Annual Report 2014

BANKNORDIK

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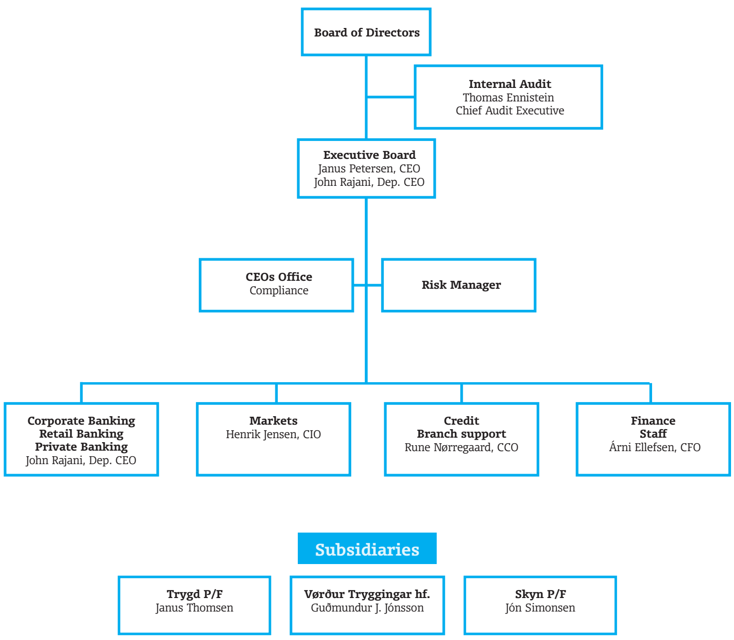
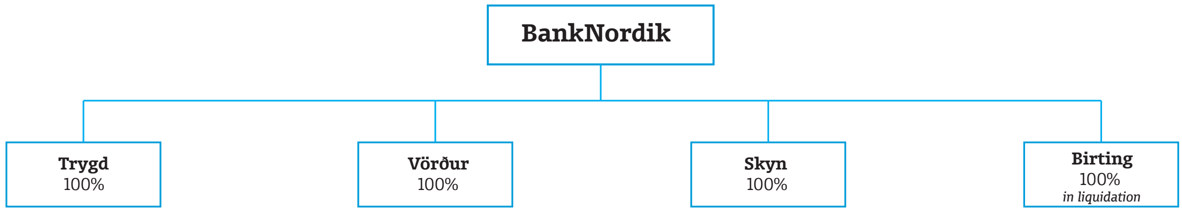
BankNordik Organisation



Overview of the Group



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

- Operations in 4 countries
- 506 employees
- 22 banking branches

Highlights, ratios and key figures - BankNordik Group

Highlights DKK 1,000	Full year 2014	Full year 2013	Index 14 / 13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	508,390	574,032	*89*	124,966	125,030	125,517	132,877	133,364
Net fee and commision income	182,831	174,265	*105*	50,024	44,289	44,921	43,597	47,360
Dividends from shares and other investments	7,487	7,731	*97*	1,821	213	5,453	0	4,180
Net insurance income	76,035	69,427	*110*	22,264	25,713	20,362	7,696	14,213
Interest and fee income and income from insurance activities, net	774,743	825,455	*94*	199,076	195,245	196,252	184,170	199,118
Market value adjustments	19,831	22,017	*90*	-3,654	-755	13,005	11,235	-4,968
Other operating income	43,721	63,547	*69*	9,221	8,719	13,946	11,835	11,439
Staff cost and administrative expenses	514,152	543,390	*95*	134,090	120,103	132,047	127,912	132,771
Amortisation, depreciation on fixed assets and impairment charges	273,135	27,582	*990*	255,049	5,860	6,048	6,178	9,692
Other operating expenses	25,411	43,323	*59*	6,987	5,659	6,792	5,973	22,865
Impairment charges on loans and advances etc.	111,014	178,234	*62*	34,475	22,477	24,323	29,740	45,828
Reversals of aquired OEI impairments	26,050	30,618	*85*	5,817	5,793	5,796	8,645	4,000
Profit before tax	-92,154	113,868	*-81*	-225,962	49,149	53,957	30,702	-10,180
Loans and advances	10,491,509	10,460,298	*100*	10,491,509	10,314,706	10,207,310	10,392,442	10,460,298
Bonds at fair value	3,534,678	3,493,271	*101*	3,534,678	3,479,956	3,243,824	2,789,354	3,493,271
Intangible assets	529,730	798,141	*66*	529,730	781,643	783,552	782,533	798,141
Assets held for sale	51,771	58,168	*89*	51,771	18,253	23,706	21,325	58,168
Total assets	16,535,501	17,084,562	*97*	16,535,501	16,524,079	16,106,281	16,583,866	17,084,562
Due to credit institutions and central banks	591,347	1,290,408	*46*	591,347	630,389	340,263	939,147	1,290,408
Deposits and other debt	12,603,533	12,192,748	*103*	12,603,533	12,341,777	12,281,228	12,047,221	12,192,748
Total shareholders' equity	1,999,195	2,155,998	*93*	1,999,195	2,219,251	2,180,861	2,135,334	2,155,998

Ratios and key figures	Full year 2014	Full year 2013		Dec. 31 2014	Sept. 30 2014	June 30 2014	March 31 2014	Dec. 31 2013
Total capital	1,763,130	1,696,191		1,763,130	1,658,454	1,653,229	1,709,495	1,696,191
Core capital	1,537,244	1,468,569		1,537,244	1,432,434	1,426,691	1,482,797	1,468,569
Solvency ratio, %	14.8	14.7		14.8	14.1	14.6	14.7	14.7
Core capital ratio, %	12.9	12.8		12.9	12.2	12.6	12.7	12.8
Return on equity after tax, %	-6.1	4.4		-10.9	1.8	1.8	1.1	-0.2
Cost / income, %	111.1	87.4		210.4	75.8	75.8	84.7	104.9
Interest rate risk, %	3.0	4.8		3.0	3.5	4.6	4.5	4.8
Excess cover relative to statutory liquidity requirements, %	182.2	178.0		182.2	166.0	155.9	159.4	178.0
Growth on loans and advances, %	0.3	-7.5		1.7	1.1	-1.8	-0.6	-1.2
Write-off and impairment ratio, %	0.8	1.4		0.2	0.2	0.2	0.2	0.4
Earnings per share after tax, DKK	-12.9	9.4		-23.3	3.9	4.0	2.4	-0.5
Proposed dividend per share, DKK	2.0	1.5		2.0				1.5
Market price per share (nom. DKK 20), DKK	105	128.0		105	114	114	110	128
Number of full-time employees, end of period	506	523		506	513	510	512	523

Letter from the CEO

Customer focus paid off

We achieved an operating profit of DKK 157m for 2014. This was the result of improving cost efficiency and credit quality leading to decreasing costs and lower impairments. In the second half of 2014, we managed to grow our Danish operation, where lending grew by 12 per cent. Given the low economic growth in our markets, we consider the results achieved to be satisfactory. As a result of the low interest rates, we made goodwill impairments of DKK 250m.

Strengthening the trust of our most valuable customers was our first priority in 2014. Feedback from this crucial customer segment has been continously improving, indicating that our dedication has paid off. The number of customers participating in our loyalty programme Nordik 360 increased significantly throughout 2014 and by the end of the year was up 50%. The loyalty programme introduced competitive pricing with lower fees for our services, but the greater demand outweighed the effect of the price reductions and is expected to improve our income going forward.

In 2014, we harvested some of the benefits of taking over a solid platform for our Markets business area through our acquisition of the healthy parts of Amagerbanken. Our new pension savings and asset management products have been well received and demand was further fuelled by the fact that the products were included in our loyalty programme. Assets under management from retail customers grew by 25%.

Banking relies on general macroeconomic trends. The Faroese economy has experienced growth, while the Danish and Greenlandic economies have been more stagnant. The boom in the Faroese export industries has fuelled economic growth and optimism, although demand for loans from our Faroese customers has not yet picked up. The Danish market is experiencing low growth, which is why our growth has to come from taking market share This explains why we have strengthened our sales towards private banking and corporate customers.

We reached our target of maintaining the status quo in lending volumes by increasing our market share in Denmark, but the lending business became less profitable in the process driven by the lower interest margin in the market.

The banking environment has experienced fundamental changes in recent years. Over the last couple of years, our in-

terest margin has been reduced by 100 basis points reducing our interest income by DKK 100m. During the same period, however,we have managed to reduce our annual operating costs by DKK 70m. The reduction in the interest margin is partly explained by lower interest margins on new loans, but also by the floor effect on deposit margins. The level of interest rates has continued to decline and that poses a challenge to profitabilitiy in banking. We aim to grow our volumes and fees in order to compensate for the lower net interest rate income.

Operational efficiency has been at the top of our agenda in recent years. During that period, we have made significant cost reductions, mainly by streamlining our processes and adjusting our organization. We target a lower cost base in the next few years, as we believe the potential for cost reductions will more than outweigh cost inflation. Our current business platform provides us with the capacity to grow our business in the next few years while lowering our cost base.

Looking ahead to 2015, I am confident we will continue to execute on our strategy in terms of further developing customer relations and attracting new customers, working towards fully utilising our capacity. Executing our growth strategy is based on our strong and flat organization of skilled and customer-focused people delivering a full portfolio of competitively priced financial services to both retail and corporate customers. Half of our earnings now stem from activities outside the Faroe Islands, and the present growth momentum in our Danish banking operation gives reason for optimism with regards to achieving growth in the coming years.

Financial Review

Income statement, Group

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	508	574	*89*	125	125	126	133	133
Net fee and commission income	190	182	*105*	52	45	50	44	52
Net insurance income	76	69	*110*	22	26	20	8	14
Other operating income*	14	15	*95*	3	3	4	3	5
Operating income	**789**	**840**	***94***	**202**	**198**	**201**	**187**	**204**
Operating costs	-523	-559	*94*	-130	-125	-136	-132	-139
Sector costs	-23	-26	*88*	-5	-6	-6	-6	-4
Profit before impairment charges	**242**	**255**	***95***	**68**	**67**	**58**	**49**	**61**
Impairment charges, net	**-85**	**-148**	***58***	**-29**	**-17**	**-19**	**-21**	**-42**
Operating profit	**157**	**107**	***147***	**39**	***50***	***40***	***28***	***19***
Impairment charges, intangible assets	-250	0		-250	0	0	0	0
Non-recurring items	-13	-11	*118*	-12	0	1	-2	-19
Profit before value adjustments and tax	**-105**	**96**	***-109***	**-222**	**50**	**41**	**26**	**-0**
Market value adjustments*, **	13	17	*75*	-4	-1	13	4	-9
Profit before tax	**-92**	**114**	***-81***	**-226**	**49**	**54**	**31**	**-9**
Operating cost/income, %	66	67		64	62	66	70	68
Number of FTE, end of period	506	523	*97*	506	513	510	512	523

*DKK 6.3m restated from Other operating income to market value adjustments in 2013 relating to reclassification of dividends to value adjustments in subsidiary Vørður.

**Incl. Net income from investment activities

The BankNordik Group delivered profit before impairments, non-recurring costs, value adjustments and tax of DKK 242m for 2014 compared to DKK 255m for 2013, the decline caused mainly by lower interest income. The profit is in line with full-year guidance of DKK 200-240m, and the adjustment of DKK 220-240m in Q3 2014. Net impairments were DKK 85m compared to DKK 148m in 2013. This is in line with the target set out at year-end 2013, where impairments were expected to be lower than in 2013. Loans and advances were DKK 10,492m in 2014 compared to DKK 10,460 in 2013. The Bank had aimed for marginal lending growth in 2014, and that goal was achieved.

Lending to Danish customers grew by 8 per cent in 2014 driven by acquiring customers in a declining market. In Denmark BankNordik is thus increasing its market share while streamlining the operations and reducing costs.

Profit before tax and goodwill impairments was DKK 158m for 2014 against DKK 114m in 2013. The increase was mainly due to higher fee and commission income, lower operating costs and lower impairments offsetting the drop in net interest income.

The figures in the summary income statement set out above have been adjusted for non-recurring items in each relevant quarter.

The following comments relate to the adjusted figures and are generally stated relative to 2013.

Income statement

Operating income

Net interest income amounted to DKK 508m in 2014 compared to DKK 574m in 2013. The decrease was a result of the growing competition, which affected interest margins, especially in the Faroe Islands and the continued fall in average loan volumes, especially during the first part of the year. There was however a small increase in loan demand in the latter part of the year, with a net lending increase of 0.3% at year-end 2014 compared to 2013.

Net fee and commission income increased by DKK 8m, from DKK 182m in 2013 to DKK 190m in 2014. The increase was driven by growth in asset under management which offsett the anticipated decline from customers joining the Bank's loyalty bonus programmes and thus paying less in fees.

Net insurance income was up by DKK 7m from DKK 69m to DKK 76m. The main reasons for the increase were that no severe storms occurred in 2014 and cross-selling effects in the Faroe Islands.

Operating costs

Operating costs were down by 6% to DKK 523m in 2014 from DKK 559m in 2013. This is a reflection of the many initiatives taken to increase efficiency and centralising customer services in the restructuring process. The Group reduced its FTE headcount by 3% from 523 in 2013 to 506 at year-end 2014.

Net impairment charges

Net impairment charges were DKK 85m in 2014, a 43% drop from DKK 148m in 2013.

Operating profit

Operating profit was DKK 157m in 2014 compared to DKK 107m in 2013, an increase of 47%. Decline in revenue due to very low interest rates and continued weak demand for loans in the first part of the year were more than offset by lower costs and fewer loan losses, and a small increase in loan demand in the latter part of the year.

Non-recurring costs

Non-recurring costs are costs unrelated to ordinary operations and believed not to be recurring. Non-recurring costs related to the acquisition of Amagerbanken have been phased out. Due to changed market conditions goodwill impairments of DKK 250m were made relating to the activities in Denmark and Greenland. Non-recurring costs amounted to DKK 263m in 2014 compared to DKK 11m in 2013 and were mainly related to the goodwill impairments.

Market value adjustments

Market value adjustments were DKK 13m in 2014 compared to DKK 17m in 2013. Market value adjustments of DKK 6m were restated for 2013, as adjustments relating to Vörður were restated from operating income to market value adjustments.

Profit before tax and goodwill impairments

Profit before tax and goodwill impairments was DKK 158m in 2014 compared to DKK 114m in 2013, an increase of 39%. The decline in revenue resulting from the very low interest rates and continued weak demand for loans in the first part of the year was more than offset by lower costs and fewer loan losses, and a small increase in loan demand in the latter part of the year.

Balance sheet

Lending

Loans and advances amounted to DKK 10,492m in 2014 compared to DKK 10,460m in 2013, an increase of 0.3%. The down-ward trend in loans and advances has stabilised and the item increased slightly towards the end of the year, and was marginally higher at 0.3% higher at year-end 2014 than year-end 2013.

Deposits

Total deposits amounted to DKK 12,604m at the end of 2014 a 3% increase from DKK 12,193m in 2013.

Capital and solvency

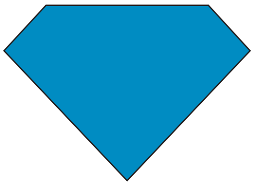
BankNordik's total capital was DKK 1,763m at 31 December 2014 compared to 1,696m at 31 December 2013, an increase of DKK 67m. The core capital was DKK 1,537m at 31 December 2014, a 68m increase from DKK 1,469m at 31 December 2013.

The Group's solvency requirement was 9.0% at year-end 2014 compared to 8.9% at year-end 2013.

The Group's solvency was 14.8% in 2014 compared to 14.7% in 2013. The solvency would have been higher had it not been for the repayment of DKK 63m in subordinated capital which partially offset the profit for the year. Please note that the goodwill impairment amounting to DKK 250m has no effect on the Group's solvency as the carrying value of intangible assets is deducted in the core capital.

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 2014 of 182% above the required level compared to 178% at the beginning of the year.

The Supervisory Diamond



Sum of large exposures < 125%

2014	2013
81.1%	52.2%

Loan growth < 20%

2014	2013
0.3%	-7.5%

Funding-ratio < 1.0

2014	2013
0.68	0.70

Property exposure < 25%

2014	2013
8.6%	8.5%

Excess liquidity > 50%

2014	2013
182.2%	178.0%

Financial Results for Q4

Profit before tax and goodwill impairments amounted to DKK 24m compared to a profit of DKK 49m in Q3 2014, partially caused by non-recurring costs of DKK 12m, and compared to a loss of DKK 9m in Q4 2013.

Operating income

Net interest income in Q4 was DKK 125m, which was unchanged from Q3. Net fee and commission income increased by DKK 7m to DKK 52m in Q4 compared to DKK 45m in Q3. Net insurance income was DKK 22m in Q4 compared to DKK 14m in Q4 2013.

Operating costs

Operating costs amounted to DKK 130m in Q4 compared to DKK 125 in Q3, and a decrease of 9m compared to Q4 2013 (DKK 139m).

Non-recurring costs

Non-recurring costs related to goodwill impairments amounted to 250m. Other non-recurring costs amounted to DKK 12m compared to DKK 19m in Q4 2013, and were mainly related to restructuring and severance costs.

Lending

In Q4 2014, loans and advances amounted to DKK 10,491m, an increase of DKK 176m from DKK 10,315m in Q3, reflecting that net lending has stabilised during the year, and picked up in the latter part of the year.

Net impairments charges

Net impairments of DKK 29m were recognised in the fourth quarter (34% of total). This was DKK 12m more than in Q3 (DKK 17m) and DKK 13m less than in Q4 2013 (DKK 42m).

Deposits

Deposits increased by DKK 262m to DKK 12,604m in Q4 from DKK 12,342m in Q3, indicating that customers remain focused on savings.

Other issues

Repayment of state-issued subordinated loan capital

On 8th of May 2014 BankNordik repaid DKK 63m of subordinated loan capital raised from the state.

Obligations towards the Guarantee Fund for Depositors and Investors

The Guarantee Fund for Depositors and Investors was established under Bank Package IV to resolve solvency problems in the banking sector. Such sector-related costs are recognised under other operating expenses. In 2014 BankNordik paid DKK 21.8m to the Guarantee Fund for Depositors and Investors in relation to distressed banks. Compared to 2013, the amount was largely unchanged. Costs relating directly to distressed banks in 2014 amounted to DKK 1.2m.

Supervisory Diamond

The Supervisory Diamond is used to measure the risk profile of banks. The model identifies five areas that if not within certain limits are considered to be indicators of increased risk.

As shown in the figure, the Bank meets by a wide margin all areas (large exposures, exposures towards property, excess liquidity, stable funding and loan growth). The sum of large exposures has increased from 52% to 81%. This is still well below the limit of 125%. All large exposures are of good quality.

Dividends proposed

The Board of Directors will propose at the forthcoming Annual General Meeting that DKK 20m, that is 2.0 per share, be paid out as dividends for 2014 compared to DKK 15m, or 1.5 per share in 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 2014 which are deemed to have a significant impact on the Group's financial position.

Outlook

In 2015, BankNordik continues to develop the Bank in line with the corporate strategy.

With the level of interest rates expected to remain low, and the economic growth in the Bank's market area expected to be low, but improving, demand for loans is also expected to remain low. The Bank targets an increase in gross lending that will more than offset loan repayment and thus projects an increase in lending in 2015. Given the currently very competitive banking market, the Bank's interest margin is expected to decrease somewhat.

Accordingly net interest income is also expected to decrease in 2015 compared with 2014. Net fee income is expected to grow marginally driven by growing activity in pensions, investments, and mortgage lending. As a result the operating income is expected to decrease marginally.

The Bank remains focused on reducing costs in 2015 while pursuing growth opportunities, especially in the Danish corporate lending market.

Combined, the BankNordik Group projects 2015 pretax profit before impairments, non-recurring items and value adjustments to be in the range of DKK 200-240m (2014: DKK 242m).

Loan impairments including reversals of acquired OEI impairments in 2015 are estimated to be approximately at the same level as in 2014.

Management Review

Supporting customer focus by being competitive

Customer segmentation at the forefront

The Bank successfully implemented more stringent customer segmentation criteria in 2013 and 2014. In 2014, the number of Nordik 360 customers grew by 50 per cent. The customer loyalty programme gives the BankNordik advisors a competitive platform that is attractive to new customers. With the new customer segmentation the Bank provides more efficiently produced services to those customers demanding less sophisticated and fewer services, while offering competitive pricing in the customer loyalty programme.

In 2014 the Bank strengthened the offering to private banking customers. A competent team of senior private banking advisors cooperate with the Markets division to develop a new set of financial services, including a very competitive savings instrument based on index tracking funds. The growth target for this business area is both ambitious and realistic.

To support the customer segmentation, the organisation has been adjusted with a flatter hierarchy and a shorter line of command from the executive management to the frontline staff, most recently through the organisational adjustment made in January 2015.

The sharper pricing of some of the core products has attracted new customers. In Denmark lending growth picked up during the year compensating for the drop in lending in the two other markets. The growth mainly derived from acquired customers in the larger corporate loan portfolio. Cross-selling of asset management services, insurance and pension products to this segment also improved.

Cost efficiency is a guiding principle

In order to stay competitive the Bank continuously improves its cost efficiency. In 2014, it lowered the cost base by 8% (6% for the Group) mainly by reducing the number of full-time employees. Cost efficiency was a guiding principle in the decision to simplify the organization as well the decision to relocate some of our branches from large costly physical locations.

Already in 2013 the manual handling of cash was discontinued at all branches in Denmark except for one in Copenhagen. The manual handling of cash was also phased out at several of the branches in the Faroes. In connection with the changes to the branch network, a few branches were relocated to more cost efficient locations in terms of both pricing and size, while other branches were redesigned to better support the focus on providing advice on complex financial decisions.

When relocating to the new head office in 2015, the Bank will centralise all support functions in the Faroe Islands and all customer functions of our banking and insurance operations at a single building in Tórshavn.

Diversified portfolio of loans

The business cycle has now stabilised after the turmoil and negative developments of the last few years. Deleveraging has nevertheless remained high on the agenda for both retail and corporate customers. Growth is recovering, but households and corporates seek a lower gearing than before the financial crisis. By attracting new customers, however, the Bank managed an increase in gross lending that outweighed loan repayments.

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

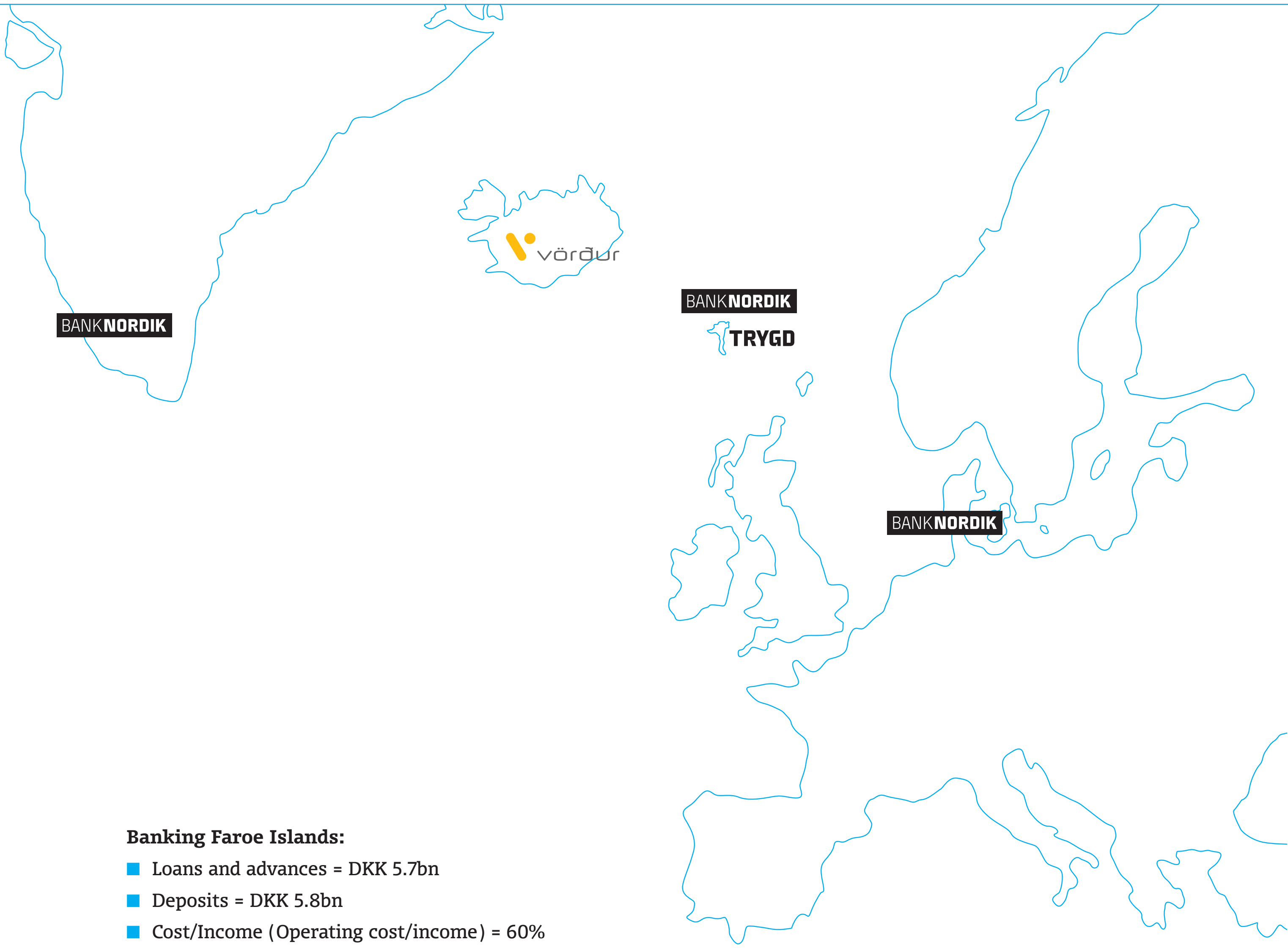
Robust total capital

The minimum statutory solvency requirement amounts to 8 per cent, while the Group's calculated individual solvency requirement amounts to 9.0% per cent. The forthcoming CRD IV requirements stipulate a capital conservation buffer of 2.5 per cent and SIFI requirements of 2.5 per cent. At year-end 2014 the Group had a core capital ratio of 12.9 per cent and targets 14 per cent covering the capital conservation buffer and SIFI requirements. The Group aims to cover the possible counter cyclical buffer of up to 2.5 per cent through subordinated loans.

In 2014, the Group prepaid the remaining DKK 63m in hybrid capital financed by earnings to optimise the capital structure and minimise capital costs.

According to the capital plan, the Group aims to refinance the subordinated debt of DKK 180m with CRD IV compliant capital within the next couple of years.

Segments



Banking Faroe Islands:

- Loans and advances = DKK 5.7bn
- Deposits = DKK 5.8bn
- Cost/Income (Operating cost/income) = 60%
- Operating profit = DKK 61m

Banking Denmark:

- Loans and advances = DKK 4.1bn
- Deposits = DKK 6.4bn
- Cost/Income (Operating cost/income) = 72%
- Operating profit = DKK 56m

Banking Greenland:

- Loans and advances = DKK 0.7bn
- Deposits = DKK 0.5bn
- Cost/Income (Operating cost/income) = 59%
- Operating profit = DKK 11m

Iceland (Vörður):

- Premium, net of reinsurance = DKK 239m
- Combined ratio = 97%
- Claims Ratio = 80%
- Profit before tax = DKK 22m

Trygd:

- Premium, net of reinsurance = DKK 79m
- Combined ratio = 84%
- Claims Ratio = 62%
- Profit before tax = DKK 15m

Banking

Income statement, Banking DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	496	562	*88*	122	122	122	130	130
Net fees, commission income & dividends	196	189	*104*	51	46	52	47	54
Other operating income	10	12	*82*	3	2	3	2	5
Operating income	**701**	**763**	***92***	**175**	**170**	**178**	**179**	**189**
Operating cost	-465	-505	*92*	-116	-110	-120	-118	-128
Sector costs	-23	-26	*88*	-5	-6	-6	-6	-6
Profit before impairment charges	**213**	**231**	***92***	**54**	**53**	**51**	**55**	**56**
Impairment charges, net	-85	-148	*58*	-29	-17	-19	-21	-41
Operating profit	**128**	**84**	***153***	**26**	**36**	**33**	**34**	**14**
Impairment charges, intangible assets	-250	0		-250	0	0	0	0
Non-recurring items	-13	-11	*118*	-12	0	1	-2	-19
Profit before value adjustments and tax	**-135**	**73**	***-184***	**-236**	**36**	**34**	**32**	**-5**
Market value adjustments	9	12	*81*	-11	-7	11	17	-6
Profit before tax	**-125**	**85**	***-148***	**-247**	**29**	**45**	**48**	**-10**
Loans and advances	10,492	10,460	*100*	10,492	10,315	10,207	10,392	10,460
Deposits and other debt	12,690	12,285	*103*	12,690	12,421	12,364	12,132	12,285
Operating cost/income, %	66	66		66	65	68	66	67
Number of FTE, end of period	412	431	*96*	412	420	420	420	431

At the beginning of the year the bank targeted new loans to compensate for repayments of current loans. This target has been achieved, since the loan volumes are at the same level at year-end. The activities in the different markets have varied however, since the growth in lending was primarily achieved by providing new loans to small and medium sized corporate customers in Denmark. In order to attract new loans and new customers the bank has been fiercely competitive, which has resulted in a lower average interest margin. This is the main explanation for the reduction in net interest income.

The successful sales campaigns for the new loyalty concepts resulted in a large growth in assets under management and cross-selling of insurance products. Adding to the fees from the large rounds of converting housing loans this explains the improvement in the fee income.

As a consequence of the rationalisations executed in 2013 and in January 2014 the operating costs were reduced significantly in 2014 given the full year effect of the rationalisations.

Impairments were reduced significantly, which was in line with the expectations at the beginning of the year.

Due to lower interest rates goodwill impairments of DKK 250m were made relating to the activities in Denmark and Greenland.

Banking, Faroe Islands

Income statement, Faroe Islands

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	212	257	*82*	53	52	51	56	59
Net fees, commission income & dividends	61	62	*100*	14	13	20	14	20
Other operating income	8	9	*85*	2	2	1	2	4
Total Operating income	**281**	**327**	***86***	**70**	**67**	**72**	**72**	**83**
Operating cost	-167	-185	*91*	-42	-41	-43	-42	-50
Sector costs	-10	-11	*90*	-2	-3	-2	-3	-2
Profit before impairment charges	**104**	**132**	***79***	**27**	**23**	**27**	**27**	**30**
Impairment charges, net	-43	-55	*77*	-8	-11	-7	-17	-22
Operating profit	**61**	**76**	***80***	**18**	**13**	**20**	**10**	**8**
Non-recurring items	-8	-3	*293*	-5	0	-2	-2	-19
Profit before value adjustments and tax	**53**	**74**	***71***	**14**	**13**	**19**	**8**	**-11**
Market value adjustments	9	12	*81*	-11	-7	11	17	-6
Profit before tax	**62**	**85**	***73***	**2**	**6**	**29**	**24**	**-17**
Loans and advances	5,707	5,813	*98*	5,707	5,727	5,763	5,759	5,813
Deposits and other debt	5,847	5,311	*110*	5,847	5,572	5,337	5,295	5,311
Operating cost/income, %	60	56		60	61	59	58	61
Number of FTE, end of period	158	169	*94*	158	167	166	163	169

In 2014 the full effects of the fiercer competition introduced in 2013 were felt in terms of lower net interest income, which however also were affected by lower customer lending. The customer loyalty concepts has improved cross-selling of insurance and savings products, but has also lowered the interest margin. Operating costs continued to decline primarily explained by a reduced number of employees and lower administrative costs.

Lending decreased by 2% compared to 2013, but interest income decreased by even more driven by the lower margins on retail and corporate lending. During the year lending to households has stabilised and is expected to grow slowly. This can be explained partly by a growing optimism and partly by net immigration being positive in the Faroes for the first time in recent years.

Banking, Denmark

Income statement, Denmark DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	249	266	*94*	61	62	62	64	61
Net fees, commission income & dividends	125	118	*106*	34	31	30	31	32
Other operating income	1	2	*41*	-0	-1	1	0	0
Total Operating income	**375**	**385**	**97**	**95**	**92**	**94**	**95**	**94**
Operating cost	-271	-290	*93*	-68	-63	-70	-69	-68
Sector costs	-12	-14	*88*	-3	-3	-3	-3	-3
Profit before impairment charges	**92**	**81**	***114***	**24**	**26**	**20**	**22**	**22**
Impairment charges, net	-36	-84	*43*	-18	-6	-10	-2	-19
Operating profit	**56**	**-4**	***-1,590***	**5**	**20**	**10**	**20**	**3**
Impairment charges, intangible assets	-200	0		-200	0	0	0	0
Non-recurring items	-4	-8	*55*	-7	0	3	0	0
Profit before value adjustments and tax	**-148**	**-11**	***1,301***	**-202**	**20**	**13**	**20**	**4**
Market value adjustments	0	0	-	0	0	0	0	0
Profit before tax	**-148**	**-11**	***1,301***	**-202**	**20**	**13**	**20**	**4**
Loans and advances	4,130	3,827	*108*	4,130	3,882	3,707	3,892	3,827
Deposits and other debt	6,376	6,541	*97*	6,376	6,371	6,501	6,407	6,541
Operating cost/income, %	72	75		72	68	75	73	73
Number of FTE, end of period	234	248	94	234	232	236	238	248

In Denmark sales activities of the new customer loyalty programme continued to set the agenda, while corporate customer acquisition also was in focus. The achieved rationalisations in connection with the reorganisation in 2013 got full effect in terms of lower operating costs and lower number of employees. The achieved rationalisations financed improved customer offerings to the high volume customer segment.

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 a conversion of current customers to the loyalty programme and an inflow of retail customers. Also the strengthened acquisition of corporate customers has resulted in a significant loan growth. Total lending grew by 8%.

Due to lower interest rates goodwill impairments of 200m were made relating to the activities in Denmark.

Banking, Greenland

Income statement, Greenland DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	35	39	*89*	8	8	9	10	10
Net fees, commission income & dividends	9	10	*96*	2	2	2	3	2
Other operating income	1	1	*106*	0	0	0	0	0
Total Operating income	**45**	**50**	***91***	**10**	**11**	**11**	**13**	**13**
Operating cost	-27	-30	*90*	-6	-7	-7	-7	-9
Sector costs	-1	-1	*67*	-0	-0	-0	-0	-0
Profit before impairment charges	**18**	**19**	***93***	**4**	**4**	**4**	**6**	**4**
Impairment charges, net	-6	-8	*76*	-2	0	-2	-2	0
Operating profit	**11**	**11**	***107***	**2**	**4**	**2**	**3**	**4**
Impairment charges, intangible assets	-50	0		-50	0	0	0	0
Non-recurring items	0	0	-	0	0	0	0	0
Profit before value adjustments and tax	**-39**	**11**	***-360***	**-48**	**4**	**2**	**3**	**4**
Market value adjustments	0	0	-	0	0	0	0	0
Profit before tax	**-39**	**11**	***-360***	**-48**	**4**	**2**	**3**	**4**
Loans and advances	654	821	*80*	654	705	736	741	821
Deposits and other debt	467	433	*108*	467	478	526	429	433
Operating cost/income, %	59	60	*99*	57	64	62	54	69
Number of FTE, end of period	20	19	*107*	20	21	18	19	19

Business volumes continued to fall in our Greenland operation, which is primarily explained by the outflow of a few large corporate customers, while retail lending was stable and supported by the launch of the customer loyalty programme at the beginning of the year.

Operating costs were reduced significantly as a result of earlier rationalisations getting full year effect.

The stagnant macro economy put a damper on the optimism, wherefore loan demand also has been constrained. Impairments were lower resulting in an improved bottom line.

Due to lower interest rates goodwill impairments of 50m were made relating to the activities in Greenland

Insurance, Faroe Islands

Income statement, Trygd

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Premium income, net of reinsurance	79	81	*98*	20	20	20	19	19
Claims, net of reinsurance	-49	-60	*82*	-14	-7	-15	-13	-25
Net insurance income	**30**	**21**	***143***	**6**	**13**	**5**	**6**	**-5**
Net income from investment activities	3	1	*217*	0	1	1	1	1
Operating income	**33**	**23**	147	**6**	**13**	**6**	**8**	**-5**
Operating cost	-18	-17	*107*	-4	-5	-5	-4	-4
Profit before tax	**15**	**6**	***265***	**2**	**9**	**1**	**3**	**-9**
Combined ratio	84	95		89	61	99	89	150
Claims ratio	62	74		68	37	75	67	129
Number of FTE, end of period	25	26	*96*	25	26	25	25	26

In the Faroese market for insurance the full effect of the stiffened competition introduced in 2013 materialised in 2014. The twenty per cent reduction in prices for retail customers has however not resulted in a similar reduction in premium income, since the Faroese insurance operation has improved the market share significantly. Thus the premium income was only reduced by 2%.

Cross-selling through BankNordik's branches to retail customer continued to improve driven by the customer loyalty programme providing customers with an incentive to become insurance customers.

The claims ratio improved compared with the previous year, which is explained by extraordinary high number of storms and bad weather in 2013.

In 2014 the Group decided to change the capital structure of its insurance companies in order to lower the capital utilisation after the implementation of CRD IV. For Trygd this implied paying out a dividend of DKK 25m.

Insurance, Iceland

Income statement, Vørður

DKKm	2014	2013	Index 14/13	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Premium income, net of reinsurance	239	216	*111*	62	61	60	57	57
Claims, net of reinsurance	-193	-166	*116*	-46	-48	-44	-55	-37
Net insurance income	**47**	**49**	**95**	**16**	**13**	**16**	**2**	**20**
Net income from investment activities	15	15	*102*	13	7	2	-7	2
Operating income	**62**	**64**	97	**29**	**20**	**18**	**-5**	**22**
Operating cost	-39	-36	*111*	-9	-10	-11	-10	-8
Profit before tax	**22**	**29**	**79**	**19**	**10**	**7**	**-15**	**14**
Combined ratio	97	94		90	94	91	114	79
Claims ratio	80	77		74	78	74	97	65
Number of FTE, end of period	63	61	*104*	63	63	61	61	61

Premium income improved during the year resulting in a total growth of 11%, which however was more than matched by claims growing by 16%. Adding the investment income to the insurance income the total operating income was slightly lower than the year before.

The operating costs increased by the same growth rate as the premium income, wherefore the profit before tax declined somewhat. The combined ratio and the claims ratio are however at a satisfactory level relative to the Icelandic insurance industry.

Other activities

Skyn

Skyn is an estate agent fully owned by the BankNordik Group.

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

Profit before tax in 2014 was DKK 1.9m compared to DKK 0.3m in 2013.

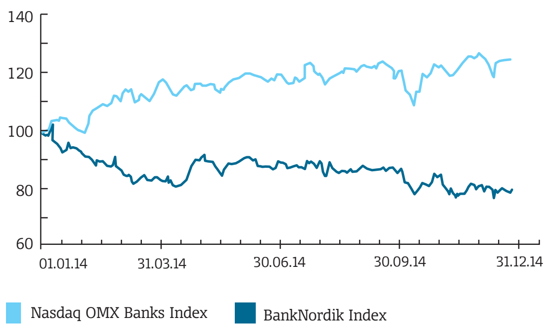
Shareholders

BankNordik share performance

The closing price of BankNordik's shares at 30 December 2014 on Nasdaq Copenhagen was DKK 104.5 which was 25% less than the closing price of DKK 128 at 30 December 2013. The turnover in BankNordik's shares on Nasdaq Copenhagen was DKK 133m in 2014 compared to 189m in 2013. Turnover on Nasdaq Iceland was DKK 8m in 2014 compared to DKK 34m in the 2013.

Developments in the BankNordik share and the Nasdaq Banking Index on Nasdaq Copenhagen in 2014:

BankNordik share vs. Copenhagen Bank Index



Shareholder structure

At the time of publication of the Annual Report 2014, the following shareholders had notified the relevant authorities that they held 5% or more of the Bank's shares:

- Fíggingargrunnurin frá 1992 (Faroese Government) holds 33% of the shares
- Lind Invest (DK) holds 10% of the shares

The majority of shareholders are based in the Faroe Islands.

Country	% of nominal shareholdings
Faroe Islands	57
Denmark	20
Iceland	17
Luxembourg	3
Others	4
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 2014, BankNordik held 1.37% of the share capital.

BankNordik´s investor relations policy can be found on the Bank's website banknordik.com/irp/

Corporate Governance and Corporate 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 Iceland and Nasdaq Copenhagen, respectively; with Iceland as the primary listing. Accordingly, the corporate governance principles comply with the Icelandic corporate governance recommendations, as issued by Nasdaq Iceland 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 the Bank's Corporate Governance Report which is available on www.banknordik.com/cg/

Remuneration

The Bank's remuneration policy reflects the Bank's corporate governance objectives and is intended to enable the Bank to attract, develop and retain high-performing and highly motivated employees in a competitive market.

Members of the Board of Directors receive fixed remuneration only. They are not eligible for incentive programmes and do not receive performance-based remuneration or pension contribution. The remuneration of the Executive Board members is determined by the Board of Directors. It consists generally of a fixed salary, pension schemes and a share-based remuneration programme. Performance-based remuneration is limited to 15% of a member's fixed remuneration. Additional information on the remuneration of the Board of Directors, the Executive Board members, 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, go to www.banknordik.com/rp/

Risk management

The Board of Directors always gives the Bank's various risks and aggregate risk profile its full attention, and follows up on risks on a regular basis. Furthermore, the Board of Directors in association with the Risk Manager consistently supervise the Bank's various risks, and maintain a steady and close cooperation with the Bank's internal and independent auditors. The Bank's current independent auditors are P/F Januar and PwC. For further information on the Bank's risk management, see the Group's Risk Management Report 2014 at www.banknordik.com/rm/

FSA

The Danish Financial Supervisory Authority ("FSA") conducted an ordinary inspection of BankNordik during the period 21-29 August 2014 and 9-11 September 2014. The inspection was related to the Bank's central risk-related business activities, and focused particularly on credit, liquidity and capital adequacy respectively.

The FSA found that the credit quality of the Bank's portfolio of large exposures is sound, while a spot test of the Bank's small exposures showed some exposures of inferior credit quality. Based on these findings, the FSA found the Bank's impairment charges related to large exposures to be adequate, but found there was a need to increase impairment charges related to small exposures by a total amount of DKK 7.9m.

Corporate responsibility

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

The Group's CR initiatives are formalised in a Corporate Responsibility policy. Management believes that the Group's CR 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 CR activities and initiatives are strategically rooted in the Group's vision, business strategy, core competencies and business values. For the statutory report on the Bank's corporate governance and Corporate 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 2014.

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

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2014 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 2014. 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, 26 February 2015

Executive Board

Janus Petersen	John Rajani
CEO	Deputy CEO

Board of Directors

Klaus Rasmussen	Jens Erik Christensen	Niels Vestermark
Chairman	Deputy Chairman	
Nils Sørensen	Tórhallur Olsen	Kenneth M. Samuelsen

Internal auditors' report

We have audited the consolidated financial statements, pp. 27–98, and the Parent Company's financial statements of BankNordik P/F, pp. 99–117, for the financial year 2014. The consolidated financial statements and the Parent Company's financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with requirements of NASDAQ in Iceland/Copenhagen and Faroese disclosure requirements for listed financial institutions.

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

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

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

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

Our audit did not result in any qualification.

Opinion
In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and Parent Company's assets, liabilities, shareholders' equity and financial position at December 31, 2014, and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2014 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Faroese Financial Business Act in respect of the Parent Company's financial statements, requirements of NASDAQ in Iceland/Copenhagen and in accordance with Faroese disclosure requirements for listed financial institutions.

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

Tórshavn, 26 February 2015

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. 27–98, and the Parent Company's financial statements of BankNordik P/F, pp. 99–117, for the financial year 2014. The consolidated financial statements and the Parent Company's financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with requirements of NASDAQ in Iceland/Copenhagen and Faroese disclosure requirements for listed financial institutions.

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

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

Auditors' responsibility

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

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

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

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and Parent Company's assets, liabilities, shareholders' equity and financial position at December 31, 2014, and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2014 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Faroese Financial Business Act in respect of the Parent Company's financial statements, requirements of NASDAQ in Iceland/Copenhagen and in accordance with Faroese disclosure requirements for listed financial institutions.

Statement on Management's Report

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

Tórshavn, 26 February 2015

JANUAR P/F
Løggilt grannskoðanarvirki

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Heini Thomsen
state authorised public accountant

H.C. Krogh
state authorised public accountant

Christian F. Jakobsen
state authorised public accountant

Financial statement BankNordik Group

Contents

Income statement – BankNordik Group

Note	DKK 1,000	2014	2013
3	Interest income	630,903	721,175
3	Interest expenses	122,513	147,143
	Net interest income	**508,390**	**574,032**
3	Dividends from shares and other investments	7,487	7,731
4	Fee and commission income	208,707	200,515
4	Fee and commissions paid	25,876	26,250
	Net dividend, fee and commission income	**190,318**	**181,996**
	Net interest and fee income	**698,708**	**756,028**
5	Premium income, net of reinsurance	317,710	295,285
6	Claims, net of reinsurance	241,675	225,857
	Interest and fee income and income from insurance activities, net	**774,743**	**825,455**
3	Market value adjustments	19,831	22,017
7	Other operating income	43,721	63,547
8, 9	Staff costs and administrative expenses	514,152	543,390
18, 20, 21	Amortisation, depreciation on fixed assets and impairment charges	273,135	27,582
10	Other operating expenses	25,411	43,323
11	Impairment charges on loans and advances etc.	111,014	178,234
17	Income from associated undertakings	-6,739	-4,622
	Profit before tax	**-92,154**	**113,868**
12	Tax	35,257	21,472
	Net profit	**-127,411**	**92,396**
	Portion attributable to		
	Shareholders of BankNordik P/F	-127,411	92,396
	Net profit	**-127,411**	**92,396**
	EPS Basic for the period, DKK*	-12.92	9.37
	EPS Diluted for the period, DKK *	-12.92	9.37

* Based on average number of shares outstanding - see note 28

Statement of comprehensive income – BankNordik Group

DKK 1,000	2014	2013
Net profit	-127,411	92,396
Other comprehensive income		
Items which will subsequently be recycled to the income statement if certain conditions are met:		
Translation of non-Faroese subsidiaries	-14,779	11,410
Items which will not subsequently be recycled:		
Revaluation of property	0	10,756
Tax on other comprehensive income	0	-1,936
Total other comprehensive income	**-14,779**	**20,230**
Total comprehensive income	**-142,190**	**112,626**
Portion attributable to		
Shareholders of BankNordik P/F	-142,190	112,626
Total comprehensive income	**-142,190**	**112,626**

Balance Sheet – BankNordik Group

Note	DKK 1,000	Dec. 31 2014	Dec. 31 2013
	Assets		
13	Cash in hand and demand deposits with central banks	439,492	479,757
	Due from credit institutions and central banks	521,276	824,289
11	Loans and advances at fair value	756,070	681,617
11	Loans and advances at amortised cost	9,735,439	9,778,682
14	Bonds at fair value	3,534,678	3,493,271
15	Shares, etc.	354,797	334,677
16. 35	Assets under insurance contracts	78,403	78,434
17	Holdings in associates	7,451	14,186
18	Intangible assets	529,730	798,141
	Total land and buildings	280,345	291,386
19	investment property	64,863	120,358
20	domicile property	215,483	171,028
21	Other property, plant and equipment	30,598	25,455
	Current tax assets	3,896	4,533
22	Deferred tax assets	27,431	44,589
23	Assets held for sale	51,771	58,168
24	Other assets	152,188	161,382
	Prepayments	31,935	15,995
	Total assets	**16,535,501**	**17,084,562**

Balance Sheet – BankNordik Group

Note	DKK 1,000	Dec. 31 2014	Dec. 31 2013
	Shareholders' equity and liabilities		
	Liabilities other than provisions		
	Due to credit institutions and central banks	591,347	1,290,408
	Deposits and other debt	12,603,533	12,192,748
25. 35	Liabilities under insurance contracts	366,858	375,155
	Current tax liabilities	11,704	1,386
26	Other liabilities	349,348	374,714
	Deferred income	18,285	15,570
	Total liabilities other than provisions	**13,941,074**	**14,249,980**
	Provisions for liabilities		
22	Provisions for deferred tax	86,189	79,129
	Provisions for other liabilities	5,148	17,499
11	Provisions for losses on guarantees	45,216	56,511
	Total provisions for liabilities	**136,552**	**153,139**
	Subordinated debt		
27	Subordinated debt	458,680	525,445
	Total liabilities	**14,536,306**	**14,928,564**
	Shareholders' equity		
	Share capital	200,000	200,000
	Foreign translation reserve	15,434	29,854
	Revaluation reserve	8,820	8,820
	Retained earnings	1,754,941	1,902,324
	Proposed dividends	20,000	15,000
	Total shareholders' equity	**1,999,195**	**2,155,998**
	Total liabilities and equity	**16,535,501**	**17,084,562**

Statement of capital – BankNordik Group

Statement of capital - BankNordik Group

Changes in shareholders' equity:

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

DKK 1,000	Share capital	Foreign currency translation reserve	Revaluation Reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2013	**200,000**	**18,443**		**10,000**	**1,824,919**	**2,053,362**
Revalution of assets			10,756			10,756
Translation of foreign units		11,410				11,410
Tax on entries on income recognised as Other comprehensive income			-1,936			-1,936
Other comprehensive income		11,410	8,820			20,230
Net profit				15,000	77,393	92,393
Total comprehensive income		**11,410**	**8,820**	**15,000**	**77,393**	**112,623**
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**	**29,853**	**8,820**	**15,000**	**1,902,324**	**2,155,998**

Regarding solvency statement for BankNordik Group we refer to the solvency statement for the Parent Company.

Cash flow statement – BankNordik Group

DKK 1,000	2014	2013
Cash flow from operations		
Net profit for the period	-127,411	92,396
Amortisation and impairment charges for intangible assets	262,568	12,976
Depreciation and impairment charges of tangible assets	10,281	14,225
Impairment of loans and advances/guarantees	117,306	179,654
Tax charged to the income statement	35,257	21,472
Other non-cash operating items	-13,557	-26,217
Total	**284,444**	**294,506**
Changes in operating capital		
Change in loans at fair value	-63,039	309,557
Change in loans at amortised cost	-74,063	306,258
Change in holding of bonds	-49,602	-624,735
Change in holding of shares	754	110,096
Change in deposits	410,785	-552,956
Due to credit institutions and central banks	939	2,356
Change in other assets / liabilities	10,977	31,421
Assets/liabilities under insurance contracts	-8,267	43,532
Prepayments	-13,224	-2,832
Cash flow from operations	**499,705**	**-82,798**
Cash flow from investing activities		
Dividends received	7,487	14,108
Acquisition of tangible assets	-87,777	-36,194
Sale of tangible assets	15,194	67,614
Cash flow from investing activities	**-65,096**	**45,528**
Cash flow from financing activities		
Change in loans from central banks and credit institutions	-700,000	0
Change in subordinated debt	-63,138	-140,218
Acquisition of own shares	-18,903	-13,865
Sale of own shares	18,903	13,878
Payment of dividends	-15,000	-10,000
Cash flow from financing activities	**-778,138**	**-150,206**
Cash flow	**-343,530**	**-187,476**
Cash in hand and demand deposits with central banks, and due from		
credit institutions, etc. at the beginning of the year	1,304,047	1,483,451
Foreign currency translation	250	8,072
Cash flow	-343,530	-187,476
Cash and due etc.	**960,768**	**1,304,047**
Cash and due etc.		
Cash in hand and demand deposits with central banks	439,492	479,757
Due from credit institutions, etc.	521,276	824,289
Total	**960,768**	**1,304,047**

Notes – BankNordik Group

Note

Accounting policies

1 **Contents**

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 Reykjavik and Nasdaq 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 2013 Annual Report.

In the extent that financial assets in Icelandic Krona are bound to auctions arranged by Seðlabankinn, the relevant asset is measured at the exchange rate at auctions in 2014. Earlier the Group used the official exchange rate published by Seðlabankinn to translate all Icelandic Krona. A further explanation of the changed accounting policy is found in the following under the heading Translation of foreign subsidiaries.

The effects of the changes in accounting estimates at 31 December 2014 are that both equity and the balance sheet total is DKK 20m lower. In addition the changes result in an expense in market value adjustments and a reduction of due from credit institutions amounting to DKK 4m. The effects regarding subsidiaries and goodwill are reported in other comprehensive income. There is no effect in comparative figures.

Changes and effects from implementation of new standards and amendments are explained in the following under the heading Adoption of new standards in 2014.

1) Estimates and assumptions

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

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

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

A) Impairment charges of loans and advances

The Group makes impairment charges to account for impairment of loans and advances that occur after initial recognition. Impairment charges are based on a combination of individual and collective impairment and are subject to a number of estimates, including assessments of the loans and portfolio of loans where objective evidence of impairment exists, expected future cash flows and the value of collateral. The note 11 provides details on the amounts recognised and note 36 also provides more details on impairment charges for loans and advances.

B) Fair value of investment and domicile properties

The income based approach is used to measure real property at fair value. For domicile properties the fair value is estimated on the basis of various assumptions and a major parameter is the potential rental value. The 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 19 and 20 provide details on the amounts recognised.

Notes – BankNordik Group

Note

1

(cont'd)

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:

- 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 11 provide details on the amounts recognised for loans measured at fair value.

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

If a reliable fair value cannot be identified for an equity instrument, the investment will be valued at cost less any write-downs for impairment. Details on the amounts recognised are provided in note 15.

D) Goodwill

Goodwill on acquisition is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, interest rates, customer behavior and competition. The impairment test conducted in 2014 resulted in goodwill impairment charges of DKK 200m related to Denmark and DKK 50m related to Greenland, mainly because of the worsening of the long-term economic outlook and related decrease in interest rates. At 31 December 2014, the carrying amount of goodwill after impairment amounts to DKK 340m and DKK 63m respectively. Due to the fact that goodwill has been written down to its recoverable amount, changes in key assumptions may result in an additional impairment charge.

Refer to note 18 for a further discussion of the sensitivity to changes in key assumptions.

E) Fair value of assets held for sale

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

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.
Details on the amounts recognised are provided in note 23.

2) Adoption of new standards in 2014
The following new standards and amendments to standards and interpretations which are relevant for the Group are mandatory for the first time for the financial year beginning 1 January 2014:

Amendments to IAS 32, "Financial instruments, presentation" clarifying the criteria for offsetting financial assets and liabilities in the statement of financial position.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

IFRIC 21, "Levies" sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'.

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

3) Changes in IFRSs not yet applied by BankNordik
The following new standards, amendments and interpretations issued and endorsed by EU are relevant for the BankNordik Group:

Annual Improvements 2010-2012 and 2011-2013 cycles comprising minor amendments to a number of existing standards. The amendments are effective for accounting periods beginning on or after 1 July 2014.

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

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

IFRS 15, 'Revenue from contracts with customers' is a comprehensive standard on revenue recognition. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2017

Annual Improvements 2012-2014 cycle comprising minor amendments to a number of existing standards. The amendments are effective for accounting periods beginning on or after 1 January 2016.

Notes – BankNordik Group

Note

1

(cont'd)

Amendments to IAS 1: Disclosure Initiative. The amendment introduces guidance in respect of using subtotals in the income statement and additional guidance in respect applying materiality. The amendments are effective for accounting periods beginning on or after 1 January 2016.

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

4) Consolidation

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.

Notes – BankNordik Group

Note

1 (cont'd)

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

6) Foreign currency translation

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

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

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

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

7) Translation of foreign subsidiaries

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

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

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

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

Notes – BankNordik Group

Note

1

(cont'd)

Earlier the Group used the official exchange rate published by Seðlabankinn to translate both the carrying amount in the balance sheet and net result from the Icelandic subsidiaries.

8) Offsetting

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

2 Critical accounting policies

1 Income statement

1) Income criteria

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

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.

Notes – BankNordik Group

Note

1 (cont'd)

5) Fees and commission expenses incurred

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

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

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

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

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

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

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

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 are adjustments on loans and advances at fair value, recorded as fair value adjustments under Impairment charges on loans and advances and provisions for guarantees etc. note 11.

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.

Notes – BankNordik Group

Note

1 (cont'd)

12) Depreciation and impairment of property, plant and equipment

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

13) Other operating expenses

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

14) Impairment charges on loans and advances etc.

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

15) Tax

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

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

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

1

(cont'd)

2) Financial instruments – general

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

3) Financial instruments - Classification

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

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

3.1) Loans and advances measured at amortised cost

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

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

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

Impairment charges

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

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 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.

Notes – BankNordik Group

Note

1

(cont'd)

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 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.

Notes – BankNordik Group

Note

1 (cont'd)

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:

- 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

Notes – BankNordik Group

Note

1 (cont'd)

4) Assets under insurance contracts

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

5) Holdings in associates

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

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

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

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

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

6) Intangible assets

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

6.1) Goodwill

Goodwill arises on the acquisition of an undertaking and is calculated as set out in the section "Consolidation".
Goodwill on associated undertakings is recognised under Holdings in associates.

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 am-

Note

1

(cont'd)

ortised on a straight-line basis over the expected useful life, which does not exceed ten years. The expected useful life depends on customer loyalty.

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

6.3) Other intangible assets

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

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

7) Land and buildings

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

7.1) Investment property

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

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

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

7.2) Domicile property

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

Subsequently, domicile property is measured at a revalued amount corresponding to the fair value at the date of the revaluation less depreciation and impairment. The fair value is calculated on the basis of current market data according to an income based model that includes the property's rental income, operating expenses, as well as management and maintenance. Maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. Operating expenses are

Notes – BankNordik Group

Note

1 (cont'd)

calculated on the basis of a standard budget. The fair value of the property is determined based on the expected cash flow from operations and a rate of return assessed for the individual property. The return rate is determined on the basis on the location of the individual property, potential use, the state of maintenance, quality, etc. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the amount which would be determined using fair value at the balance sheet date.

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

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

8) Other property, plant and equipment

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

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

9) Assets held for sale

Assets held for sale include property, plant and equipment and disposal groups held for sale. Assets held for sale also include assets taken over under non-performing loan agreements. Assets are classified as held for sale when the carrying amount 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.

Notes – BankNordik Group

Note

3 Balance sheet – Liabilities, provisions and equity

1 (cont'd)

1) Financial instruments – general

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

2) Classification

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

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

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

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

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

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

4) Trading portfolio measured at fair value

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

5) Determination of fair value

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

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

Notes – BankNordik Group

Note

1 (cont'd)

contracts. Premium provisions include future direct and indirect expenses for administration and claims processing of agreed insurance contracts. A premium provision represents at least the part of the gross premium that corresponds to the part of the insurance period that comes after the balance sheet date.

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

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

7) Other liabilities

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

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

8) Provisions

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

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

9) Subordinated debt

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

Subordinated debt is recognised at the date of borrowing, at the proceeds received less directly attributable transaction cost. Subsequently the subordinated debt is measured at fair value.
Fair value hedging transactions for the issuances of part of the subordinated debt were structured at in-

ception to partially mirror fair value adjustments of the subordinated debt. These value adjustments are recognised under market value adjustments in the Income Statement.

10) Foreign currency translation reserve

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

11) Own shares

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

12) Dividends

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

4 Cash flow statement

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

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

Notes – BankNordik Group

Operating segments

Note

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

Banking comprises all types of retail and corporate customers, from large businesses to 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 other independent brokerages in Iceland as its distribution channel. Trygd has its own sales team and also distributes its products and services through the Group's banking units.

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

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

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

Notes - BankNordik Group

Note 2

Operating segments 2014	Banking				Insurance			Other	Elimination	Group
DKK 1,000	**Faroe Islands**	**Denmark**	**Greenland**	**Total**	**Faroe Islands**	**Iceland**	**Total**			
External interest income, Net	272,355	182,757	40,393	495,505	2,162	10,639	12,802	84		508,390
Internal interest	-60,261	66,038	-5,777							
Net interest income	212,094	248,795	34,615	495,505	2,162	10,639	12,802	84		508,390
Net Fee and dividends income	61,366	125,427	9,334	196,127		-5,809	-5,809			190,318
Premium income, net of reinsurance					79,407	239,364	318,770		-1,060	317,710
Net premium income of reinsurance and claims					30,245	46,850	77,096		-1,060	76,035
Other income	17,000	4,466	1,307	22,773	763	10,310	11,073	-2,094	-989	30,763
Total income	**290,460**	**378,688**	**45,257**	**714,405**	**33,170**	**61,991**	**95,161**	**-2,010**	**-2,050**	**805,506**
Total operating expenses	185,642	490,989	77,883	754,514	17,894	39,497	57,392	2,841	-2,050	812,697
Profit before impairment charges on loans	**104,818**	**-112,302**	**-32,625**	**-40,109**	**15,276**	**22,494**	**37,770**	**-4,851**		**-7,191**
Impairment charges, incl. reversals of aquired OEI impairments	42,784	36,086	6,094	84,963						84,963
Profit before tax	**62,034**	**-148,387**	**-38,719**	**-125,073**	**15,276**	**22,494**	**37,770**	**-4,851**		**-92,154**
Total assets	**10,601,252**	**5,554,060**	**701,814**	**16,857,126**	**175,579**	**453,978**	**629,557**	**24,516**	**-975,699**	**16,535,501**
of which Loans and advances	5,707,417	4,129,760	654,332	10,491,509						10,491,509
Total liabilities and equity	**10,601,252**	**5,554,060**	**701,814**	**16,857,126**	**175,579**	**453,978**	**629,557**	**24,516**	**-975,699**	**16,535,501**
of which Deposits	5,846,793	6,376,034	467,185	12,690,011					-86,479	12,603,533
of which Insurance liabilities					66,379	292,797	359,176			359,176

Operating segments 2013	Banking				Insurance			Other	Elimination	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	0	0	0	0	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
Profit before impairment charges on loans	**140,653**	**72,858**	**18,814**	**232,325**	**5,761**	**28,653**	**34,415**	**-5,256**		**261,484**
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

Notes - BankNordik Group

Note 2 (cont'd)

BankNordik Group - Geografical revenue information

	Total income		Non.current assets		Additions on material assets		Additions on immaterial assets	
	2014	2013	2014	2013	2014	2013	2014	2013
Faroe Islands	319,570	376,453	248,853	268,239	-5,323	-50,441		
Denmark	378,688	385,223	418,608	677,530	208,371	10,843		
Iceland	61,991	64,279	11,838	12,747	808	2,304		
Greenland	45,257	49,824	168,833	170,652	50,735	4,083		
Total	**805,506**	**875,779**	**848,131**	**1,129,167**	**254,591**	**-33,211**	**0**	**0**

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	BankNordik Group DKK 1,000	Interest income 2)	Interest expenses	Net interest	Market value adjustment 3)	Dividend	Total
3	**Net income, financial instruments 2014 1)**						
	Financial instruments at amortised cost	**544,781**	**122,513**	**422,268**			**422,268**
	Financial instruments at fair value:						
	Held for trading	49,821		49,821	3,110	7,487	60,418
	Designated	36,301		36,301	11,414		47,715
	Subordinated debt				5,307		5,307
	Financial instruments at fair value total	**86,122**		**86,122**	**19,831**	**7,487**	**113,441**
	Total net income from financial instruments	**630,903**	**122,513**	**508,390**	**19,831**	**7,487**	**535,709**
	Net income, financial instruments 2013						
	Financial instruments at amortised cost	**640,180**	**147,143**	**493,037**			**493,037**
	Financial instruments at fair value:						
	Held for trading	44,694		44,694	62,179	7,731	114,604
	Designated	36,301		36,301	-46,929		-10,628
	Subordinated debt				6,767		6,767
	Financial instruments at fair value total	**80,995**		**80,995**	**22,017**	**7,731**	**110,743**
	Total net income from financial instruments	**721,175**	**147,143**	**574,032**	**22,017**	**7,731**	**603,780**

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

2) Interest income recognised on impaired financial assets amounts to DKK 28m (2013: DKK 23m)

3) DKK 6.3m restated from Other operating income to market value adjustments in 2013 relating to reclassification of dividends to value adjustments in subsidiary Vörður.

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
4	**Net fee and commission income**		
	Fee and commission income		
	Securities trading and custody accounts	52,384	40,012
	Credit transfers	26,718	29,319
	Loan commissions	11,284	10,758
	Guarantee commissions	20,484	22,061
	Other fees and commissions	97,837	98,365
	Total fee and commission income	**208,707**	**200,515**
	Fee and commissions paid		
	Securities trading and custody accounts	25,876	26,250
	Total fee and commission paid	**25,876**	**26,250**
	Net fee and commission income	**182,831**	**174,265**
5	**Premium income, net of reinsurance**		
	Regular premiums, life insurance	10,145	7,957
	Reinsurance premiums paid	-3,602	-3,052
	Change in unearned premiums provisions	-638	-365
	Total life insurance	**5,906**	**4,541**
	Gross premiums, non-life insurance	335,269	309,835
	Reinsurance premiums paid	18,092	15,744
	Change in gross premium provisions	-5,361	-3,071
	Change in reinsurers' share of premiums	-12	-276
	Total non-life insurance	**311,804**	**290,744**
	Total	**317,710**	**295,285**
6	**Claims, net of reinsurance**		
	Benefits paid	1,433	2,160
	Reinsurers' share received	-756	-1,198
	Change in outstanding claims provisions	552	-554
	Total life insurance	**908**	**408**
	Gross claims paid	222,686	200,446
	Claims handling costs	18,347	16,885
	Reinsurance received	-3,561	-18,302
	Change in gross claims provisions	4,982	12,917
	Change in reinsurers' share relating to provisions	-1,688	13,503
	Total non-life insurance	**240,767**	**225,449**
	Total	**241,675**	**225,857**

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
7	**Other operating income**		
	Profit on sale of investment and domicile properties and assets held for sale	919	18,252
	- of which assets held for sale	*167*	*0*
	Profit on sale of operating equipment	2,384	568
	Reversals of acquiered OEI impairments	*26,050*	*30,618*
	Other income	14,915	12,272
	Operation of properties:		
	Rental income	1,681	3,097
	Operating expenses	-2,229	-1,260
	- of which investment properties	*-2,198*	*-258*
	- of which assets held for sale	*-30*	*-1,002*
	Total other operating income	**43,721**	**63,547**
8	**Staff costs and administrative expenses**		
	Staff costs:		
	Salaries	260,394	270,281
	Pensions	31,013	31,073
	Social security expenses	35,889	39,071
	Total staff costs	**327,296**	**340,425**
	Administrative expenses:		
	IT	81,145	89,473
	Marketing etc	21,025	24,107
	Education etc	4,105	5,966
	Advisory services	5,254	3,964
	Other expenses	93,674	96,339
	Total administrative expenses	**205,203**	**219,849**
	Total staff costs	327,296	340,425
	Staff costs incl. under the item “Claims, net of reinsurance”	-18,347	-16,884
	Total administrative expenses	205,203	219,849
	Total employee costs and administrative expenses	**514,152**	**543,390**
	Number of employees		
	Average number of full-time employees in the period	511	528
	Executive remuneration:		
	Board of Directors	1,800	1,755
	Executive Board:		
	Salaries	4,557	4,690
	Pension	673	694
	Share-based payment	178	0
	Total executive board	**5,408**	**5,384**
	Total executive remuneration	**7,208**	**7,139**

8
(Cont'd)

Notes – BankNordik Group

Share-based payment

The Bank has introduced a share-based remuneration-programme for the Executive Board effective as of 1 September 2014. The Executive Board has been granted a total of 46,619 shares at an exercise price of DKK 112.90 per share. The fair value is expensed in the year in which the share options are earned, which is the vesting period of up to two years. Shareholders' equity will increase correspondingly as the obligation is met by settlement in BankNordik shares. An expense amounting to DKK 178 thousand is recognised in the income statement for 2014 relating share based-payment.

Issued options carry a right to buy BankNordik shares exercisable from 10 August 2018 to 10 December 2018. Hence the option life is from 1 September 2014 - 10 December 2018. The exercise price of DKK 112.90 per share is calculated as the average price of a share in P/F BankNordik the recent 5 trading days prior to the allocation date.

The fair value of the share options amounting to DKK 23.20 per share option is calculated according to a dividend-adjusted Black & Scholes formula. Calculation of the fair value at the end of 2014 is based on the following assumptions: Share price (spot rate): DKK 112.0 per share. Dividend payout in accordance with BankNordik's Dividend Policy (DKK 1.69 per share on average for the next four years). Rate of interest (zero-coupon Danish Government Bonds): 0.30%. Volatility: 29.80%. The volatility estimate is based on weekly observations of the historical volatility of app. 4 years which is the same timespan as the option life.

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

Share options	Number	Exercise price (DKK)
Granted in 2014	46,619	112.90
Earned at year-end 2014	7,770	112.90

Holdings of the Executive Board at year-end 2014

Granted in 2014	Number	Exercise price (DKK)
Janus Petersen	27,931	112.90
John Rajani	18,688	112.90

Earned at year-end 2014	Number	Exercise price (DKK)
Janus Petersen	4,655	112.90
John Rajani	3,115	112.90

For further information regarding the Bank's remuneration policy, go to www.banknordik.com/rp/

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
9	**Audit fees**		
	Fees to audit firms elected at the general meeting	4,068	2,720
	Fees to audit firm regarding auditition of Vörður	270	345
	Total audit fees	**4,338**	**3,065**
	Total fees to the audit firms elected at the general meeting break down as follows:		
	Statutory audit	1,085	1,350
	- of which PricewaterhouseCoopers	*651*	*810*
	- of which Januar	*434*	*540*
	Other assurance engagements	81	283
	Tax and VAT advice	274	469
	Other services	2,629	618
	Total fees to the audit firms elected at the general meeting	**4,068**	**2,720**
10	**Other operating expenses**		
	The Guarantee Fund for Depositors and Investors	22,695	26,319
	Liability regarding construction of new headquarters	0	14,032
	Other operating expenses	2,716	2,972
	Total operating expenses	**25,411**	**43,323**
11	**Impairment charges on loans and advances and provisions for guarantees etc.**		
	Impairment charges and provisions at 1 January	540,908	399,570
	New and increased impairment charges and provisions	220,135	251,495
	Reversals of impairment charges and provisions	84,084	62,742
	Written-off, previously impaired	44,945	47,415
	Interest income on impaired loans	*27,551*	*22,818*
	Total individual impairment charges and provisions at 31 December	**632,013**	**540,908**
	Impairment charges and provisions recognised in the income statement		
	Loans and advances at amortised cost	119,525	159,536
	Loans and advances at fair value	984	4,846
	Guarantiees and loan commitments	-9,581	12,960
	Assets held for sale	86	892
	Total impairment charges and provisions	**111,014**	**178,234**
	Individual impairment charges etc.		
	Individual impairment charges etc. at 1 January	457,562	332,417
	New and increased impairment charges	195,671	224,397
	Reversals of impairment charges	63,645	51,837
	Written-off, previously impaired	44,945	47,415
	Write-offs charged directly to the income statement	*8,807*	*13,719*
	Received on claims previously written off	*6,292*	*1,420*
	Interest income on impaired loans	*27,551*	*22,818*
	Individual impairment charges etc. at 31 December	**544,643**	**457,562**
	Total net impact recognised in the income statement	*106,989*	*162,041*

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
11	**Collective impairment charges**		
(Cont'd)	Collective impairment charges at 1 January	26,835	23,602
	New and increased impairment charges	14,412	3,938
	Reversals of impairment charges	806	705
	Collective impairment charges at 31 December	**40,441**	**26,835**
	Total net impact recognised in the income statement	*13,606*	*3,233*
	Individual provisions on guarantees		
	Individual provisions at 1 January	56,511	43,551
	New and increased provisions	10,052	23,160
	Reversals of provisions	19,633	10,200
	Individual provisions on guarantees at 31 December	**46,930**	**56,511**
	Total net impact recognised in the income statement	*-9,581*	*12,960*

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

	2014	2013
Loans and advances		
Loans and advances at amortised cost	10,320,522	10,240,261
Impairment charges	585,083	461,579
Total loans and advances at amortised cost	**9,735,439**	**9,778,682**
Loans and advances at fair value	725,527	662,488
Fair value adjustments	30,543	19,129
Total loans and advances at fair value	**756,070**	**681,617**
Total loans and advances	**10,491,509**	**10,460,298**

Of the total adjustment for credit risk on loans and advances at fair value, changes in 2014 were recognised as an expence of DKK 1m (2013: DKK 5m).

	2014	2013
Total loans and advances with objective evidence of impairment		
Individual	1,250,251	1,419,614
Carrying amount net of impairment charges	*705,608*	*984,870*
Collective	7,898,570	6,815,386
Carrying amount net of impairment charges	*7,858,130*	*6,788,551*

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
12	**Tax**		
	Tax on profit for the year	35,257	21,472
	Tax on changes in other comprehensive income	0	1,936
	Total tax	**35,257**	**23,408**
	Tax on profit for the year		
	Profit before tax	-92,154	113,868
	Current tax charge	11,743	1,270
	Change in deferred tax	23,514	18,622
	Adjustment of prior-year tax charges	0	1,580
	Total	**35,257**	**21,472**
	Effective tax rate		
	Tax rate	20.7%	18.9%
	Impairment intangible assets	-60.6%	0.0%
	Non-taxable income and non-deductible expenses	1.6%	-1.4%
	Tax on profit for the year	-38.3%	17.5%
	Adjustment on prior-year tax charges	0.0%	1.4%
	Effective tax rate	**-38.3%**	**18.9%**

No tax asset has been capitalized relating to impairment of goodwill which has a material effect on calculation of the effective tax rate.

Note		2014	2013
13	**Cash in hand and demand deposits with central banks**		
	Cash in hand	94,918	108,574
	Demand deposits with central banks	344,574	371,183
	Total	**439,492**	**479,757**
14	**Bonds at fair value**		
	Mortgage credit bonds	2,543,591	2,601,986
	Government bonds	541,704	530,893
	Corporate bonds etc.	449,383	360,392
	Bonds at fair value	**3,534,678**	**3,493,271**

All bonds form part of the Group's trading portfolio

Note		2014	2013
15	**Shares etc.**		
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	63,620	56,704
	Shares/unit trust certificates listed on other stock exchanges	112,848	100,990
	Other shares at fair value using the fair-value option	178,329	176,983
	Total shares etc.	**354,797**	**334,677**

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
16	**Assets under insurance contracts**		
	Non-life insurance		
	Reinsurers' share of provisions for unearned premiums	0	12
	Reinsurers' share of claims provisions	9,063	8,157
	Receivables from insurance contracts	62,470	65,103
	Total non-life insurance	**71,533**	**73,273**
	Maturity within 12 months	**62,470**	**65,103**
	Life insurance		
	Reinsurers' share of provisions	4,777	3,284
	Other assets	2,093	1,877
	Total life insurance	**6,870**	**5,161**
	Total Assets under insurance contracts	**78,403**	**78,434**
17	**Holdings in associates**		
	Cost at 1 January	7,825	25,400
	Additions	0	2,575
	Disposals	3,100	20,150
	Cost at 31 December	**4,725**	**7,825**
	Revaluations at 1 January	6,361	-10,525
	Share of profit	-6,736	-13
	Impairment charges during the year	0	3,100
	Reversals of revaluations	3,100	20,000
	Revaluations at 31 December	**2,726**	**6,361**
	Carrying amount at 31 December	**7,451**	**14,186**

	Income	Net profit	Total assets	Total liabilities	Total equity	Owner-ship %	The Groups share of equity
Holdings in associates 2014							
P/F Elektron	86,064	-19,782	62,914	41,373	21,541	34%	7,451
Holdings in associates 2013							
P/F Elektron	96,500	-40	72,054	38,231	33,823	34%	11,611

The information disclosed is extracted from the companies' most recent annual report (2013 and 2012).

Notes – BankNordik Group

Note DKK 1,000

18 **Intangible assets**

2014	Goodwill	Customer Relations	Longterm cost	Total
Cost at 1 January	708,913	122,574	26,020	857,508
Foreign currency translation	-5,849		-1,566	-7,415
Cost at 31 December	**703,064**	**122,574**	**24,454**	**850,093**
Amortisation and impairment charges at 1 January		-33,644	-25,724	-59,367
Amortisation charges during the year		-12,257	-278	-12,536
Impairment charges during the year	-250,007			-250,007
Foreign currency translation			1,548	1,548
Amortisation and impairment charges at 31 December	**-250,007**	**-45,901**	**-24,454**	**-320,363**
Carrying amount at 31 December	**453,057**	**76,673**	**0**	**529,730**
Amortisation period	Annual impairment test	10 years	3 years	

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 Vörður	-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	

Notes – BankNordik Group

18
(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.

The remaining amortization periods are five to six years for customer relations (2013: six to seven years) and goodwill had an indefinite life in both 2013 and 2014.

Impairment test

The BankNordik Groups goodwill with an indefinite life is at least tested annually for impairment. The Group performs an impairment test during the year if there are indications of impairment. The activities are tested on the identified cash-generating unit to which the assets have been allocated. Goodwill is allocated to the cash-generating areas Denmark, Greenland and Iceland. Customer relations are allocated to Denmark and Greenland. As discussed in note 1, the impairment test performed as of 31. December 2014 resulted in an impairment loss of DKK 200m and 50m for Denmark and Greenland respectively.

Distributable dividend model

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

At the end of 2014 the Group has tested goodwill allocated to the cash-generating areas shown below:

Goodwill:	**Denmark**	**Greenland**	**Iceland**
Carrying amount:			
Goodwill, branches	340m	63m	
Goodwill, customer relations	69m	8m	
Goodwill, Vørður			49m

Impairment test:	**Denmark**	**Greenland**	**Iceland**
Budgeting period	5 years	5 years	3 years
Required rate of return after tax	8.00	8.00	13.29
Long-term growth rate	2%	2%	3%
NPV, budgeting period	150m	32m	57m
NPV, terminal period	747m	131m	132m

Sensitivity to changes in economic assumptions

Denmark

Due to the fact that goodwill has been written down to its recoverable amount, negative changes in assumptions will result in additional impairment. The key assumptions are the internal rate, interest margin and impairment on loans. Changes in those assumptions will result in additional impairment as set out below:

	Change	Change impact on recoverable amount
Internal interest rate	+/- 0.5%	95m
Interest margin	+/- 0.1%	63m
Impairments on loans and advances	+/- 0.1%	61m

The internal interest rate applied in the budgetting period is 1,0% (2013: 2,5%).

The following assumptions may also affect the carrying amount of goodwill, but are less sensitive. A reasonably possible change to the assumptions will affect the excess value as set out below.

Fees, net	+/- 1m	12m
Costs	+/- 1m	12m
Loans and advances	+/- 50m	23m
Long-term growth rate	+/- 0.1%	13m
Discount rate	+/- 0.1%	23m

Greenland

Due to the fact that goodwill has been written down to its recoverable amount, negative changes in assumptions will result in additional impairment. The key assumptions are the internal rate, interest margin and impairment on loans. Changes in those assumptions will result in additional impairment as set out below:

	Change	Change impact on recoverable amount
Internal interest rate	+/- 0.5%	15m
Interest margin	+/- 0.1%	9m
Impairments on loans and advances	+/- 0.1%	9m

The internal interest rate applied in the budgetting period is 1,0% (2013: 2,5%).

The following assumptions may also affect the carrying amount of goodwill, but are less sensitive. A reasonably possible change to the assumptions will affect the excess value as set out below.

Fees, net	+/- 1m	10m
Costs	+/- 1m	10m
Loans and advances	+/- 50m	14m
Long-term growth rate	+/- 0.1%	2m
Discount rate	+/- 0.1%	4m

Iceland	**Change**	**Change impact on recoverable amount**
Costs	+/- 1m	7m
Insurance activities, net	+/- 1m	7m
Long-term growth rate	+/- 0.1%	2m
Discount rate	+/- 0.1%	2m

Management assesses whether probable changes in basic assumptions will lead the carrying amount of goodwill to exceed its recoverable amount.

Discount rate and long-term growth rate. pct.

Discount rate	Denmark	Greenland	Iceland
Risk free rate, after tax	0.85	0.85	6.15
Specific market risk rate, after tax	7.15	7.15	7.14
Total discount rate, after tax	8.00	8.00	13.29
Long-term growth rate, pct.:	2.0	2.0	3.0

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

In addition, for the purposes of testing goodwill for impairment, management supplements this process by comparing the discount rates with cost of capital rates produced by external sources. The group uses externally-sourced cost of capital rates where, in management's judgment, these rates reflect more accurately the current market and economic conditions. For 2014 and 2013, internal costs of capital rates were consistent with externally-sourced rates.

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

Key budgeting assumptions

Denmark

Budget area	Development	Basis for the assumption in the budget period	Change impact on recoverable amount
Interest margin	Decrease	Increasing competition estimated to result in a downward trend in the bank's lending rate relative to the deposits rate.	Negative
Fees, net	Increase	Increased focus on specific business areas estimated to result in higher income from fees, net.	Positive
Cost/income	Decrease	Continued focus on running a cost-effective business compared to estimated increase in core income.	Positive
Impairments, pct.	Decrease	Coming from a period with relatively high impairments on loans and guaranties the bank estimates a normalization of the impairments in the budgeting period.	Positive
Loans	Increase	Increased focus on growth on high quality loans estimated to result in a higher loans portfolio.	Positive
Internal interest rate	Decrease	The internal interest rate is linked to the trend in the general market rate.	Negative

Greenland

Budget area	Development	Basis for the assumption in the budget period	Change impact on recoverable amount
Interest margin	Stable	The competition is estimated to stay relatively stable during the budgeting period resulting in a stable interest margin.	None
Fees, net	Increase	Increased focus on specific business areas estimated to result in higher income from fees, net.	Positive
Cost/income	Decrease	Continued focus on running a cost-effective business compared to estimated increase in core income.	Positive
Impairments	Decrease	Coming from a period with relatively high impairments on loans and guaranties the bank estimates a normalization of the impairments in the budgeting period.	Positive
Loans	Increase	Increased focus on growth on high quality loans estimated to result in a higher loans portfolio.	Positive
Internal interest rate	Decrease	The internal interest rate is linked to the trend in the general market rate.	Positive

Iceland

Budget area	Development	Basis for the assumption in the budget period	Change impact on recoverable amount
Cost/income	Decrease	Continued focus on running a cost-effective business compared to estimated increase in core income.	Positive
Insurance income, net	Increase	Continued focus on growth is estimated to result in further growth in the insurance ncome, net.	Positive

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
19	**Investment property**		
	Fair value at 1 January	120,358	158,093
	Additions	0	12,625
	Reclassification to assets held for sale	39,000	35,223
	Disposals	15,116	2,500
	Fair value adjustment	-1,379	-12,637
	Fair value at 31 December	**64,863**	**120,358**

Rental income from investment property amounted to DKK 0.5m in 2014 (2013: DKK 0.5m). Expenses directly attributable to investment property generating rental income amounted to DKK 2.2 (2013: DKK 0.3m).

The fair value is assessed by the group's internal valuers at least once a year on 31th December on the basis of an income based approach. Valuations rely substantially on non-observable input, i.e. level 3 measures. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition. The required rate of return ranged between 5.9%-7.5% (2013: 5.0%-9.0%) and averaged 6.4% (2013: 5.8%). An increase in the required rate of return of 1.0 percentage point, would reduce fair value at end-2014 by DKK 1.8m.

Note	DKK 1,000	2014	2013
20	**Domicile property**		
	Cost at 1 January	167,495	198,128
	Additions	73,137	12,802
	Disposals	14,128	43,435
	Cost at 31 December	**226,504**	**167,495**
	Adjustments at 1 January	3,533	-2,766
	Depreciation charges during the year	1,019	892
	Reversal of depreciation charges on disposals during the year	515	403
	Revaluations recognised directly in equity	0	10,756
	Impairments, recognised as cost previous years	14,050	3,968
	Adjustments at 31 December	**-11,022**	**3,533**
	Carrying amount at 31 December	**215,483**	**171,028**

Tangible assets include domicile property of DKK 215m (2013: DKK 171m). The cost price of domicile property was revalued according to IFRS in 2008. Carrying amount at 31 December if the property had not been revalued is DKK 174m.
If indications of impairment exist, domicile property is written down to the lower of the carrying amount and its value in use. The properties are valued individually by the goups internal valuers on the basis of the rate of return used for investment property disclosed in note 22. At the end of 2014, the fair value of domicile property was DKK 230m (2013: DKK 174m). The required rate of return is 5.5%-9.0% (2013: 5-9%). The depreciation period is 50 years.

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
21	**Other property, plant and equipment**		
	Cost at 1 January	89,978	79,746
	Additions	14,636	10,692
	Disposals	1,778	1,161
	Foreign currency translation	-752	701
	Cost at 31 December	**102,083**	**89,978**
	Depreciation and impairment charges at 1 January	64,523	55,450
	Depreciation charges during the year	9,082	9,605
	Reversals of depreciation and impairment charges	1,566	1,060
	Foreign currency translation	-554	528
	Depreciation and impairment charges at 31 December	**71,485**	**64,523**
	Carrying amount at 31 December	**30,598**	**25,455**

The depreciation period is 3-5 years.

Note		2014	2013
22	**Deferred tax**		
	Deferred tax assets	27,431	44,589
	Deferred tax liabilities	86,189	79,129
	Deferred tax, net	**58,758**	**34,540**

Change in deferred tax		Foreign currency translation	Included in profit for the year	Included in sherholders' equity	
2014	At 1 Jan.				At 31 Dec.
Intangible assets	78,454		40,943		119,397
Tangible assets	9,057		-4,144		4,913
Securities	-527		0		-527
Provisions for obligations	-63		-1		-64
Tax loss carryforwards	-51,914	704	-13,242		-64,453
Other	-467		-42		-509
Total	**34,540**	**704**	**23,514**	**0**	**58,758**

Adjustment of prior-year tax charges included in preceding item

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	-34,126	-1,894	-15,894		-51,914
Other	-1,073		607		-467
Total	**15,876**	**-1,894**	**18,622**	**1,936**	**34,540**

Adjustment of prior-year tax charges included in preceding item

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
23	**Assets held for sale**		
	Total purchase price at 1 January	66,073	34,025
	Additions	9,108	7,614
	Reclassification from investment properties	39,000	35,223
	Disposals	59,858	10,789
	Total purchase price at 31 December	**54,322**	**66,073**
	Impairment at 1 January	7,905	8,214
	Impairment charges for the year	86	1,870
	Reversal of impairment on disposals and write offs during the year	5,439	2,179
	Impairment at 31 December	**2,551**	**7,905**
	Total assets held for sale at 31 December	**51,771**	**58,168**
	Specification of assets held for sale		
	Real property taken over in connection with non-performing loans	51,206	58,100
	Other tangible assets taken over in connection with non-perf. loans	565	68
	Total	**51,771**	**58,168**

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.

Profits from sale of real property and tangible assets taken over in connection with non-performing loans are recognised under the item “Other operating income”. The Group’s real estate agency is responsible for selling the real property.

Apartments in the real property project “Gráisteinur” are measured to sale price. Fair value of other assets is assessed by the group’s internal valuers.

Fair value hierarchy for assets held for sale	**2014**	**2013**
Quoted prices	39,000	35,223
Observable inputs	12,771	22,945
Non-observable inputs	0	0

Note		2014	2013
24	**Other assets**		
	Interest and commission due	46,661	48,361
	Derivatives with positive fair value	49,640	53,956
	Other amounts due	55,887	59,065
	Total	**152,188**	**161,382**

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
25	**Liabilities under insurance contracts**		
	Non-life insurance		
	Provisions for unearned premiums	114,389	114,741
	Claims provisions	245,512	254,176
	Total	**359,901**	**368,917**
	Life insurance		
	Life insurance provisions	3,090	2,748
	Other technical provisions	3,867	3,491
	Total provisions for insurance contracts	**6,957**	**6,239**
	Total	**366,858**	**375,155**

Information regarding run-off gains and losses are illustrated in note 36

Note	DKK 1,000	2014	2013
26	**Other liabilities**		
	Sundry creditors	83,682	93,363
	Accrued interest and commission	53,246	52,853
	Derivatives with negative value	97,486	69,431
	Accrued staff expenses	52,921	55,245
	Debt regarding sale of investment assets	38,037	52,355
	Other obligations	23,976	51,467
	Total	**349,348**	**374,714**

27 **Subordinated capital**

		Cur-rency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2014	2013
Subordinated capital	a	DKK	P/F BankNordik	270,000	8.383%	2011	6/24/2021	No	100	273,640	275,216
Hybrid core capital	b	DKK	P/F BankNordik	63,138	10.295%	2009	Perpetual	Yes	100	0	62,240
Hybrid core capital	c	DKK	P/F BankNordik	180,000	10.383%	2011	Perpetual	No	100	185,040	187,990
At 31 December				**513,138**						**458,680**	**525,445**

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

Fair value adjustments of hedged capital are at year-end 2014 DKKt 11,560 (year-end 2013: DKKt 16,867). As the capital is hedged the fair value adjustments have no effect on the income statement. Of the subordinated capital 150m is not hedged.

Term of maturity of the hedging instruments is June 2016.

Subordinated capital is included in the total capital in accordance with section 128 of the Faroese Financial Business Act and applicable executive orders.

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

Notes – BankNordik Group

Note DKK 1,000

Note		2014	2013
28	**BankNordik shares**		
	Net profit	**-127,411**	**92,396**
	Average number of shares outstanding	9,863	9,863
	Average number of shares outstanding, including dilutive shares diluted	9,863	9,863
	Earnings per share, DKK	-12.92	9.37
	Diluted net profit for the period per share, DKK	**-12.92**	**9.37**

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

Average number of shares outstanding:		
Issued shares at 1 January, numbers in 1,000	10,000	10,000
Issued shares at end of period	10,000	10,000
Shares outstanding at end of period	9,863	9,863
Group's average holding of own shares during the period	137	137
Average shares outstanding	**9,863**	**9,863**

Holding of own shares	Number 2014	Number 2013	Value 2014	Value 2013
Investment portfolio	27,245	27,245	2,847	3,487
Trading portfolio	109,997	109,997	11,495	14,080
Total	**137,242**	**137,242**	**14,342**	**17,567**

	Investment portfolio	Trading portfolio	Total 2014	Total 2013
Holding at 1 January	3,487	14,080	17,567	10,430
Acquisition of own shares	0	18,903	18,903	13,865
Sale of own shares	0	18,903	18,903	13,878
Value adjustment	-640	-2,585	-3,225	7,149
Holding at 31 December	**2,847**	**11,495**	**14,342**	**17,567**

Notes – BankNordik Group

Note	DKK 1,000	2014	2013
29	**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 on the balance sheet.		
	Guarantees		
	Financial guarantees	286,094	149,765
	Mortgage finance guarantees	423,022	417,194
	Registration and remortgaging guarantees	469,335	242,915
	Other guarantees	836,636	917,556
	Total	**2,015,087**	**1,727,430**

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 2014, such unused credit facilities amounted to DKK 2.7bn (2013: DKK 2.6bn). Furthermore the Group has granted irrevocable loan commitments amounting to DKK 359m.

In total operational leasing (rent) liabilities amount to 31.0m (2013: DKK 36.1). Renting contracts for an amount of DKK 10.1m (2013: DKK 10.5) have a 12 months term of notice. Renting contracts for an amount of DKK 20.9m (2013: DKK 24.0m) have a term of notice from 1 to 5 years. Renting contracts for an amount of DKK 0.0m (2013: DKK 1.6m) have a term of notice of more than 5 years.

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

30 **Assets deposited as collateral**

At the end of 2014 the Group had deposited bonds at a total market value of DKK 24m (2013: DKK 289m) with Danmarks Nationalbank (the Danish Central Bank) primarily in connection with cash deposits.

At the end of 2014 the Group had deposited bonds and cash at a total market value of DKK 43m (2013: DKK 39m).

Notes – BankNordik Group

Note DKK 1,000

31 **Related parties**

DKK 1.000	Parties with significant influence 2014	2013	Associated undertakings 2014	2013	Board of Directors 2014	2013	Excecutive Board 2014	2013
Assets								
Loans			9,832	51,681	8,527	8,177	1,890	2,792
Total			**9,832**	**51,681**	**8,527**	**8,177**	**1,890**	**2,792**
Liabilities								
Deposits	4,739	2,971	963	2,668	997	1,518	457	1,281
Total	**4,739**	**2,971**	**963**	**2,668**	**997**	**1,518**	**457**	**1,281**
Off-balance sheet items								
Guarantees issued				3,405				
Guarantees and collateral received				13,063	8,362		1,684	2,412
Income Statement								
Interest income	0	0	549	3,766	378	338	83	157
Interest expense	21	18	0	12	8	52	6	19
Fee income	2	1	15	79	2	23	1	5
Total	**-19**	**-17**	**563**	**3,834**	**372**	**309**	**78**	**144**

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 17 lists associated undertakings.

In 2014 interest rates on credit facilities granted to associated undertakings were between 2.28%-17.35% (2013: 5.27%-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 2014 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 8 specifies the remuneration and note 32 specifies shareholdings of the management.

P/F BankNordik acts as the bank of 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 shares (5% or more of BankNordiks share capital) on the basis of the most recent reporting of holdings to the Bank.

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

Notes – BankNordik Group

Note

32 **Holdings of the Board of Directors and the Executive Board**

Board of directors	Beginning of 2014	Additions	Disposals	End of 2014
Klaus Rasmussen	18,147	1,793		19,940
Jens Erik Christensen	1,161			1,161
Niels Vestermark	500	500		1,000
Nils Sørensen	302			302
Mette Dahl Christensen (Until March 2014)	51			51
Tórhallur Olsen (From March 2014)	927			927
Kenneth M. Samuelsen	2,419			2,419
Total	**23,507**	**2,293**		**25,800**

Executive Board	Beginning of 2014	Additions	Disposals	End of 2014
Janus Petersen	15,756			15,756
John Rajani (from 1 March 2011)	3,052			3,052
Total	**18,808**			**18,808**

The executive board is participating in a shared-based programme with shareoption totalling 46.619 shares. Please refer to note 8 for further information

33 **Financial instruments at fair value**

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

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

Notes – BankNordik Group

Note DKK 1,000

2014

33 **Financial assets and liabilities at fair value**

(Cont'd)

	Quoted prices	Observable input	Non-observable input	Total
Financial assets held for trading				
Bonds at fair value	3,534,678			3,534,678
Shares, etc.	176,468			176,468
Derivatives with positive fair value		49,640		49,640
Total	**3,711,146**	**49,640**		**3,760,786**
Financial assets designated at fair value				
Loans and advances at fair value		756,070		756,070
Shares, etc.		144,507	33,822	178,329
Total		**900,577**	**33,822**	**934,399**
Finansial assets at fair value	**3,711,146**	**950,217**	**33,822**	**4,695,186**
Financial liabilities held for trading				
Derivatives with negative fair value		97,486		97,486
Total		**97,486**		**97,486**
Financial liabilities designated at fair value				
Subordinated debt		311,560		311,560
Total		**311,560**		**311,560**
Finansial liabilities at fair value		**409,045**		**409,045**

2013

Financial assets and liabilities at fair value

	Quoted prices	Observable input	Non-observable input	Total
Financial assets held for trading				
Bonds at fair value	3,493,271			3,493,271
Shares, etc.	157,694			157,694
Derivatives with positive fair value		53,956		53,956
Total	**3,650,965**	**53,956**		**3,704,922**
Financial assets designated at fair value				
Loans and advances at fair value		681,617		681,617
Shares, etc.		143,022	33,961	176,983
Total		**824,638**	**33,961**	**858,600**
Finansial assets at fair value	**3,650,965**	**878,594**	**33,961**	**4,563,521**
Financial liabilities held for trading				
Derivatives with negative fair value		69,431		69,431
Total		**69,431**		**69,431**
Financial liabilities designated at fair value				
Subordinated debt		316,867		316,867
Total		**316,867**		**316,867**
Finansial liabilities at fair value		**386,297**		**386,297**

Notes DKK 1,000

33 (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 input category. The category covers derivatives and loans and advances at fair value, valued on the basis of observable yield curves or exchange rates. Furthermore the category covers sector shares with price-fixing-agreements according to the articles of association. Other financial assets are recognised in the Non-observable input. This category covers other unlisted shares.

At 31 December 2014 financial assets valued on the basis of non-observable input comprised unlisted shares of DKK 34m (2013: DKK 34m). In 2014, the Group recognised unrealised value adjustments of unlisted shares valued on the basis of non-observable input in the amount of DKK 6m (2013: DKK 1m). A 10% increase or decrease in fair value of unlisted shares would amount to DKK 3m (2013: DKK 3m).

	2014	2013
Financial instruments at fair value valued on the basis of non-observable input		
Fair value at 1 January	33,961	32,586
Value adjustments through profit or loss	5,952	1,375
Acquisitions	2,095	0
Disposals	8,186	0
Fair value at 31 December	**33,822**	**33,961**

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

Notes – BankNordik Group

Note DKK 1,000

33 **Financial instruments at amortised cost**

(Cont'd) The vast majority of amounts due to the Group, loans, advances, and deposits may not be assigned without the consent of customers, and an active market does not exist for such financial instruments. Consequently, the Group bases its fair value estimates on data showing changes in market conditions after the initial recognition of the individual instruments, and thus affecting the price that would have been fixed if the terms had been agreed at the balance sheet data. Other people may make other estimates. The Group discloses information about the fair value of financial instruments at amortised cost on the basis of the following 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
- of the subordinated debt totalling 459m, subordinated debt of 147m is not hedged and is recognised at amortised cost

Financial instruments at amortised cost	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Financial assets				
Cash in hand and demand deposits with central banks	439,492	439,492	479,757	479,757
Due from credit institutions and central banks	521,276	521,276	824,289	824,289
Loans and advances at amortised cost	9,735,439	9,735,439	9,778,682	9,778,682
Assets under insurance contracts	78,403	78,403	78,434	78,434
Total	**10,774,609**	**10,774,609**	**11,161,162**	**11,161,162**
Financial liabilities				
Due to credit institutions and central banks	591,347	591,347	1,290,408	1,290,408
Deposits and other debt	12,603,533	12,603,533	12,192,748	12,192,748
Liabilities under insurance contracts	366,858	366,858	375,155	375,155
Subordinated debt	147,120	147,120	208,579	208,579
Total	**13,708,858**	**13,708,858**	**14,066,889**	**14,066,889**

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

Notes – BankNordik Group

Note DKK 1,000

34	Group holdings and undertakings	Share capital	Functional currency	Net profit	Shareholders' equity	Share capital %
	P/F BankNordik	200,000	DKK	-127,411	1,991,582	100%
	Insurance companies					
	P/F Trygd	40,000	DKK	12,521	88,160	100%
	Vörður Tryggingar hf	39,764	ISK	18,523	137,847	100%
	Real estate agency					
	P/F Skyn	4,000	DKK	1,578	3,810	100%
	Venture company					
	P/F Birting	1,000	DKK	-39	7,799	100%
	Group holdings recognised under assets held for sale and investment properties					
	Sp/f Íbúðir undir Gráasteini (at the end of 2013)	125	DKK	-19,692	-61,537	0%

Notes – BankNordik Group

Note DKK 1.000

35 **Reconciliations of changes in insurance liabilities**

	2014		2013	
	Non-life	Life	Non-life	Life
Unearned premium provisions	114,389	3,867	114,741	3,491
Outstanding claims provisions	245,512	3,090	254,176	2,748
Liabilities under insurance contracts, year-end	**359,901**	**6,957**	**368,917**	**6,239**
Unearned premium provisions				
Beginning of year	114,741	3,491	105,866	2,561
Foreign currency translation	-5,433	-210	5,697	182
Premiums received	316,066	9,409	315,606	8,150
Premiums recognised as income	-310,985	-8,823	-312,428	-7,402
Unearned premium provisions, year-end	**114,389**	**3,867**	**114,741**	**3,491**
Outstanding claims provisions				
Beginning of year	254,176	2,748	227,808	3,534
Foreign currency translation	-12,311	-165	13,373	251
Claims paid regarding current year	-108,870	-1,317	-96,394	-992
Claims paid regarding previous years	-107,569	0	-107,845	-1,220
Change in claims regarding current year	190,976	1,843	189,712	645
Change in claims regarding previous years	29,111	-19	27,521	530
Outstanding claims provisions, year-end	**245,512**	**3,090**	**254,176**	**2,748**

Reconciliations of changes in insurance assets	2014		2013	
	Non-life	Life	Non-life	Life
Reinsurers' share of premium provisions	0	1,919	12	0
Reinsurers' share of claims provisions	9,063	2,857	8,157	3,284
Receivables from insurance contracts and reinsurers	62,470	2,093	65,103	1,877
Reinsurers' share of insurance contracts, year-end	**71,533**	**6,870**	**73,273**	**5,161**
Reinsurers' share of premium provisions				
Beginning of year	12	0	288	1,266
Foreign currency translation		0	0	90
Premiums ceded	-5,254	-2,789	-4,563	-1,722
Payments to reinsurers	5,242	4,708	4,287	366
Reinsurers' share of premium provisions, year-end	**0**	**1,919**	**12**	**0**
Reinsurers' share of claims provisions				
Beginning of year	8,157	3,284	20,593	1,813
Foreign currency translation	-382	-277	1,219	128
Claims ceded	-1,536	-1,140	-15,363	-1,227
Payments received from reinsurers	2,825	990	1,707	2,571
Reinsurers' share of claims provisions, year-end	**9,063**	**2,857**	**8,157**	**3,284**

Note

Risk Management

36

(cont'd)

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 2014 contain further information about the Group's approach to risk management. The Risk Management Report 2014 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 in P/f BankNordik shows the difference between the carrying amount of shareholders' equity and the core capital. BankNordik's subordinated debt may, subject to certain conditions, be included in the total capital. Note 27 to the financial statements show the P/F BankNordik's subordinated debt.

At year-end 2013, the Bank's core capital and solvency ratios were 12.8% and 14.7%, respectively. At the end of 2014, the core capital and solvency ratio were 12.9% and 14.8%, 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.

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

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

Credit exposure
The credit exposure generated by lending activities

Risk exposure concentrations

Table 1

(DKKm)	2014 DKKm	2014 In %	2013 DKKm	2013 In %
Public authorities	498	3.0%	578	3.6%
Corporate sector:				
Agriculture and farming, others	89	0.5%	115	0.7%
Aquaculture	153	0.9%	142	0.9%
Fisheries	395	2.4%	461	2.9%
Manufacturing industries, etc.	680	4.1%	567	3.6%
Energy and utilities	287	1.7%	322	2.0%
Building and construction, etc.	487	3.0%	521	3.3%
Trade	1,637	10.0%	1,361	8.6%
Transport, mail and telecommunications	676	4.1%	570	3.6%
Hotels and restaurants	42	0.3%	47	0.3%
Information and communication	103	0.6%	98	0.6%
Property administration, etc.	1,256	7.6%	1,202	7.6%
Financing and insurance	373	2.3%	416	2.6%
Other industries	682	4.2%	707	4.4%
Total corporate sector	**6,860**	**41.9%**	**6,529**	**41.0%**
Personal customers	9,066	55.2%	8,807	55.3%
Total	**16,423**	**100.0%**	**15,913**	**100.0%**
Credit institutions and central banks	961		1,304	
Total incl. credit institutions and central banks	**17,384**		**17,217**	

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.

Exposures related to trading and investment activities

Table 2

(DKKm)	2014	2013
Bonds at fair value	3,535	3,493
Derivatives with positive fair value	50	54
Total credit risk	3,585	3,547
Equity	355	335
Total	**3,939**	**3,882**

Credit exposure relating to lending activities
Table 1 breaks down the Group's credit exposure in its core banking activities by sector.

Exposures in fisheries were DKK 395m. This represents 2.4% of total exposures. DKK 153m was related to the aquaculture industry. This represents 0.9% of total exposures.

No single industry exceeded 10% of total exposures.

Credit exposure broken down by geographical area
The Bank's loans are mainly granted to domestic 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)	2014					2013				
	Exposures	in%	Loan/Credits	Guarantees	Unused credits	Exposures	in%	Loan/Credits	Guarantees	Unused credits
Faroe Islands	7,475	46%	5,967	703	805	7,344	46%	6,035	642	667
Denmark	7,734	47%	4,843	907	1,984	7,114	45%	4,476	641	1,997
Greenland	1,214	7%	680	336	198	1,455	9%	837	363	255
Total	**16,423**	**100%**	**11,489**	**1,947**	**2,988**	**15,913**	**100%**	**11,348**	**1,646**	**2,919**

Quality of loan portfolio excl. financial institutions 2014

Table 4

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

Quality of loan portfolio excl. financial institutions 2013

		> 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**

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, 95.4% of total exposures are individually classified.

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

Concentration risk

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

Under section 145 of the Faroese Financial Business Act, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the total capital. The Group submits quarterly reports to the Danish FSA on its compliance with these rules. In 2014, none of the Group's exposures exceeded these limits.

The Bank has some customers with exposures exceeding 10% of the total capital all of which are classified 2a5 and 2b15.

The Bank's long-term goal is to have no exposures in excess of 10%. 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, including collateral in the form of tangible assets, netting

Credit exposure and collateral for 2014

Table 5

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

Credit exposure and collateral for 2013

(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%

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 (67%), ships/aircraft (7%) and motor vehicles (3%). In addition to guarantees provided by owners or, in the Danish market, by floating charge.

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

Table 5 shows the Bank's total credit exposure and the collateral for the loans granted divided into personal, corporate and the public sector. Unsecured exposures accounted for 44% of personal exposures and 43% of corporate exposures. The largest part of the Bank's credit is granted against collateral in real estate.

As shown in table 6, DKK 20m is more than 90 days past due.

According to IAS 39, OEI (Objective evidence of impairment) of a financial asset may appear before default, for example when a debtor is found to be in ma-

Distrubution of past due amount

Table 6

(DKKm)	2014 Exposure	2014 Past due total	2014 Past due > 90 days	2014 Total balance with past due	2013 Exposure	2013 Past due total	2013 Past due > 90 days	2013 Total balance with past due
Portfolio without weakness (3, 2a5)	7,460	26	1	1,150	7,168	30	2	1,535
Portfolio with some weakness (2b15, 2b30)	5,808	71	2	1,761	4,865	36	5	1,354
Portfolio with weakness (2c50)	627	8	5	178	677	8	2	275
Portfolio with impairment/provision (1)	1,773	40	11	645	1,852	42	9	752
Portfolio without individual classification	755	4	1	89	1,351	7	2	212
Total	**16,423**	**149**	**20**	**3,822**	**15,913**	**124**	**19**	**4,127**
Past due in % of exposure		0.90%	0.12%			0.78%	0.12%	

Exposures and individual impairments by sector				Table 7
(DKKm)	2014		2013	
	Exposure	Impair-ments./ Provisions	Exposure	Impair-ments./ Provisions
Public	498	-	578	-
Private	9,066	276	8,807	216
Corporate	6,860	315	6,529	275
Total	**16,423**	**591**	**15,913**	**491**
In % of total exposure		3.6%		3.1%

jor 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 2014 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.

Loans and advances specified by maturity		Table 8
(DKKm)	2014	2013
On demand	311	728
3 months and below	661	905
3 months to 1 year	1,630	1,437
Over 1 year to 5 years	3,887	3,381
Over 5 years	4,003	4,008
Total loans and advances	**10,492**	**10,460**

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

Specification of individual and collective impairments				Table 9
	2014		2013	
DKKm	Individual impair-ments/provisions	Impairments from acquired portfolio	Individual impair-ments/provisions	Impairments from acquired portfolio
Individual impairments:				
Faroe Islands	231		202	
Denmark	336	363	272	410
Greenland	24	1	17	0
Total individual impairments	591	364	491	410
Collective impairments:				
Faroe Islands	24		19	
Denmark and Greenland	16	1	7	2
Total collective impairments	40	1	27	2
Total impairments	**632**	**365**	**518**	**412**

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.

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 bimonthly the Bank's Investment Working Group receives an update containing a recommendation on strategic asset allocation on about a 12-month horizon.

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 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.

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

Market risk

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

- All equity prices fall by 10%.
- All currencies change by 10% (EUR by 2.25%)
- Upwards parallel shift of the yield curve of 100 bp.

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	2014	% of Core Capital	2013	% of Core Capital
Equity risk DKKm (+/-)	10%	35	2.3%	34	2.3%
Exchange risk DKKm (+/-) EUR	2.25%	0	0.0%	0	0.0%
Exchange risk DKKm (+/-) Other currencies	10%	26	1.7%	22	1.5%
Interest rate risk DKKm (parallel shift)	100 bp	47	3.0%	68	4.6%

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

Interest rate risk

The Group's policy is to invest most of its excess liquidity in 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 in EUR is mainly from corporate bonds.

Interest rate risk broken down by Currency		Table 11
(DKKm)	2014	2013
DKK	21	48
ISK	15	16
EUR	11	4
Other	0	0
Interest rate risk	47	68

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. We have hedged most of the exchange risk in EUR, as can be seen in table 10. In contrast we do have an exposure in interest risk in EUR, as can be seen in table 11.

Foreign exchange position		Table 12
(DKKm)	2014	2013
Assets in foreign currency	269	229
Liabilities and equity in foreign currency	0	0
Exchange rate indicator 1	269	229

The Group's exchange rate risk mainly stems from:

- Customer loans / deposits in foreign currency
- Treasury's positions in foreign currency

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	2014	2013
Shares/unit trust certificates listed on the Copenhagen Stock Exchange	64	57
Shares/unit trust certificates listed on other stock exchanges	113	101
Other shares at fair value based on the fair-value option	178	177
Total shares etc.	**355**	**335**

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
- a lack of funding of new activities
- a lack of funding to meet the Group's commitments

The Board of Directors has defined the Bank's liquidity limits for the daily operational level and for budgeting plans.

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. Solid ratings are a prerequisite for ensuring a fair price in the market. Hence BankNordik's policy is to invest a majority of the liquidity 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.

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.

Rating af bonds — Table 14

	2014	2013
Aaa	62%	72%
Aa1-A3	13%	14%
Baa1-Baa3	16%	9%
Other	9%	5%

Twelve-month liquidity

The Bank's 12-month funding requirements are based on projections for 2014, which were revised in December taking the market outlook into account.

Structural liquidity risk

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

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

Remaining maturity

Table 15

2014	0-1 months	1-3 months	3-12 months	More than 1 year	Without fixed maturity	Total
Cash in hand and demand deposits with central banks	339,128	-	-	-	-	339,128
Due from Credit institution	525,187	1,178	876	19,962		547,203
Loans and advances	312,477	666,962	1,679,823	11,097,233		13,756,495
Bonds and Shares	497,125	449	508,479	3,225,601		4,231,654
Derivatives	2,578	11,447	24,991	2,634		41,650
Other Assets	220,539	77,261	-	183,718	529,730	1,011,249
Total assets	**1,897,034**	**757,297**	**2,214,169**	**14,529,149**	**529,730**	**19,927,379**
Due to credit institutions and central banks	54,830	648	2,914	337,879		396,270
Deposits	8,607,634	2,426,269	211,428	1,477,158		12,722,489
Derivatives	3,121	6,199	71,282	13,947		94,549
Other liabilities	187,057	146,821	119,034	217,615	131,481	802,008
Provisions for liabilities				136,552		136,552
Subordinated debt	3,443	6,887	30,991	542,231	185,040	768,593
Equity					**1,999,195**	**1,999,195**
Total	**8,856,085**	**2,586,823**	**435,649**	**2,725,382**	**2,315,715**	**16,919,655**
Off-balance sheet items						
Guarantees, etc.	40,642	84,932	336,532	1,552,982		2,015,087
Other commitments						
Total	**40,642**	**84,932**	**336,532**	**1,552,982**		**2,015,087**

2013						
Cash in hand and demand deposits with central banks	479,757					479,757
Due from Credit institution	805,756	195	876	19,799		826,626
Loans and advances	731,748	913,882	1,485,866	10,672,426		13,803,921
Bonds	217,392	111,100	57,149	3,107,630		3,493,271
Shares	161,807			172,871		334,677
Bonds and Shares	379,198	111,100	57,133	3,191,220		3,738,651
Derivatives		3,568	8,101	42,287		53,956
Other Assets	271,729	6,578	61,373	389,773	798,141	1,527,593
Total assets	**2,668,188**	**1,035,323**	**1,613,366**	**14,404,785**	**798,141**	**20,519,802**
Due to credit institutions and central banks	290,731	648	2,914	1,037,879		1,290,408
Deposits	8,296,364	1,651,986	432,052	1,855,082		12,192,748
Derivatives	3,054	9,441	56,936			69,431
Other liabilities	286,315	37,964	221,656	151,460		697,394
Provisions for liabilities				153,139		153,139
Subordinated debt	3,443	6,887	30,991	543,807	250,230	525,445
Equity					**2,155,998**	**2,003,037**
Total	**8,879,907**	**1,706,925**	**744,548**	**3,741,366**	**2,406,227**	**17,478,974**
Off-balance sheet items						
Guarantees, etc.	24,814	106,136	111,242	1,485,237		1,727,430
Other commitments						
Total	**24,814**	**106,136**	**111,242**	**1,485,237**		**1,727,430**

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

Funding sources
The Group monitors its funding mix to make sure that there is a satisfactory diversification between deposits, equity, hybrid capital, and loans from the financial markets.

In 2014 the bank has made early repayment of Subordinated debt of 63m. For further information see note 27.

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 2014 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 2014, this collateral amounted to DKK 24m.

In September 2012 the bank obtained a loan from the Danish Central bank of DKK 1bn with customer loans as collateral. BankNordik prepaid the loan in 2014, and hence there are no pledged loans at year end 2014.

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. The Risk manager ensures that all control and reporting is performed according to regulations and internal business orders.

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

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

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

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

Insurance Risk

Insurance risk in the Group consists mostly of non-life insurance risk. The Group has two non-life insurance companies: Trygd and Vörður, both wholly owned . Vörður holds a 100 %-stake in life insurance company Vörður 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 consentration 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 Vörður's equity. This is done with statistical spread of risks and accumulation of funds, quantified by statistical methods, to meet these obligations.

The Group has defined internal procedures to minimise the possible loss regarding insurance liabilities. Trygd and Vörður 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 Vörður 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.

Distrubution of portfolio of Vörður and Trygd — Table 16

(in %)	2014	2013
Commercial lines	40%	40%
Personal lines	60%	60%

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

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

Financial assets linked to insurance risk — Table 17

(mDKK)	2014	2013
Listed securities on stock exchange	370	328
Accounts receivable (total technical provisions)	66	65
Cash and cash equivalents	153	151
Total	**588**	**544**
Technical provisions, short term	380	373

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

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

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

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

Trygd has organised a reinsurance programme which ensures that e.g. large natural disasters and significant individual claims do not compromise Trygd´s ability to meet its obligations. For large natural disasters, the total cost to Trygd will amount to a maximum of DKK 15m. The reinsurance program is reviewed once a year and approved by the Board of Directors. Trygd uses reputable reinsurance companies with good ratings and financial positions.

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

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

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

8.3 Vörður insurance

Vörður 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 Vörður. The Board of Directors reviews its risk management and ORSA policy annually.

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

Run-off gains/losses in Trygd Table 18

(mDKK)

Sector:	2014	2013	2012	2011	2010
Industry	1.95	-1.31	-4.9	1.66	0.92
Private	-0.18	0.96	0.48	0.63	-0.59
Accidents	-0.07	-0.10	0	0.02	-0.09
Automobile	0.99	0.86	2.8	2.54	1.30
Total	**2.69**	**0.41**	**-1.62**	**4.84**	**1.53**

"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.

Insurance risk

Correct pricing is set in rating tariffs based on analysis of historical experience within the relevant portfolio. The Claims Department issues a monthly report setting out both frequency and value of losses within the portfolios and enabling early warning of any adverse changes. Tariffs, deductibles and / or insurance conditions are adjusted to meet developments in losses.

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

Vörður Tryggingar hf. does write a few policies which include natural disaster risk. Vörður covers ships against natural catastrophes but that exposure is fully and specifically reinsured with a maximum exposure of approx. ISK 50 m.

Run-off gains/losses in Vörður Table 19

(DKKm)

Sector:	2014	2013	2012	2011	2010
Automobile	6.13	2.43	-2.38	4.85	-3.54
Other sectors	2.76	3.72	3.16	-2.98	-9.75
Total	**8.90**	**6.15**	**0.78**	**1.87**	**-13.29**

As for storm coverage in relation to possible exposure, Vörður's standard property reinsurance with a limit of ISK 2,000 m 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.

Currency risk

Vörður 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 Vörður 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, Vörður 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 19. The table also illustrates the expected cash flow from insurance provisions.

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.

Vörður has an emergency plan for how to react if the company's offices are hit by a natural disaster as well as security arrangements such as off-site access to the data banks storing the operational back-ups. This plan is reviewed once a year.

The Claims Department monitors court rulings in areas affecting the insurance operations for possible changes or clarification of legal principles which might result in added exposure for the company. 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.

8.4 Vörður Life

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

Vörður 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.

Table 20

Contractual maturity for the insurance segment

2014	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	380,260					380,260
Reinsurance assets		4,255				4,255
Accounts receivables		65,694				65,694
Restricted cash		7,059	13,023			20,083
Cash and cash equivalents	152,799					152,799
Total financial assets	**533,059**	**77,009**	**13,023**			**623,091**
Liabilities						
Technical provision	17,102	96,104	107,736	154,829	9,977	385,747
Account payable	5,032	11,571	3,659			20,262
Total financial liabilities	**22,134**	**107,676**	**111,395**	**154,829**	**9,977**	**406,010**
Assets - liabilities	**510,925**	**-30,667**	**-98,372**	**-154,829**	**-9,977**	**217,081**

Contractual maturity for the insurance segment

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**

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

Note

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

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Highlights

DKK 1,000	2014	2013	*Index 14/13*	2012	2011	2010
Net interest income	508,390	574,032	*89*	613,265	547,005	479,520
Net fee and commision income	182,831	174,265	*105*	184,893	127,901	92,846
Net interest and fee income	698,708	756,028	*92*	808,552	680,654	589,019
Net insurance income	76,035	69,427	*110*	80,975	54,351	54,660
Interest and fee income and income from insurance activities, net	774,743	825,455	*94*	889,527	735,006	643,679
Market value adjustments	19,831	22,017	*90*	19,369	9,761	16,914
Other operating income	43,721	63,547	*69*	39,029	26,862	420,528
Staff cost and administrative expenses	514,152	543,390	*95*	641,300	597,263	456,629
Amortisation, depreciation on fixed assets and impairment charges	273,135	27,582	*990*	27,293	21,178	15,451
Impairment charges on loans and advances etc.	111,014	178,234	*62*	148,169	100,806	200,233
Net profit	-127,411	92,396	*-138*	103,073	31,971	312,743
Loans and advances	10,491,509	10,460,299	*100*	11,302,702	11,768,892	8,674,663
Bonds at fair value	3,534,678	3,493,271	*101*	2,881,904	2,508,938	3,497,466
Intangible assets	529,730	798,141	*66*	807,268	801,957	407,732
Assets held for sale	51,771	58,168	*89*	25,811	168,980	160,794
Total assets	16,535,501	17,084,562	*97*	17,608,966	17,086,357	14,243,358
Due to credit institutions and central banks	591,347	1,290,408	*46*	1,288,052	329,316	245,249
Deposits and other debt	12,603,533	12,192,748	*103*	12,745,653	13,032,047	8,843,972
Issued bonds at amortised cost	0	0		0	98,276	2,199,843
Total shareholders' equity	1,999,195	2,155,998	*93*	2,053,362	1,957,695	2,013,480

Ratios and key figures

	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Solvency	**2014**	**2013**	**2012**	**2011**	**2010**
Solvency ratio, %	14.8	14.7	14.8	15.6	17.0
Core capital ratio, %	12.9	12.8	12.9	12.4	17.2
Core capital ratio excl. hybrid core capital, end of period, %	11.8	10.6	9.6	9.1	15.2
Risk-weighted Items, DKKm	11,943	11,511	11,902	12,313	10,080
Profitability					
Return on equity before tax, %	-4.4	5.4	6.1	1.6	20.9
Return on equity after tax, %	-6.1	4.4	5.1	1.6	17.0
Income / Cost ratio	0.9	1.1	1.1	1.0	1.5
Cost / income, % (excl. value adjustm. and impairments)	100.1	69.0	73.1	84.0	47.1
Market risk					
Interest rate risk, %	3.0	4.8	1.5	2.3	3.1
Foreign exchange position, %	8.6	7.1	17.3	8.7	24.6
Liquidity					
Loans and advances plus impairment charges as % of deposits	88.2	89.6	91.5	92.9	101.9
Excess cover relative to statutory liquidity requirements, %	182.2	178.0	152.6	115.3	292.9
Credit risk					
Large exposures as % of capital base	81.1	52.2	36.3	23.3	22.8
Impairment and provisioning ratio, %	4.8	4.1	3.0	2.7	3.2
Write-off and impairments ratio, %	0.8	1.4	1.1	0.7	1.9
Share of amounts due on which interest rates have been reduced, %	1.6	2.0	1.7	1.9	1.6
Growth on loans and advances, %	0.3	-7.5	-4.0	35.7	25.0
Shares					
Earnings per share after tax, DKK	-12.9	9.4	10.5	3.2	32.2
Book value per share, DKK	202.7	218.6	208.2	198.5	210.0
Proposed dividend per share, DKK	2.0	1.5	1.0	0.0	4.0
Market price per share, DKK	104.5	128.0	76.0	78.8	144.0
Market price / earnings per share, DKK	-8.1	13.7	7.3	24.4	4.5
Market price / book value per share, DKK	0.5	0.6	0.4	0.4	0.7
Other					
Number of full-time employees, end of period	506	523	550	612	433

Highlights, ratios and key figures – BankNordik Group

Highlights		**Unaudited**				
	Full year	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
DKK 1,000	**2014**	**2014**	**2014**	**2014**	**2014**	**2013**
Net interest income	508,390	124,966	125,030	125,517	132,877	133,364
Net fee and commision incomme	182,831	50,024	44,289	44,921	43,597	47,360
Net interest and fee income	698,708	176,811	169,532	175,891	176,474	184,904
Net insurance income	76,035	22,264	25,713	20,362	7,696	14,213
Interest and fee income and income from insurance activities, net	774,743	199,076	195,245	196,252	184,170	199,118
Market value adjustments	19,831	-3,654	-755	13,005	11,235	-4,968
Other operating income	43,721	9,221	8,719	13,946	11,835	11,439
Staff cost and administrative expenses	514,152	134,090	120,103	132,047	127,912	132,771
Amortisation, depreciation on fixed assets and impairment charges	273,135	255,049	5,860	6,048	6,178	9,692
Impairment charges on loans and advances etc.	111,014	34,475	22,477	24,323	29,740	45,828
Net profit	-127,411	-229,966	38,547	39,883	24,124	-5,260
Loans and advances	10,491,509	10,491,509	10,314,706	10,207,310	10,392,442	10,460,299
Bonds at fair value	3,534,678	3,534,678	3,479,956	3,243,824	2,789,354	3,493,271
Intangible assets	529,730	529,730	781,643	783,552	782,533	798,141
Assets held for sale	51,771	51,771	18,253	23,706	21,325	58,168
Total assets	16,535,501	16,535,501	16,524,079	16,106,281	16,583,866	17,084,562
Due to credit institutions and central banks	591,347	591,347	630,389	340,263	939,147	1,290,408
Deposits and other debt	12,603,533	12,603,533	12,341,777	12,281,228	12,047,221	12,192,748
Total shareholders' equity	1,999,195	1,999,195	2,219,251	2,180,861	2,135,334	2,155,998

Ratios and key figures

	Full year	**Dec. 31**	**Sept. 30**	**June 30**	**March 31**	**Dec. 31**
	2014	**2014**	**2014**	**2014**	**2014**	**2013**
Solvency						
Solvency ratio, %	14.8	14.8	14.1	14.6	14.7	14.7
Core capital ratio, %	12.9	12.9	12.2	12.6	12.7	12.8
Core capital ratio excl. hybrid core capital, end of period, %	11.8	11.8	11.1	11.5	11.1	10.6
Risk-weighted Items, DKKm	11,943	11,943	11,757	11,320	11,653	11,511
Profitability						
Return on equity after tax, %	-6.1	-10.9	1.8	1.8	1.1	-0.2
Cost / income, %	111.1	210.4	75.8	75.8	84.7	104.9
Cost / income, % (excl. value adjustm. and impairments)	100.1	190.2	63.5	67.7	73.0	79.6
Market risk						
Interest rate risk, %	3.0	3.0	3.5	4.6	4.5	4.8
Foreign exchange position, %	8.6	8.6	5.7	6.4	7.8	7.1
Liquidity						
Excess cover relative to statutory liquidity requirements, %	182.2	182.2	166.0	155.9	159.4	178.0
Credit risk						
Growth on loans and advances, %	0.3	1.7	1.1	-1.8	-0.6	-1.2
Gearing of loans and advances	5.2	5.2	4.6	4.7	4.9	4.9
Impairment and provisioning ratio, end of period, %	4.8	4.8	4.4	4.3	4.2	4.1
Write-off and provisioning ratio, %	0.8	0.2	0.2	0.2	0.2	0.4
Share of amounts due on which interest rates have been reduced, end of period, %	1.6	1.6	1.7	1.7	1.7	2.0
Shares						
Earnings per share after tax (nom. DKK 20), DKK	-12.9	-23.3	3.9	4.0	2.4	-0.5
Market price per share (nom. DKK 20), DKK	105	105	114	114	110	128
Book value per share (nom. DKK 20), DKK	203	203	225	221	217	218
Other						
Number of full-time employees, end of period	506	506	513	510	512	523

Definitions of key financial ratios

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

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	2014	2013
1	Interest income	618,521	709,438
2	Interest expenses	123,016	147,799
	Net interest income	**495,505**	**561,639**
3	Dividends from shares and other investments	6,938	7,426
4	Fee and commission income	205,424	198,468
4	Fee and commissions paid	16,234	16,692
	Net dividend, fee and commission income	**196,127**	**189,203**
	Net interest and fee income	**691,632**	**750,842**
5	Market value adjustments	9,438	11,704
	Other operating income	39,386	60,656
6. 7	Staff costs and administrative expenses	458,249	491,852
8	Amortisation, depreciation on fixed assets and impairment charges	270,855	25,083
	Other operating expenses	25,411	43,323
29	Impairment charges on loans and advances etc.	111,014	178,234
16. 30	Income from associated and subsidiary undertakings	25,843	22,638
	Profit before tax	**-99,229**	**107,347**
9	Tax	28,182	14,951
	Net profit	**-127,411**	**92,396**
	Proposed profit allocation		
	Equity method reserve	25,843	22,638
	Dividends for the year	20,000	15,000
	Retained earnings	-173,255	54,758
	Total	**-127,411**	**92,396**

Statement of comprehensive income - P/F BankNordik

DKK 1,000	2014	2013
Net profit	-127,411	92,396
Other comprehensive income		
Translation of non-Faroese subsidiaries	-14,782	10,905
Revaluation reserve	0	10,756
Tax on other comprehensive income	0	-1,936
Total other comprehensive income	-14,782	19,725
Total comprehensive income	**-142,193**	**112,121**

Balance Sheet – P/F BankNordik

Note	DKK 1,000	Dec. 31 2014	Dec. 31 2013
	Assets		
	Cash in hand and demand deposits with central banks	359,475	404,083
10	Due from credit institutions and central banks	502,401	798,599
11. 12	Loans and advances at fair value	756,070	681,617
11. 13	Loans and advances at amortised cost	9,735,439	9,778,682
14	Bonds at fair value	3,237,238	3,187,351
15	Shares, etc.	284,821	279,029
30	Holdings in associates	7,451	14,186
16	Holdings in subsidiaries	237,616	244,882
17	Intangible assets	520,672	788,695
	Total land and buildings	278,320	289,340
18	investment property	64,863	120,358
19	domicile property	213,458	168,983
20	Other property, plant and equipment	26,943	21,239
	Current tax assets	3,896	4,533
21	Deferred tax assets	18,384	31,773
31	Assets held for sale	51,771	58,168
22	Other assets	146,925	155,993
	Prepayments	30,487	14,664
	Total assets	**16,197,909**	**16,752,832**

Balance Sheet – P/F BankNordik

Note	DKK 1,000	Dec. 31 2014	Dec. 31 2013
	Shareholders' equity and liabilities		
	Liabilities other than provisions		
23. 24	Due to credit institutions and central banks	591,347	1,290,408
25. 26	Deposits and other debt	12,690,011	12,284,672
	Current tax liabilities	7,920	0
27	Other liabilities	317,241	348,047
	Deferred income	4,577	2,739
	Total amounts due	**13,611,095**	**13,925,866**
	Provisions for liabilities		
21	Provisions for deferred tax	86,189	79,123
	Provisions for other liabilities	5,148	17,498
29	Provisions for losses on guarantees	45,216	56,511
	Total provisions	**136,552**	**153,132**
	Subordinated debt		
32	Subordinated debt	458,680	525,445
	Total liabilities	**14,206,327**	**14,604,444**
	Shareholders' equity		
	Share capital	200,000	200,000
	Foreign currency translation reserve	14,928	29,348
	Revaluation reserve	8,820	8,820
	Reserve, Equity Method	114,486	88,643
	Retained earnings	1,633,347	1,806,577
	Proposed dividends	20,000	15,000
	Total shareholders' equity	**1,991,582**	**2,148,388**
	Total liabilities and equity	**16,197,909**	**16,752,832**

Statement of capital – P/F BankNordik

Changes in shareholders' equity:

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

DKK 1,000	Share capital	Foreign currency translation reserve	Revaluation Reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at							
January 1, 2013	**200,000**	**18,443**	**0**	**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		0	-1,936				-1,936
Other comprehensive income		10,905	8,820	-20,000	0	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							
December 31, 2013	**200,000**	**29,348**	**8,820**	**88,643**	**15,000**	**1,806,577**	**2,148,388**

Statement of capital – P/F BankNordik

Solvency

DKK 1,000	2014	2013
Core capital	1,537,244	1,468,569
Total capital	1,763,130	1,696,191
Risk-weighted items not included in the trading portfolio	9,219,956	8,900,568
Risk-weighted items with market risk etc.	1,248,885	1,294,186
Risk-weighted items with operational risk	1,473,793	1,316,520
Total risk-weighted items	11,942,635	11,511,274
Core capital rato, excl. hybrid core capital	11.8%	11.1%
Core capital ratio	12.9%	12.8%
Solvency ratio	14.8%	14.7%
Core Capital and Shareholders' eguity		
Share capital	200,000	200,000
Reserves	138,234	126,811
Net profit	-127,411	92,396
Retained earnings, previous years	1,780,758	1,729,181
Shareholders' equity	**1,991,582**	**2,148,388**
Deduction of dividend	20,000	15,000
Deduction of Foreign currency translation reserve	14,928	29,348
Deduction of intangible assets	520,672	788,695
Deduction of revaluation reserve	8,820	8,820
Deduction of deferred tax assets	18,384	31,773
Core capital exclusive of hybrid core capital	**1,408,777**	**1,274,753**
Deduction of insurance subsidiaries	56,574	56,413
Hybrid core capital	185,040	250,230
Core capital	**1,537,244**	**1,468,569**
Total capital		
Core capital	1,537,244	1,468,569
Addition of revaluation reserve	8,820	8,820
Subordinated loan capital	273,640	275,216
Deduction of insurance subsidiaries	56,574	56,413
Total capital	**1,763,130**	**1,696,191**

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. The Faroese provisions on capital requirements apply to both the Parent Company and the Group. The capital requirementprovisions stipulate a minimum capital of 8% of the identified risks. A detailed body of rules determines the calculation of capital as well as risks (risk-weighted items). The capital comprises core capital and subordinated loan capital. The core capital corresponds largely to the carrying amount of equity, not including intangible items, investments in insurance subsidiaries, holdings in credit institutions etc.

Notes – P/F BankNordik

Note	DKK 1,000	2014	2013
1	**Interest income and premiums on forwards**		
	Credit institutions and central banks	1,035	1,386
	Loans and advances	569,324	665,070
	Bonds	56,828	60,331
	Total derivatives of which:	-8,973	-17,228
	Interest rate contracts	*-8,973*	*-17,228*
	Other interest income	307	-121
	Total interest income	**618,521**	**709,438**
2	**Interest expenses**		
	Credit institutions and central banks	1,026	-121
	Deposits	76,528	87,961
	Subordinated debt	44,937	56,887
	Other interest expenses	525	3,072
	Total interest expenses	**123,016**	**147,799**
3	**Dividends from shares and other investments**		
	Shares	6,938	7,426
	Total dividends	**6,938**	**7,426**
4	**Net fee and commission income**		
	Fee and commission income		
	Securities trading and custody accounts	52,384	40,012
	Credit transfers	26,718	29,319
	Loan commissions	11,284	10,758
	Guarantee commissions	20,484	22,061
	Other fees and commissions	94,554	96,318
	Total fee and commission income	**205,424**	**198,468**
	Fee and commissions paid		
	Securities trading and custody accounts	16,234	16,692
	Net fee and commission income	**189,190**	**181,777**

Notes - P/F BankNordik

Note	DKK 1,000	2014	2013
5	**Market value adjustments**		
	Loans and advances	11,414	-46,929
	Bonds	-8,207	-13,380
	Shares	20,874	33,905
	Investment properties	-1,379	-12,637
	Foreign exchange	1,634	-812
	Total derivatives of which:	-20,181	44,790
	Currency contracts	*5,122*	*14,225*
	Interest Swaps	*-25,303*	*30,565*
	Other obligations	5,307	6,767
	Assets linked to pooled schemes	-25	0
	Total market value adjustments	**9,438**	**11,704**

Note	DKK 1,000	2014	2013
6	**Staff costs and administrative expenses**		
	Executive remuneration:		
	Board of Directors	1,800	1,755
	Executive Board	5,408	5,384
	Total	**7,208**	**7,139**
	Note 8 of the consolidated financial statements contains additional information about the renumeration of the Executive Board and the Board of Directors		
	Staff costs:		
	Salaries	221,207	235,553
	Pensions	26,684	27,275
	Social security expences	28,903	31,844
	Total staff costs	**276,793**	**294,672**
	Total administrative expenses	181,455	197,180
	Total staff costs and administrative expenses	**458,249**	**491,852**
	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:	2,704	2,692
	Number of employees		
	Average number of full-time employees in the financial year	418	449

Further information regarding remuneration etc. on executives Group note no. 8

Notes - P/F BankNordik

Note	DKK 1,000	2014	2013
7	**Audit fees**		
	Fees to audit firms elected at the general meeting	3,894	2,495
	Fees to other firms for service other than audit	0	0
	Total audit fees	**3,894**	**2,495**
	Total fees to the audit firms elected at the general meeting break down as follows:		
	Statutory audit	911	1,125
	- of which PricewaterhouseCoopers	*613*	*675*
	- of which Januar	*297*	*450*
	Other assurance engagements	81	283
	Tax and VAT advice	274	469
	Other services	2,629	618
	Total fees to the audit firms elected at the general meeting	**3,894**	**2,495**
8	**Amortisation, depreciation and impairment charges**		
	Amortisation charges for intangible assets	12,257	12,258
	Depreciation charges for tangible assets	8,590	12,825
	Impairment charges for intangible assets	250,007	0
	Total	**270,855**	**25,083**
9	**Tax**		
	Calculated tax charge for the year	7,920	0
	Change in deferred tax	20,262	13,371
	Adjustment of prior-year tax charges	0	1,580
	Total	**28,182**	**14,951**
	Effective tax rate		
	Faroese tax rate	18.0%	18.0%
	Deviation in foreign entities tax compared to Faroese tax rate	3.1%	-0.8%
	Impairment intangible assets	-47.1%	0.0%
	Non-taxable income and non-deductible expenses	-2.4%	-4.1%
	Adjustment on prior-year tax charges	0.0%	1.0%
	Effective tax rate	**-28.4%**	**14.2%**

No tax asset has been capitalized relating to impairment of goodwill which has a material effect on calculation of the effective tax rate.

Note	DKK 1,000	2014	2013
10	**Due from credit institutions etc. specified by maturity**		
	On demand	502,401	798,599
	Total	**502,401**	**798,599**

Notes – P/F BankNordik

Note	DKK 1,000	2014	2013
11	**Loans, advances and guarantees specified by sectors**		
	Public authorities	3%	3%
	Corporate sector:		
	Fisheries, agriculture, hunting and forestry	4%	5%
	Industry and raw material extraction	5%	4%
	Energy supply	2%	1%
	Building and construction	3%	4%
	Trade	10%	8%
	Transport, hotels and restaurants	4%	4%
	Information and communications	1%	1%
	Financing and insurance	6%	7%
	Real property	7%	7%
	Other industries	3%	3%
	Total corporate sector	**44%**	**44%**
	Retail customers	53%	53%
	Total	**100%**	**100%**

12	**Loans and advances at fair value specified by maturity**		
	3 months and below	3,628	0
	3 months to 1 year	41,644	44,572
	Over 1 year to 5 years	170,189	169,854
	Over 5 years	540,609	467,191
	Total loans and advances at fair value	**756,070**	**681,617**

13	**Loans and advances at amortised cost specified by maturity**		
	On demand	311,090	728,246
	3 months and below	657,480	905,177
	3 months to 1 year	1,587,926	1,392,911
	Over 1 year to 5 years	3,716,559	3,211,349
	Over 5 years	3,462,383	3,540,999
	Total loans and advances at amortised cost	**9,735,439**	**9,778,682**

14	**Bonds at fair value**		
	Mortgage credit bonds	2,488,271	2,512,689
	Government bonds	363,482	438,996
	Corporate bonds etc.	385,485	235,666
	Bonds at fair value	**3,237,238**	**3,187,351**

15	**Shares etc.**		
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	63,620	56,704
	Shares/unit trust certificates listed on other stock exchanges	47,425	49,454
	Other shares at fair value using the fair-value option	173,775	172,871
	Total shares etc.	**284,821**	**279,029**

Notes – P/F BankNordik

Note	DKK 1,000	2014	2013
16	**Holdings in subsidiaries**		
	Cost at 1 January	188,252	188,252
	Cost at 31 December	**188,252**	**188,252**
	Revaluations at 1 January	56,630	41,638
	Share of profit	32,583	27,260
	Dividends	30,820	20,000
	Foreign currency translation	-9,028	7,732
	Revaluations at 31 December	**49,364**	**56,630**
	Carrying amount at 31 December	**237,616**	**244,882**

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	88,160	12,521
P/F Skyn	100%	4,000	3,810	1,578
Vørður Tryggingar hf	100%	39,764	137,847	18,523
P/F Birting	100%	1,000	7,799	-39
Sp/f Íbúðir undir Gráasteini (at the end of 2013)	0%	125	-61,537	-19,692

The information disclosed is extracted from the companies' most recent annual reports (P/F Trygd, P/F Skyn, P/F Birting and Vörður tryggingar hf annual reports 2014 the other 2013).

Notes – P/F BankNordik

Note DKK 1,000

17 **Intangible assets**

2014	Goodwill	Customer Relations	Total
Cost at 1 January	699,764	122,574	822,339
Foreign currency translation	-5,758		-5,758
Cost at 31 December	**694,006**	**122,574**	**816,581**
Amortisation and impairment charges at 1 January		-33,644	-33,644
Amortisation charges during the year		-12,257	-12,257
Impairment charges during the year	-250,007		-250,007
Amortisation and impairment charges at 31 December	**-250,007**	**-45,901**	**-295,908**
Carrying amount at 31 December	**443,999**	**76,673**	**520,672**
Amortisation period	Annual impairment test	10 years	

Intangible assets

2013	Goodwill	Customer Relations	Total
Cost at 1 January	696,590	122,574	819,164
Foreign currency translation	3,175		3,175
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	

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 2014. The test resulted in impairments of DKK 250m.

Note 18 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	2014	2013
18	**Investment property**		
	Fair value at 1 January	120,358	175,416
	Additions	0	12,625
	Reclassification to Assets held for sale	39,000	35,223
	Reclassification to Domicile property	0	14,157
	Disposals	15,116	5,666
	Fair value adjustment	-1,379	-12,637
	Fair value at 31 December	**64,863**	**120,358**
	Required rate of return for calculation of fair value/revaluation (5.9%-7.5% per annum)		
19	**Domicile property**		
	Cost at 1 January	165,450	178,769
	Additions	73,137	12,793
	Reclassifications from Investment property	0	14,157
	Disposals	14,128	40,269
	Cost at 31 December	**224,459**	**165,450**
	Adjustments at 1 January	3,533	-2,766
	Depreciation charges during the year	999	892
	Reversal of depreciation charges on disposals during the year	515	403
	Revaluations recognised directly in equity	0	10,756
	Tax effect of revaluations	0	3,968
	Impairments, recognised as cost previous years	14,050	0
	Adjustments at 31 December	**-11,001**	**3,533**
	Revalued amount at 31 December	**213,458**	**168,983**
	Required rate of return for calculation of fair value/revaluation, 5.5%-9.0%		
20	**Other property, plant and equipment**		
	Cost at 1 January	72,848	65,509
	Additions	13,444	7,772
	Disposals	1,048	433
	Cost at 31 December	**85,243**	**72,848**
	Depreciation and impairment charges at 1 January	51,609	44,019
	Depreciation charges during the year	7,484	7,952
	Reversals of depreciation and impairment charges	793	362
	Depreciation and impairment charges at 31 December	**58,300**	**51,609**
	Carrying amount at 31 December	**26,943**	**21,239**
	Depreciation period 3-10 years		

Notes – P/F BankNordik

Note	DKK 1,000	2014	2013
21	**Deferred tax**		
	Deferred tax assets	18,384	31,773
	Deferred tax liabilities	86,189	79,123
	Deferred tax, net	**67,805**	**47,350**

Change in deferred tax	At 1 Jan.	Other adjustments	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
2014					
Intangible assets	78,198		40,943		119,141
Tangible assets	9,280		-4,144		5,136
Securities	-51		0		-51
Provisions for obligations	-63		-1		-64
Tax loss carryforwards	-39,546		-15,873		-55,418
Other	-468	193	-663	0	-938
Total	**47,350**	**193**	**20,262**	**0**	**67,805**

Adjustment of prior-year tax charges included in preceding item

	At 1 Jan.	Other adjustments	Recognised in profit for the year	Recognised in shareholders' equity	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

Notes – P/F BankNordik

Note	DKK 1,000	2014	2013
22	**Other assets**		
	Interest and commission due	46,661	48,361
	Derivatives with positive fair value	49,640	53,956
	Other amounts due	50,624	53,676
	Total	**146,925**	**155,993**

Note	DKK 1,000	2014	2013
23	**Due to credit institutions and central banks specified by institution**		
	Due to central banks	261,034	1,286,310
	Due to credit institutions	330,313	4,098
	Total	**591,347**	**1,290,408**

Note	DKK 1,000	2014	2013
24	**Due to credit institutions and central banks specified by maturity**		
	On demand	291,347	290,408
	Over 1 year to 5 years	0	1,000,000
	Over 5 years	300,000	0
	Total	**591,347**	**1,290,408**

Note	DKK 1,000	2014	2013
25	**Deposits specified by type**		
	On demand	8,557,407	8,194,603
	At notice	1,482,210	1,815,337
	Time deposits	1,269,224	688,332
	Special deposits	1,381,169	1,586,400
	Total deposits	**12,690,011**	**12,284,672**

Note	DKK 1,000	2014	2013
26	**Deposits specified by maturity**		
	On demand	8,603,475	8,291,941
	3 months and below	2,423,926	1,650,226
	3 months to 1 year	210,715	430,445
	Over 1 year to 5 years	711,955	739,132
	Over 5 years	739,939	1,172,928
	Total deposits	**12,690,011**	**12,284,672**

Notes – P/F BankNordik

Note	DKK 1,000	2014	2013
27	**Other liabilities**		
	Sundry creditors	54,782	69,657
	Accrued interest and commission	53,246	52,853
	Derivatives with negative value	97,486	69,431
	Accrued staff expenses	49,764	52,257
	Debt regarding sale of investment assets	38,037	52,355
	Other obligations	23,927	51,494
	Total	**317,241**	**348,047**

Note			
28	**Related parties**		
	DKK 1,000	**2014**	**2013**
		Subsidiaries	Subsidiaries
	Assets		
	Investment properties	16,659	96,192
	Assets held for sale	39,000	35,223
	Total	**55,659**	**131,415**
	Liabilities		
	Deposits	86,389	94,090
	Total	**86,389**	**94,090**
	Off-balance sheet items		
	Guarantees and collateral received	60,758	118,674
	Income Statement		
	Interest income		
	Interest expense	503	662
	Other operating income	989	918
	Administrative expenses	1,060	1,141
	Total	**-574**	**-885**

Notes – P/F BankNordik

Note DKK 1,000

29 **Impairment charges on loans and advances and provisions for guarantees etc.**

Note 11 to the consolidated financial statement specifies the Bank's impairment charges on loans and advances and provisions for guarantees etc.

30 **Holdings in associates**

Note 17 to the consolidated financial statement specifies the Bank's holdings in associates.

31 **Assets held for sale**

Note 23 of the consolidated financial statement specifies the Bank's assets held for sale.

32 **Subordinated debt**

Note 27 to the consolidated financial statements specifies the Bank's subordinated debt

33 **Contingent liabilities**

Note 29 to the consolidated financial statements specifies the Bank's contingent liabilities

34 **Assets deposited as collateral**

Note 30 to the consolidated financial statements specifies the Bank's assets deposited as collateral.

35 **Risk Management**

The Risk Management section in note 36 to the consolidated financial statements specifies the Banks risk management.

Note

36

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

Highlights

DKK 1,000	2014	2013	2012	2011	2010
Net interest income	495,505	561,639	601,721	537,957	467,125
Net fee and commision income	189,190	181,777	190,253	134,033	92,067
Net interest and fee income	691,632	750,842	793,974	673,330	566,130
Market value adjustments	9,438	11,704	14,431	-5,740	5,895
Other operating income	39,386	60,656	34,891	23,654	417,534
Staff cost and administrative expenses	458,249	491,852	589,620	545,189	408,034
Amortisation, depreciation on fixed assets and impairment charges	270,855	25,083	22,491	14,131	5,890
Impairment charges on loans and advances etc.	111,014	178,234	148,460	100,787	200,807
Income from associated and subsidiary undertakings	25,843	22,638	41,284	9,733	30,426
Net profit	-127,411	92,396	103,099	24,560	307,484
Loans and advances	10,491,509	10,460,299	11,302,698	11,768,711	8,674,007
Bonds at fair value	3,237,238	3,187,351	2,697,873	2,340,034	3,343,661
Intangible assets	520,672	788,695	797,779	779,964	397,977
Assets held for sale	51,771	58,168	25,811	168,980	160,794
Total assets	16,197,909	16,752,832	17,324,821	16,723,635	13,948,347
Due to credit institutions and central banks	591,347	1,290,408	1,288,052	329,316	245,249
Deposits and other debt	12,690,011	12,284,672	12,861,466	13,122,675	8,944,378
Issued bonds at amortised cost	0	0	0	98,276	2,199,843
Total shareholders' equity	1,991,582	2,148,388	2,046,255	1,947,877	1,971,078

Ratios and key figures

	Dec. 31 2014	Dec. 31 2013	Dec. 31 2012	Dec. 31 2011	Dec. 31 2010
Solvency					
Solvency ratio, %	14.8	14.7	14.8	15.6	17.0
Core capital ratio, %	12.9	12.8	12.9	12.4	17.2
Core capital ratio excl. hybrid core capital, end of period, %	11.8	10.6	9.6	9.1	15.2
Risk-weighted Items, DKKm	11,943	11,511	11,902	12,313	10,080
Profitability					
Return on equity before tax, %	-4.8	5.1	5.7	1.0	21.0
Return on equity after tax, %	-6.2	4.4	5.2	1.3	17.1
Income / Cost ratio	0.9	1.1	1.1	1.0	1.6
Cost / income, % (excl. value adjustm. and impairments)	99.7	67.2	71.6	82.1	43.7
Market risk					
Interest rate risk, %	2.0	3.7	0.4	1.4	3.1
Foreign exchange position, %	8.6	7.1	17.3	8.7	24.6
Liquidity					
Loans and advances plus impairment charges as % of deposits	87.3	88.9	90.7	92.3	100.8
Excess cover relative to statutory liquidity requirements, %	159.0	154.9	132.7	99.8	280.6
Credit risk					
Large exposures as % of total capital	81.1	52.2	36.3	23.3	22.8
Impairment and provisioning ratio, %	4.8	4.1	3.0	2.7	3.2
Write-off and impairments ratio, %	0.8	1.4	1.1	0.7	1.9
Share of amounts due on which interest rates have been reduced, %	1.6	2.0	1.7	1.9	1.6
Gearing of loans and advances	5.3	4.9	5.5	6.0	4.3
Shares nom.					
Earnings per share after tax, DKK	-12.9	9.4	10.5	2.5	31.6
Book value per share, DKK	201.9	217.8	207.5	197.4	198.8
Proposed dividend per share DKK	2.0	1.5	1.0	0.0	4.0
Market price per share, DKK	104.5	128.0	76.0	78.8	144.0
Market price / earnings per share DKK	-8.1	13.7	7.3	31.8	4.6
Market price / book value per share DKK	0.5	0.6	0.4	0.4	0.7
Other					
Number of full-time employees, end of period	412	431	469	529	353

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 Effo, P/F Effo Bunkers, P/F Von, P/F Vónin, A/S Refa, A/S Investeringsselskabet af 5. oktober 2012, A/S Norriq Holding, A/S Norriq Danmark, P/F BankNordik. Board Member of: A/S Strandby Net, A/S Limet Ejendomme, A/S Vónin Ísland
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, Skandia A/S, Dansk Merchant Capital A/S, Nordic Corporate Investments A/S, EcsAct A/S, Alpha Holding A/S, Founders A/S, Mediaxes A/S. Vice chairman of the board of: P/F BankNordik, Hugin Experts A/S, Prime Office A/S. Board member of: Alpha Insurance A/S, Nemi Forsikring AS, P/F Trygd, Norriq A/S, Andersen & Martini A/S.
First elected to the Board in:	2007
Address:	Maglevænget 7, 2920 Charlottenlund, Denmark
Niels Vestermark	
Educational background:	HD - Finance and accounting
Principal occupation:	Regional Manager, Sydbank
Board positions held that are relevant to banking an d insurance:	Chairman of the board of: Stoff & Stil A/S. Board member of: P/F BankNordik and KPC Holding A/S
First elected to the Board in:	2013
Address:	Rosenvænget 5, 7400 Herning, Denmark
Nils Sørensen	
Educational background:	BSc. from Copenhagen Business School and a MBA from Lancaster University
Principal occupation:	Managing director of Faroe Petroleum (Faroes). Branch Manager for Faroe Petroleum Iceland.
Board positions held that are relevant to banking and insurance:	Board member of: P/F BankNordik
First elected to the Board in:	2010
Address:	Birnugøta 41, 100 Tórshavn, Faroe Islands
Kenneth Samuelsen	
Educational background:	Financial education
Principal occupation:	Employed at BankNordik's Business Development unit, Faroe Islands
Board positions held:	Board member of: P/F BankNordik
First elected to the Board in:	2010
Address:	Áarrás 8, 160 Argir, Faroe Islands
Tórhallur Olsen	
Educational background:	Financial education and subsequent continuing education within financial aspects
Principal occupation:	Employed at BankNordik's Credit department, Faroe Islands, as Senior Advisor
Board positions held:	Board member of: P/F BankNordik
First elected to the Board in:	2014
Address:	Undir Hamri 20, Hvalvík, Faroe Islands

Executive Board

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, and BI Holding A/S, Chairman of the Faroese Association of Employers in the Financial Sector (Arbeiðsgevara-felagið fyri fíggjarstovnar) and 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

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 Iceland and Nasdaq 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