,356	3,257
Mortgage credit	372	425	88	372	364	384	400	425
Operating cost/income, %	10	12		11	10	10	11	12
Number of FTE, end of period	16	17	93	16	16	16	16	17

The Corporate Banking activities reported operating income of DKK 35m in Q3 2019, up by DKK 1m compared to Q2 2019.

Net interest income was up by DKK 1m in Q3 2019 relative to the previous quarter, due to negative interest rate brackets introduced on corporate deposits in the Faroe Islands in mid-September. Negative interest rates apply to corporate deposits in Greenland from mid-October. The contribution to net interest income from this initiative is expected to be in the amount of DKK 8-10m on an annual basis.

Net fee and commission income remained flat during the quarter. Operating costs, on the other hand, increased by

DKK 1m to DKK4m in Q3 2019 while impairment charges were reversed in the amount of DKK 4m relative to DKK 24m in Q2 2019

Operating profit therefore amounted to DKK 35m in Q3 2019 vs. DKK 54m in Q2 2019.

Corporate loans and advances fell by DKK 39m in Q3 2019 to stand at DKK 3,534m at 30 September 2019, while deposits fell by DKK 480m in the same period to DKK 3,018m due to the introduction of negative interest rates on corporate deposits.

Insurance

Income statement, Trygd								
DKKm	Q1-Q3 2019	Q1-Q3 2018	Index 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Premium income, net of reinsurance	84	78	108	29	28	27	27	27
Claims, net of reinsurance	-52	-55	94	-17	-15	-19	-17	-17
Net insurance income	32	23	140	12	13	8	10	10
Net income from investment activities	0	-1		0	0	0	0	0
Operating income	32	22	142	11	13	8	10	9
Operating cost	-18	-18	101	-6	-7	-6	-6	-6
Profit before tax	14	4	312	6	6	2	4	3
Combined ratio	83	94		80	78	93	85	87
Claims ratio	62	71		60	54	72	63	64
Number of FTE, end of period	22	23	97	22	24	26	25	23

Trygd's premium income was DKK 29m in Q3 2019, up by DKK 2m compared to Q3 2018. Claims, on the other hand, were flat in Q3 2019 compared to the same period last year at DKK 17m.

Operating costs were DKK 6m in Q3 2019, equal to that of the same period last year. As a result, profit before tax increased by DKK3m to DKK6m in Q3 2019 compared to DKK 3m in Q3 2018.

Trygd continues to strengthen its market position as a leading provider of non-life insurance in the Faroe Islands.

The steady increase in premium growth stems from both an increase in market share as well as general market growth driven by the positive development of the Faroese economy. Meanwhile, operating costs have been held at a constant level, contributing to margin expansion.

Fluctuations in claims vary significantly from one period to the next due to the limited size of the Faroese insurance market, which adds volatility to Trygd's financials results.



Income statement - BankNordik

Note	DKK 1.000	Group		BankNordik	
		Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018
3	Interest income	289,229	292,237	288,075	291,225
4	Interest expenses	17,323	10,444	17,324	10,444
	Net interest income	271,906	281,794	270,751	280,781
	Dividends from shares and other investments	13,984	11,314	13,984	11,314
5	Fee and commission income	150,086	138,997	158,204	146,377
5	Fee and commissions paid	9,604	9,262	9,604	9,262
	Net dividend, fee and commission income	154,465	141,049	162,583	148,429
	Net interest and fee income	426,371	422,843	433,334	429,210
	Premium income, net of reinsurance	94,757	87,829		
	Claims, net of reinsurance	56,060	56,676		
	Interest and fee income and income from insurance activities, net	465,068	453,995	433,334	429,210
6	Market value adjustments	1,222	12,651	2,860	14,384
7	Other operating income	11,326	17,636	6,688	12,772
8	Staff costs and administrative expenses	346,226	345,102	330,753	329,710
	Amortisation, depreciation and impairment charges	10,704	-54,150	10,244	-54,604
	Other operating expenses	507	624	507	624
9	Impairment charges on loans and advances etc.	-80,355	-92,748	-80,355	-92,748
	Income from investments accounted for under the equity method	0	184	15,425	10,047
	Profit before tax	200,534	285,639	197,159	283,430
	Tax	42,321	56,305	38,946	54,095
	Net profit	158,212	229,334	158,212	229,334
	Portion attributable to				
	Shareholders of BankNordik P/F	158,212	229,334	158,212	229,334
	Net profit	158,212	229,334	158,212	229,334
	EPS Basic for the period, total, DKK*	16.25	23.45	16.25	23.45
	EPS Diluted for the period, total, DKK*	16.25	23.45	16.25	23.45

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

Statement comprehensive income - BankNordik

	Group		BankNordik	
	Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018
DKK 1.000				
Net profit	158,212	229,334	158,212	229,334
Other comprehensive income				
Revaluation of domicile property	-3,000	0	-3,000	0
Tax on other comprehensive income	660	0	660	0
Changes in accounting policies, Trygd	-4,607		-4,607	
Total other comprehensive income	-6,947	0	-6,947	0
Total comprehensive income	151,265	229,334	151,265	229,334
Portion attributable to				
Shareholders of BankNordik P/F	151,265	229,334	151,265	229,334
Total comprehensive income	151,265	229,334	151,265	229,334

Balance Sheet - BankNordik

Note	DKK 1.000	Group		BankNordik	
		Sept. 30 2019	Dec. 31 2018	Sept. 30 2019	Dec. 31 2018
	Assets				
	Cash in hand and demand deposits with central banks	404,172	180,051	403,693	179,956
10	Amounts due from credit institutions and central banks	728,901	914,420	728,901	914,420
9	Loans and advances at fair value	551,591	519,638	551,591	519,638
9	Loans and advances at amortised cost	9,431,407	9,436,840	9,431,407	9,436,840
	Bonds at fair value	5,024,465	4,565,087	4,824,140	4,374,064
	Shares, etc.	302,523	304,003	302,523	304,003
	Assets under insurance contracts	5,117	5,850	0	0
	Holdings in associates	6,082	6,082	6,082	6,082
	Holdings in subsidiaries	-0	0	129,433	123,651
	Assets under pooled schemes	758,880	445,241	758,880	445,241
	Intangible assets	9,043	6,678	9,043	6,678
	Total land and buildings	192,654	98,649	190,726	96,705
	Domicile property	192,654	98,649	190,726	96,705
	Other property, plant and equipment	19,187	23,814	18,405	22,760
	Current tax assets	10,705	6,814	10,705	6,814
	Deferred tax assets	19,210	18,527	19,156	18,496
11	Assets held for sale	3,865	20,364	3,865	20,364
	Other assets	132,038	77,907	125,706	73,361
	Prepayments	18,668	70,194	16,962	68,629
	Total assets	17,618,509	16,700,158	17,531,217	16,617,701

Balance Sheet - BankNordik

		Group		BankNordik	
		Sept. 30	Dec. 31	Sept. 30	Dec. 31
Note	DKK 1.000	2019	2018	2019	2018
	Shareholders' equity and liabilities				
	Liabilities other than provisions				
	Amounts due to credit institutions and central banks	368,008	298,610	368,008	298,610
	Deposits and other debt	13,528,109	13,432,228	13,557,043	13,452,242
	Deposits under pooled schemes	758,880	445,572	758,880	445,572
	Liabilities under insurance contracts	101,789	89,064	0	0
	Current tax liabilities	66,640	17,441	61,205	14,394
	Other liabilities	328,189	170,164	319,540	160,240
	Deferred income	3,277	4,044	2,924	3,609
	Total liabilities other than provisions	15,154,891	14,457,124	15,067,599	14,374,667
	Provisions for liabilities				
9	Provisions for losses on guarantees etc	21,632	27,443	21,632	27,443
	Provisions for other liabilities	4,914	5,361	4,914	5,361
	Total provisions for liabilities	26,546	32,805	26,546	32,805
	Subordinated debt				
	Subordinated debt	223,934	223,477	223,934	223,477
	Total liabilities	15,405,371	14,713,406	15,318,079	14,630,949
	Equity				
	Share capital	192,000	200,000	192,000	200,000
	Revaluation reserve	8,628	10,968	8,628	10,968
	Retained earnings	1,863,547	1,705,783	1,863,547	1,705,783
	Proposed dividends	0	70,000	0	70,000
	Shareholders of the Parent Company	2,064,175	1,986,752	2,064,175	1,986,752
	Additional tier 1 capital holders	148,962	0	148,962	0
	Total equity	2,213,138	1,986,752	2,213,138	1,986,752
	Total liabilities and equity	17,618,509	16,700,158	17,531,217	16,617,701

Statement of capital - Group

Changes in equity:

	Shareholders equity					Additional tier 1 capital	
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
DKK 1.000							
Shareholders' equity at December 31, 2018	200,000	10,968	70,000	1,705,783	1,986,752		1,986,752
Revaluation of assets		-3,000		0	-3,000		-3,000
Tax on entries on income recognised as Other comprehensive income.		660			660		660
Changes in accounting policies, Trygd				-4,607	-4,607		-4,607
Net profit			0	158,212	158,212		158,212
Total comprehensive income		-2,340	0	153,605	151,265		151,265
Issuance of additional tier 1 capital, net of transaktion costs					0	148,962	148,962
Cancellation of own shares	-8,000			8,000	0		0
Acquisition of own shares				-7,057	-7,057		-7,057
Sale of own shares				0	0		0
Dividends paid			-70,000	3,215	-66,785		-66,785
Total equity at September 30, 2019	192,000	8,628	0	1,863,547	2,064,175	148,962	2,213,138
DKK 1.000							
Shareholders' equity at December 31, 2017	200,000	0	40,000	1,580,093	1,820,092		1,820,092
Changes in accounting policies for impairment under IFRS 9				-70,056	-70,056		-70,056
Tax on changes regarding the implementation of IFRS 9				17,407	17,407		17,407
Adjusted equity at January 1, 2018	200,000	0	40,000	1,527,444	1,767,444		1,767,444
Revaluation of assets		13,718		0	13,718		13,718
Tax on entries on income recognised as Other comprehensive income		-2,749			-2,749		-2,749
Net profit			70,000	192,097	262,097		262,097
Total comprehensive income		10,968	70,000	139,448	220,417		220,417
Acquisition of own shares				-14,935	-14,935		-14,935
Sale of own shares				7	7		7
Dividends paid			-40,000	1,171	-38,829		-38,829
Total equity at December 31, 2018	200,000	10,968	70,000	1,705,783	1,986,752		1,986,752
DKK 1.000							
Shareholders' equity at December 31, 2017	200,000	0	40,000	1,580,093	1,820,092		1,820,092
Changes in accounting policies for impairment under IFRS 9				-70,056	-70,056		-70,056
Tax on changes regarding implementation of IFRS 9				17,407	17,407		17,407
Adjusted equity at January 1, 2018	200,000	0	40,000	1,527,444	1,767,444		1,767,444
Net profit			0	229,334	229,334		229,334
Total comprehensive income			0	176,685	176,685		176,685
Acquisition of own shares				-9,388	-9,388		-9,388
Sale of own shares				7	7		7
Dividends paid			-40,000	1,171	-38,829		-38,829
Total equity at September 30, 2018	200,000	0	0	1,748,568	1,948,568		1,948,568

Statement of capital - BankNordik P/F

Changes in equity:	Shareholders equity							Additional tier 1 capital	Total
	Share capital	Revaluation Reserve	Equity method reserve	Proposed dividends	Retained earnings	Total	Total		
DKK 1.000									
Shareholders' equity at December 31, 2018	200,000	10,968	0	70,000	1,705,783	1,986,752		1,986,752	
Revaluation of assets		-3,000				-3,000		-3,000	
Tax on entries on income recognised as Other comprehensive income.		660				660		660	
Changes in accounting policies, Trygd					-4,607	-4,607		-4,607	
Net profit			0	0	158,212	158,212		158,212	
Total comprehensive income		-2,340	0	0	153,605	151,265		151,265	
Issuance and additional tier 1 capital, net of transaktion costs						0	148,962	148,962	
Cancellation of own shares	-8,000				8,000	0		0	
Acquisition of own shares					-7,057	-7,057		-7,057	
Sale of own shares					0	0		0	
Dividends paid				-70,000	3,215	-66,785		-66,785	
Total equity at September 30, 2019	192,000	-2,340	0	0	1,863,547	2,064,175	148,962	2,213,138	
DKK 1.000									
Shareholders' equity at December 31, 2017	200,000	0	0	40,000	1,580,092	1,820,092		1,820,092	
Changes in accounting policies for impairment under IFRS 9					-70,056	-70,056		-70,056	
Tax on changes regarding the implementation af IFRS 9					17,407	17,407		17,407	
Adjusted equity at January 1, 2018	200,000	0	0	40,000	1,527,444	1,767,444		1,767,444	
Revaluation of assets		13,718				13,718		13,718	
Tax on entries on income recognised as Other comprehensive income		-2,749				-2,749		-2,749	
Net profit		0	0	70,000	192,097	262,097		262,097	
Total comprehensive income		10,968	0	70,000	139,448	220,417		220,417	
Acquisition of own shares					-14,935	-14,935		-14,935	
Sale of own shares					7	7		7	
Dividends paid				-40,000	1,171	-38,829		-38,829	
Total equity at December 31, 2018	200,000	10,968	0	70,000	1,705,783	1,986,752		1,986,752	
DKK 1.000									
Shareholders' equity at December 31, 2017	200,000	0	0	40,000	1,580,092	1,820,092		1,820,092	
Changes in accounting policies for impairment under IFRS 9					-70,056	-70,056		-70,056	
Tax on changes regarding implementation of IFRS 9					17,407	17,407		17,407	
Adjusted equity at January 1, 2018	200,000	0	0	40,000	1,527,444	1,767,444		1,767,444	
Net profit		0	0	0	229,334	229,334		229,334	
Total comprehensive income		0	0	0	176,685	176,685		176,685	
Acquisition of own shares					-9,388	-9,388		-9,388	
Sale of own shares					7	7		7	
Dividends paid				-40,000	1,171	-38,829		-38,829	
Total equity at September 30, 2018	200,000	0	0	0	1,748,568	1,948,568		1,948,568	

Statement of capital - P/F BankNordik

DKK 1.000	Sept. 30 2019	Dec. 31 2018
Core capital	2,014,992	1,874,689
Total capital	2,238,926	2,098,167
Risk-weighted items not included in the trading portfolio	8,410,576	8,116,832
Risk-weighted items with market risk etc.	1,163,135	1,308,662
Risk-weighted items with operational risk	1,090,091	1,195,955
Total risk-weighted items	10,663,802	10,621,449
Core capital ratio, excl. hybrid core capital	17.5%	17.7%
Core capital ratio	18.9%	17.7%
Solvency ratio	21.0%	19.8%
Core Capital and Shareholders' equity		
Share capital	192,000	200,000
Reserves	8,628	10,968
Net profit	158,212	262,097
Retained earnings, previous years	1,712,432	1,557,762
Shareholders' equity, before deduction of holdings of own shares	2,071,273	2,030,828
Deduction of dividend	0	70,000
Deduction of net profit	158,212	0
Deduction due to excess holdings of shares in the financial sector	6,527	5,740
Deduction of holdings of own shares	7,097	44,076
Deduction of intangible assets	9,043	6,678
Deductions regarding planned purchase of own shares	0	6,713
Deduction of deferred tax assets	19,156	18,496
Deduction regarding prudent valuation of financial instruments	5,207	4,436
Core capital exclusive of hybrid core capital	1,866,030	1,874,689
Hybrid core capital	148,962	0
Core capital	2,014,992	1,874,689
Total capital		
Core capital	2,014,992	1,874,689
Subordinated loan capital	223,934	223,477
Total capital	2,238,926	2,098,167

The BankNordik Group holds a license to operate as a bank and is therefore subject to a capital requirement under the Faroese Financial Business Act and to CRR. 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, hybrid capital and subordinated loan capital. The core capital corresponds to the carrying amount of equity, after deductions of holdings of own shares, tax assets and other minor deductions.

Cash flow statement - Group

DKK 1.000	Q1-Q3 2019	Full year 2018
Cash flow from operations		
Profit before tax	200,534	323,295
Depreciation and impairment charges of tangible assets	10,660	-43,807
Impairment of loans and advances/guarantees	-80,355	-110,782
Paid tax	0	-36,727
Other non-cash operating items	-22,014	-18,711
Total	108,825	113,268
Changes in operating capital		
Change in loans at fair value	-31,954	-88,620
Change in loans at amortised cost	85,787	-289,707
Change in holding of bonds	-457,951	-300,825
Change in holding of shares	1,481	-55,193
Change in deposits	95,881	799,765
Due to credit institutions and central banks	297,047	-61,886
Change in other assets / liabilities	14,885	17,689
Assets/liabilities under insurance contracts	7,840	10,592
Prepayments	50,758	4,291
Cash flow from operations	172,600	149,374
Cash flow from investing activities		
Dividends received	13,984	11,396
Acquisition of intangible assets	-2,365	-6,678
Acquisition of tangible assets	-9,453	-13,127
Sale of tangible assets	16,367	139,942
Cash flow from investing activities	18,532	131,533
Cash flow from financing activities		
Change in loans from central banks and credit institutions	-227,650	0
Issued additional tier 1 capital	148,962	0
Acquisition of own shares	-7,057	-14,935
Sale of own shares	0	7
Payment of dividends	-70,000	-40,000
Payment of dividends, own shares	3,215	1,171
Cash flow from financing activities	-152,530	-53,757
Cash flow	38,602	227,150
Cash in hand and demand deposits with central banks, and due from Credit institutions, etc. at the beginning of the year	994,471	767,321
Cash flow	38,602	227,150
Cash and due etc.	1,033,073	994,471
Cash and due etc.		
Cash in hand and demand deposits with central banks	404,172	180,051
Due from credit institutions, etc.	628,901	814,420
Total	1,033,073	994,471

Notes

Note **Significant accounting policies**

1

The consolidated financial statements for the first nine months of 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of the Nasdaq exchange in Copenhagen. The financial statements of the Parent Company, P/F BankNordik, have been prepared in accordance with the Faroese Financial Business Act and with the executive order on financial reports of credit institutions etc. of the Danish FSA as applied in the Faroe Islands.

The application of IAS 34 means that the disclosure of figures is less detailed than the disclosure in a full annual report and that the valuation principles laid down by the international financial reporting standards (IFRS) are applied.

As of January 1, 2019 the Group implemented the International Financial Reporting Standard IFRS 16 (Leases). Otherwise, the Group's significant accounting policies are consistent with those applied in the Annual Report 2018. The Annual Report 2018 provides a full description of the Group's significant accounting policies. In connection with the implementation of IFRS 16, the Group recognised, at January 1, 2019, DKK 91.4m in the balance sheet item Domicile properties and in the balance sheet item Other liabilities.

Future financial reporting standards and interpretations

The International Accounting Standards Board (IASB) has issued a number of new accounting standards (IAS and IFRS) and interpretations (IFRIC) that have not yet entered into force. Please refer to the Annual Report 2018 for further information.

Accounting estimates

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

The most significant estimates that management makes in applying the Group's accounting policies and the most important uncertainty affecting estimates made when preparing the condensed interim report are unchanged from the estimates made in connection with the preparation of the Annual Report 2018 and the uncertainties prevailing at that time.

Determination of fair value

The fair value of financial assets is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

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

Notes - BankNordik Group

Note	Operating segments Q1-Q3 2019	Banking				Non-life Insurance	Elimination	Group
		Private	Corporate	Other	Total	Faroe Islands		
2	DKK 1.000							
	External interest income, Net	177,828	87,812	5,082	270,722	1,184		271,906
	Internal interest	3,476	-157	-3,319	0	0		0
	Net interest income	181,304	87,655	1,763	270,722	1,184		271,906
	Net Fee and dividends income	149,974	12,609	-2,618	159,965	-5,500		154,465
	Premium income, net of reinsurance	0	0	11,112	11,112	84,285	-640	94,757
	Net premium income of reinsurance and claims	0	0	7,030	7,030	32,308	-640	38,697
	Other income	10,356	3,567	1,765	15,687	-1,533	-1,606	12,548
	Total income	341,634	103,831	7,939	453,404	26,459	-2,247	477,616
	Total operating expenses	130,792	10,591	205,553	346,936	12,748	-2,247	357,437
	Profit before impairment charges on loans	210,842	93,240	-197,614	106,468	13,710		120,179
	Impairment charges	-32,436	-37,629	-10,290	-80,355	0	0	-80,355
	Profit before tax	243,279	130,868	-187,323	186,824	13,710	0	200,534
	Total assets	6,614,616	3,537,584	7,272,903	17,425,103	193,406		17,618,509
	of which Loans and advances	6,425,472	3,557,526		9,982,999	0		9,982,999
	Total liabilities	10,531,245	3,025,798	1,742,203	15,299,246	106,125		15,405,371
	of which Deposits	10,531,245	3,025,798		13,557,043	0	-28,934	13,528,109
	of which Insurance liabilities			4,232		97,557	0	101,789

Operating segments Q1-Q3 2018	Banking				Non-life Insurance	Elimination	Group
	Private	Corporate	Other	Total	Faroe Islands		
DKK 1.000							
External interest income, Net	187,324	86,928	6,682	280,935	859		281,794
Internal interest	8,042	-997	-7,044	0	0		0
Net interest income	195,366	85,931	-362	280,935	859		281,794
Net Fee and dividends income	135,288	10,964	-249	146,003	-4,954		141,050
Premium income, net of reinsurance	0	0	10,394	10,394	78,160	-726	87,829
Net premium income of reinsurance and claims	0	0	8,842	8,842	23,036	-726	31,152
Other income	13,663	486	18,827	32,977	-1,441	-1,063	30,472
Total income	344,317	97,381	27,058	468,756	17,500	-1,789	484,467
Total operating expenses	133,458	11,749	135,050	280,258	13,107	-1,789	291,576
Profit before impairment charges on loans	210,859	85,632	-107,993	188,498	4,393		192,891
Impairment charges, incl. reversals of aquired OEI impairments	-46,516	-46,233	0	-92,749	0	0	-92,749
Profit before tax	257,374	131,865	-107,993	281,247	4,393	0	285,639
Total assets	6,735,636	3,683,678	6,116,637	16,535,951	180,410		16,716,361
of which Loans and advances	6,481,005	3,526,979	0	10,007,984	0		10,007,984
Total liabilities	9,927,691	3,256,754	1,402,938	14,587,383	180,410		14,767,793
of which Deposits	9,927,691	3,256,754	0	13,184,445	0	-21,524	13,162,921
of which Insurance liabilities			705		93,532	0	94,237

Notes - BankNordik Group

Note (DKK 1,000)

2 BankNordik Group - Geographical revenue information (cont'd)

Geographical segments	Total income		Non.current assets		Additions to tangible assets		Additions to intangible assets	
	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Faroe Islands	242,808	255,549	119,253	43,110	77,697	-124,440	9,043	2,421
Denmark	198,157	194,435	45,940	46,763	6,507	162		
Greenland	35,386	34,484	45,844	46,272	-50	0		
Total	476,351	484,467	211,036	136,145	84,154	-124,278	9,043	2,421

Income from external customers are divided into activities related to the customers's domiciles.

Assets include all non-current assets, i.e. intangible assets, material assets, investment properties and holdings in associates.

Operational segments	Total income		Profit before tax		Tax		FTE	
	Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018
Faroe Islands, Banking, Other	216,349	238,049	92,030	212,941	16,564	39,296	195	186
Faroe Islands, Insurance	26,459	17,500	13,710	4,393	2,459	827	22	23
Denmark, Banking	198,157	194,435	69,872	56,687	22,417	15,300	146	158
Greenland, Banking	35,386	34,484	24,921	11,619	881	881	20	18
Total	476,351	484,467	200,534	285,639	42,321	56,305	383	385

Notes

Note	DKK 1,000	Group		BankNordik	
		Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018
3	Interest income				
	Credit institutions and central banks	628	1,719	628	1,719
	Loans and advances	271,719	278,037	271,719	278,037
	Deposits	4,473	0	4,473	0
	Bonds	23,131	21,842	21,977	20,829
	Total derivatives of which:	-10,245	-11,248	-10,245	-11,248
	Currency contracts	-441	-217	-441	-217
	Interest rate contracts	-9,804	-8,889	-9,804	-8,889
	Other transactions	0	-2,142	0	-2,142
	Other interest income	-477	1,888	-477	1,888
	Total interest income	289,229	292,237	288,075	291,225
4	Interest expenses				
	Credit institutions and central banks	753	1,088	753	1,088
	Deposits	4,669	-1	4,670	-1
	Subordinated debt	9,122	9,122	9,122	9,122
	Other interest expenses	2,780	234	2,780	234
	Total interest expenses	17,323	10,444	17,324	10,444
5	Net fee and commission income				
	Fee and commission income				
	Securities trading and custody accounts	20,479	22,705	20,479	22,705
	Credit transfers	17,513	17,272	17,513	17,272
	Loan commissions	4,552	5,275	4,552	5,275
	Guarantee commissions	16,178	14,219	16,178	14,219
	Other fees and commissions	91,364	79,527	99,482	86,907
	Total fee and commission income	150,086	138,997	158,204	146,377
	Fee and commissions paid				
	Securities trading and custody accounts	9,604	9,262	9,604	9,262
	Net fee and commission income	140,482	129,736	148,600	137,116
6	Market value adjustments				
	Loans and advances	30,442	-2,452	30,442	-2,452
	Bonds	-324	-31,996	1,314	-30,264
	Shares	7,196	37,930	7,196	37,930
	Foreign exchange	6,689	3,852	6,689	3,852
	Total derivatives of which:	-42,780	5,317	-42,780	5,317
	Currency Swaps	2,027	5,179	2,027	5,179
	Interest Swaps	-44,807	-394	-44,807	-394
	Other contracts	-0	532	-0	532
	Assets under pooled schemes	49,653	-2,467	49,653	-2,467
	Deposits in pooled schemes	-49,653	2,467	-49,653	2,467
	Total market value adjustments	1,222	12,651	2,860	14,384

Notes

Note	DKK 1,000	Group		BankNordik	
		Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018
7	Other operating income				
	Profit on sale of properties	2,910	10,099	2,910	10,099
	- of which assets held for sale	1,278	0	1,278	0
	Other income	8,416	7,538	3,778	2,673
	Total other operating income	11,326	17,636	6,688	12,772
8	Staff costs and administrative expenses				
	Staff costs:				
	Salaries	161,341	165,828	149,463	154,466
	Pensions	22,309	20,494	20,807	18,981
	Social security expenses	25,777	24,494	24,203	22,966
	Total staff costs	209,427	210,816	194,473	196,413
	Administrative expenses:				
	IT	79,656	77,010	76,526	74,253
	Marketing etc	15,841	11,379	15,194	10,700
	Education etc	1,795	1,569	1,395	1,018
	Advisory services	1,040	1,017	1,023	1,017
	Other expenses	43,955	48,605	42,140	46,310
	Total administrative expenses	142,287	139,580	136,280	133,297
	Total staff costs	209,427	210,816	194,473	196,413
	Employee costs included under the item "Claims, net of reinsurance"	-5,488	-5,293	0	0
	Total administrative expenses	142,287	139,580	136,280	133,297
	Total staff costs and administrative expenses	346,226	345,102	330,753	329,710
	Number of employees				
	Average number of full-time employees in the period	389	394	356	364
	Executive remuneration:				
	Board of Directors	1,750	1,600	1,750	1,600
	Executive Board:				
	Salaries	1,881	2,104	1,881	2,104
	- less fees received from directorships	147	223	147	223
	The Bank's expense, salaries	1,733	1,881	1,733	1,881
	Pension	281	281	281	281
	Total executive board	2,015	2,162	2,015	2,162
	Total executive remuneration	3,765	3,762	3,765	3,762

Notes

Note	DKK 1,000	Group		BankNordik	
		Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018
9	Impairment charges on loans and advances and provisions for guarantees etc.				
	Impairment charges and provisions at 31 December	607,341	716,318	607,341	716,318
	New and increased impairment charges and provisions	47,388	46,149	47,388	46,149
	Reversals of impairment charges and provisions	113,965	120,203	113,965	120,203
	Written-off, previously impaired	12,338	8,415	12,338	8,415
	Interest income on impaired loans	8,356	10,695	8,356	10,695
	Total impairment charges and provisions at 30 September	528,427	633,850	528,427	633,850
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-73,431	-87,051	-73,431	-87,051
	Loans and advances at fair value	-1,113	1,199	-1,113	1,199
	Guarantees and loan commitments	-5,811	-6,897	-5,811	-6,897
	Total individual impairment charges and provisions	-80,355	-92,748	-80,355	-92,748
	Stage 1 impairment charges				
	Stage 1 impairment charges etc. at 31 December	14,583	20,770	14,583	20,770
	New and increased Stage 1 impairment charges	3,126	0	3,126	0
	Reversals, net of Stage 1 impairment charges	5,060	8,349	5,060	8,349
	Stage 1 impairment charges at 30 September	12,649	12,422	12,649	12,422
	<i>Total net impact recognised in the income statement</i>	<i>-1,934</i>	<i>-8,349</i>	<i>-1,934</i>	<i>-8,349</i>
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 31 December	44,846	40,829	44,846	40,829
	New and increased impairment charges	12,192	0	12,192	0
	Reversals, net of impairment charges	15,884	23	15,884	23
	Stage 2 impairment charges at 30 September	41,154	40,806	41,154	40,806
	<i>Total net impact recognised in the income statement</i>	<i>-3,692</i>	<i>-23</i>	<i>-3,692</i>	<i>-23</i>
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 31 December	57,867	68,674	57,867	68,674
	New and increased impairment charges	9,037	0	9,037	0
	Reversals, net of impairment charges	28,791	5,967	28,791	5,967
	Weak Stage 2 impairment charges at 30 September	38,113	62,707	38,113	62,707
	<i>Total net impact recognised in the income statement</i>	<i>-19,754</i>	<i>-5,967</i>	<i>-19,754</i>	<i>-5,967</i>

Notes

Note	DKK 1,000	Group		BankNordik	
		Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2019	Q1-Q3 2018
9	Stage 3 impairment charges				
(cont'd)	Stage 3 impairment charges etc. at 31 December	462,602	544,232	462,602	544,232
	New and increased impairment charges	19,292	44,487	19,292	44,487
	Reversals of impairment charges	54,677	97,305	54,677	97,305
	Written-off, previously impaired	12,338	8,415	12,338	8,415
	<i>Write-offs charged directly to the income statement</i>	1,159	809	1,159	809
	Received on claims previously written off	6,581	8,809	6,581	8,809
	Interest income on impaired loans	8,356	10,695	8,356	10,695
	Stage 3 impairment charges at 30 September	414,878	483,000	414,878	483,000
	<i>Total net impact recognised in the income statement</i>	-49,163	-71,512	-49,163	-71,512
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 31 December	27,443	41,813	27,443	41,813
	New and increased provisions	3,742	1,662	3,742	1,662
	Reversals of provisions	9,553	8,559	9,553	8,559
	Provisions for guarantees etc at 30 September	21,632	34,915	21,632	34,915
	<i>Total net impact recognised in the income statement</i>	-5,811	-6,897	-5,811	-6,897
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	1,840	6,773	1,840	6,773
	Stage 2 provisions	4,467	8,000	4,467	8,000
	Weak Stage 2 provisions	200	3,400	200	3,400
	Stage 3 provisions	15,125	16,743	15,125	16,743
	Provisions for guarantees etc at 30 September	21,632	34,915	21,632	34,915

Notes

Note	DKK 1,000	Group		BankNordik	
		Sept. 30 2019	Dec. 31 2018	Sept. 30 2019	Dec. 31 2018
10	Due from credit institutions etc. specified by maturity				
	On demand	349,782	710,962	349,782	710,962
	3 months and below	372,000	89,446	372,000	89,446
	3 months to 1 year	7,119	14,012	7,119	14,012
	Over 1 year to 5 years	0	100,000	0	100,000
	Total due from credit institutions etc.	728,901	914,420	728,901	914,420
11	Assets held for sale				
	Total purchase price, at 1 January	24,709	10,998	24,709	10,998
	Additions	34	105	34	105
	Reclassification from domicile properties	0	15,930	0	15,930
	Disposals	16,532	2,324	16,532	2,324
	Total purchase price	8,211	24,709	8,211	24,709
	Depreciation and impairment, at 1 January	4,345	4,696	4,345	4,696
	Impairment charges for the year	0	50	0	50
	Reversal of impairment on disposals during the year	0	401	0	401
	Total depreciation and impairment	4,345	4,345	4,345	4,345
	Total assets held for sale	3,865	20,364	3,865	20,364
12	Contingent liabilities				
	Guarantees				
	Financial guarantees	477,165	439,718	477,165	439,718
	Mortgage finance guarantees	1,440,550	1,317,418	1,440,550	1,317,418
	Registration and remortgaging guarantees	714,237	626,104	714,237	626,104
	Other guarantees	326,154	400,961	326,154	400,961
	Total guarantees	2,958,105	2,784,200	2,958,105	2,784,200
13	Assets deposited as collateral				
	At September 30 2019 the Group had deposited bonds at a total market value of DKK 34m (Q3 2018: 33m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing. Deposits of bonds to others in total have a market value of DKK 97m (Q3 2018: 30m).				

Statement by the Executive Board and the Board of Directors

We have today considered and approved P/F BankNordik's interim report for the nine months to 30 September 2019.

The consolidated financial statements for the nine months to 30 September 2019 have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of Nasdaq Copenhagen.

The interim financial statements have not been audited or reviewed.

We consider the accounting policies applied to be appropriate, such that the Interim Financial Report gives a true and fair view of the Group's and the Parent Company's assets, shareholders' equity and liabilities and financial position at 30 September 2019, and of the results of the Group's and the Parent Company's operations and the Group's and Parent Company's cash flows for the nine months ended 30 September 2019.

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

Tórshavn, 29 October 2019

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Árni Ellefsen
CEO

Board of Directors

Stine Bosse
Chairman

Barbara Pállsdóttir Vang
Vice Chairman

Jógvan Jespersen

Kim Jacobsen

John Hendrik Holm

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Kenneth M. Samuelsen

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BankNordik is a limited liability
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