

BANKNORDIK

Interim Report

H1 2018

3 August 2018

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Financial highlights and ratios - BankNordik Group

Highlights	H1	H1	Index	Q2	Q1	Q4	Q3	Q2
DKK 1,000	2018	2017	18 / 17	2018	2018	2017	2017	2017
Net interest income	187,508	194,890	96	93,235	94,273	95,086	97,240	96,950
Dividends from shares and other investments	11,237	5,218	215	10,962	275	102	80	4,482
Net fee and commission income	86,995	104,659	83	43,015	43,979	47,081	38,685	53,246
Net interest and fee income	285,739	304,767	94	147,212	138,527	142,269	136,005	154,679
Net insurance income	18,153	18,356	99	6,156	11,997	12,160	12,851	9,328
Interest and fee income and income from insurance activities, net	303,892	323,123	94	153,369	150,524	154,429	148,855	164,007
Market value adjustments	8,322	18,710	44	-16,133	24,455	-3,921	5,342	4,678
Other operating income	22,364	11,624	192	17,149	5,216	14,401	7,509	5,209
Staff cost and administrative expenses	230,077	231,553	99	112,077	118,000	110,358	111,720	117,291
Impairment charges on loans and advances etc.	-47,013	3,422		-18,989	-28,023	-38,825	296	-1,767
Net profit	169,284	88,388	192	50,832	118,452	77,103	23,588	43,152
Loans and advances	9,742,046	9,427,627	103	9,742,046	9,607,365	9,537,425	9,549,256	9,427,627
Bonds at fair value	4,622,270	4,479,960	103	4,622,270	4,490,952	4,262,730	4,446,548	4,479,960
Assets held for sale	4,911	10,034	49	4,911	5,775	6,302	13,276	10,034
Total assets	16,719,006	16,117,793	104	16,719,006	16,348,558	15,784,953	16,058,764	16,117,793
Due to credit institutions and central banks	440,414	326,367	135	440,414	385,384	360,497	322,011	326,367
Deposits and other debt	13,147,427	13,472,482	98	13,147,427	13,082,937	12,632,463	12,982,550	13,472,482
Total shareholders' equity	1,890,899	1,718,381	110	1,890,899	1,853,133	1,820,092	1,742,990	1,718,381

Ratios and key figures

	June 30	June 30	June 30	March. 31	Dec. 31	Sept. 30	June 30
	2018	2017	2018	2018	2017	2017	2017
Solvency							
Solvency ratio, %	18.5	17.9	18.5	18.9	19.7	18.2	17.9
Core capital ratio, %	16.3	15.7	16.3	16.7	17.5	15.9	15.7
Core capital ratio excl. hybrid core capital, end of period, %	16.3	15.7	16.3	16.7	17.5	15.9	15.7
Risk-weighted items, DKK mill	10,219	10,071	10,219	10,058	9,895	9,942	10,071
Profitability							
Return on equity after tax, %	9.1	4.9	2.7	6.4	4.3	1.4	2.5
Cost / income, %	38.1	68.2	61.7	17.8	44.3	81.2	68.2
Cost / income, % (excl. value adjustm. and impairments)	53.5	70.9	67.0	38.6	66.3	73.1	71.2
Return on assets	1.0	0.5	0.3	0.7	0.5	0.1	0.3
Market risk							
Interest rate risk, %	1.8	2.0	1.8	1.7	1.6	1.6	2.0
Foreign exchange position, %	1.6	1.0	1.6	1.7	0.9	1.1	1.0
Liquidity							
Excess cover relative to statutory liquidity requirements, %	225.4	245.5	225.4	217.9	205.1	218.7	245.5
Credit risk							
Growth on loans and advances, %	2.1	3.1	1.4	0.7	-0.1	1.3	2.9
Gearing of loans and advances	5.2	5.5	5.2	5.2	5.2	5.5	5.5
Impairment and provisioning ratio, end of period, %	4.2	5.1	4.2	4.4	4.0	5.0	5.1
Write-off and provisioning ratio, %	-0.4	0.0	-0.1	-0.2	-0.3	0.0	0.0
Share of amounts due on which interest rates have been reduced, end of period, %	0.4	0.6	0.4	0.4	0.4	0.5	0.6
Shares							
Earnings per share after tax (nom. DKK 20), DKK	17.5	9.1	5.2	12.2	7.9	2.4	4.4
Market price per share (nom. DKK 20), DKK	110.0	123.0	110.0	110.5	106.0	119.5	123.0
Book value per share (nom. DKK 20), DKK	196	177	195.7	191	187	179	177
Other							
Number of full-time employees, end of period	390	407	390	387	400	407	407

Financial review

Highlights H1 2018

- Operating profit increased to DKK 142m in H1 2018 from DKK 98m in H1 2017.
- Net interest income was down by DKK 7m year-on-year, primarily due to tighter interest margins
- Net fee and commission income fell to DKK 87m in H1 2018 from DKK 105m in H1 2017, offset by a near proportional increase in other operating income, which related to the restructuring of asset management activity in compliance with MiFID II.
- Net insurance income was DKK 18m in H1 2018, flat compared to H1 2017
- Operating costs were down by DKK 5m to DKK 231m in H1 2018 from DKK 236m in H1 2017, consistent with the Group's efforts to curb expenditure growth.
- Net impairment charges were a DKK 54m reversal in H1 2018 compared to a reversal of DKK 5m in H1 2017.
- Non-recurring items amounted to an income of DKK 88m in H1 2018, mainly owing to the sale and leaseback of the Group's head office property and a revaluation gain on BI Holding A/S.
- Value adjustments amounted to a loss of DKK 23m in H1 2018 compared to a gain of DKK 15m in H1 2017.
- Profit before tax was DKK 207m in H1 2018 compared to DKK 112m in H1 2017.

Income statement

The summary income statement has been adjusted for non-recurring items in each relevant quarter in accordance with the new methodology announced in the Financial Review section of the 2017 Annual Report.

Income statement, Group

DKKm	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	188	195	96	93	94	95	97	97
Net fee and commission income	87	105	83	43	44	47	35	53
Net insurance income	18	18	99	6	12	12	13	9
Other operating income (less reclassification)	27	12	221	15	12	8	11	7
Operating income	319	330	97	157	162	162	156	166
Operating costs*	-231	-236	98	-116	-115	-112	-114	-120
Sector costs	0	-1	29	0	0	2	-1	-1
Profit before impairment charges	88	93	95	42	47	52	42	46
Impairment charges	47	-3		19	28	39	0	2
Reversals of acquired OEI impairments (Reclassified from Other operating income)	7	8	80	4	3	12	4	3
Impairment charges, net	54	5		23	31	51	4	5
Operating profit	142	98	145	65	77	103	46	51
Non-recurring items**	88	0		12	76	-1	-17	0
Profit before value adjustments and tax	230	98	235	76	154	101	29	51
Market value adjustments***	-23	15		-17	-6	-10	1	4
Profit before tax	207	112	184	59	148	92	30	55
Operating cost/income, %	72	71		73	71	69	73	72
Number of FTE, end of period	390	407	96	390	387	400	407	407

* Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).

** Reclassified from Other operating income, Staff costs and administrative expenses and from Amortisation, depreciation and impairment charges.

*** Incl. net income from investments accounted for under the equity method (excl. sector shares).

The following comments relate to the adjusted figures and are generally stated relative to Q1 2018. Due to seasonal variations, comments on the insurance segment are made relative to Q2 2017.

Operating income

The BankNordik Group generated operating income of DKK 157m in Q2 2018, down DKK 5m compared to Q1 2018.

Net interest income

Net interest income was down by DKK 1m in Q2 2018 compared to Q1 2018 due to margin pressure.

Net fee and commission income

Net fee and commission income amounted to DKK 43m in Q2 2018 compared to DKK 44m in Q1 2018.

Net insurance income

Net insurance income amounted to DKK 6m in Q2 2018, down from DKK 9m in Q2 2017 due to higher claims.

Operating and sector costs

Operating and sector costs amounted to DKK 116m in Q2 2018, flat compared to Q1 2018.

Profit before impairment charges

Profit before impairment charges was DKK 42m in Q2 2018, down from DKK 47m in Q1 2018.

Impairment charges

Net impairment charges were a DKK 23m reversal in Q2 2018 compared to a reversal of DKK 31m in Q1 2018.

Operating profit

Operating profit was down by DKK 12m from DKK 77m in Q1 2018 to DKK 65m in Q2 2018.

Balance sheet

BankNordik's total assets at 30 June 2018 amounted to DKK 16.7bn. Loans and advances were DKK 9.7bn, i.e. up by DKK 205m compared to 31 December 2017. Deposits were DKK 13.1bn, an increase of DKK 515m compared to 31 December 2017.

Liquidity invested in bonds, primarily in Danish mortgage bonds and Danish government bonds, amounted to DKK 4.6bn, an increase of DKK 360m compared to 31 December 2017. Liquidity invested in equities amounted to DKK 336m, an increase of DKK 87m relative to 31 December 2017. The surplus liquidity at 30 June 2018 was 225% higher than the statutory requirement. The Group's equity at 30 June 2018 amounted to DKK 1,891m, up by DKK 71m compared to 31 December 2017.

Capital requirements

In June 2018, the Minister for Industry, Business and Financial Affairs announced an increase in the systemic risk buffer related to Faroese exposures from 1% to 2% effective from 1 January 2019 and to 3% from 1 January 2020. When fully phased-in, the 3% systemic risk buffer will have a weighting of around 1.8% of the Group's total exposures.

Moreover, the Danish FSA published a set of preliminary principles for the MREL add-on related to Faroese institutions. With regards to BankNordik as a Faroese SIFI-institution, the FSA indicates that it is expecting to exclude the systemic risk buffer related to domestic Faroese exposures as well as the countercyclical buffer in applying the MREL add-on. The MREL add-on for Faroese institutions will be phased in during 2020-2025.

Capital ratios

The Group's CET1 capital ratio fell by 0.4 percentage point quarter-on-quarter to stand at 16.3% at 30 June 2018. The total capital ratio decreased to 18.5% at 30 June 2018 from 18.9% at 31 March 2018.

The decrease in capital ratios was partly attributable to an increase in risk-weighted assets and partly due to changes in accounting guidelines for which BankNordik has chosen not to recognise net income within a given year in the capital and solvency statement until the annual report is released in audited form.

Compliance with the Danish FSA Supervisory Diamond

	BankNordik H1 2018	FSA Limit
Sum of Large exposures	139.8%	<175%
Liquidity indicator	303.0%	>100%
Lending growth	2.0%	<20%
Funding ratio	0.63	<1.00
Lending to property sector	5.5%	<25%

At 30 June 2018, the Group was in compliance with all Supervisory Diamond requirements set by the Danish FSA.

Events after the balance sheet date

No events have occurred since 30 June 2018 that are deemed to have a significant impact on the Group's financial position.

Outlook

Management reconfirms the FY2018 guidance of profit before impairment charges, non-recurring items, value adjustments and tax in the range of DKK 160-200m in 2018 (H1 2018: DKK 88m).

However, the Group is raising its FY2018 net profit guidance from DKK 175-225m as previously guided to DKK 190-240m (H1 2018: DKK 169m).

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

Reconciled income statement

Note	Income statement H1 2018, Group, DKKm	Income statement	Restatement	Restated income statement
	Net interest income	187,508		187,508
1	Net fee and commission income	98,231	-11,237	86,995
	Net insurance income	18,153		18,153
1, 4, 5	Other operating income	22,364	4,451	26,815
	Operating income	326,257	-6,786	319,471
2, 3	Operating costs	173,953	56,790	230,743
3	Sector costs	455	-117	338
	Profit before impairment charges	151,848	-63,459	88,389
1	Impairment charges	-47,013	-6,698	-53,710
	Operating profit	198,860	-56,761	142,099
2, 4, 5	Non-recurring items	0	87,773	87,773
	Profit before value adjustments and tax	198,860	31,012	229,872
4	Market value adjustments	8,322	-31,012	-22,690
	Profit before tax	207,182	0	207,182
Note Income statement H1 2017, Group, DKKm				
	Net interest income	194,890		194,890
	Net fee and commission income	109,877	-5,218	104,659
	Net insurance income	18,356		18,356
1, 4	Other operating income	11,624	514	12,138
	Operating income	334,747	-4,704	330,043
2, 3	Operating costs	235,522	450	235,972
3	Sector costs	1,605	-450	1,155
	Profit before impairment charges	97,620	-4,704	92,916
1	Impairment charges	3,422	-8,375	-4,953
	Operating profit	94,198	3,671	97,868
2, 4	Non-recurring items	0	0	0
	Profit before value adjustments and tax	94,198	3,671	97,868
4	Market value adjustments	18,209	-3,671	14,538
	Profit before tax	112,407	0	112,407
Note Restatements made to the income statement, DKKm			H1 2018	H1 2017
1	Reversals of acquired OEI impairments reclassified from Other operating income to Impairment charges.		-6,698	-8,375
	Dividends reclassified from Net fee and commission income to Other operating income		11,237	5,218
2	Reclassification of severance costs from Operating costs to Non-recurring items.		-3,509	0
	Reclassification of reversals of impairment charges regarding the Group's head-office from Operating costs to Non-recurring items.		-60,181	0
3	Reclassification of other operating expenses (excl. sector costs) from Other operating expenses to Operating costs.		-117	-450
4	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions from Market value adjustments to Other operating income.		-10,012	-3,671
4	Reclassification of value adjustments related to sector shares from Market value adjustments to Non-recurring items (regarding revaluation of the groups holdings of shares in the sector company Bankinvest).		-21,000	0
5	Reclassification of capital gains related to the sale of the Groups domicil from Other operating income to Non-recurring items.		-10,100	0

BankNordik Group by segment

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

Income statement, Banking

DKKm	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	187	194	96	93	94	95	97	96
Net fee and commission income	92	109	84	45	46	49	37	55
Other operating income	23	10	222	13	10	7	10	6
Operating income	302	313	96	152	150	151	144	158
Operating cost	-220	-224	98	-110	-110	-106	-108	-112
Sector costs	0	-1	29	0	0	2	-1	-1
Profit before impairment charges	81	88	93	42	40	47	35	45
Impairment charges	47	-3		19	28	39	0	2
Reversals of acquired OEI impairments	7	8	80	4	3	12	4	3
Impairment charges, net	54	5		23	31	51	4	5
Operating profit	135	93	146	65	71	98	38	50
Non-recurring items	88	0		12	76	-1	-17	0
Profit before value adjustments and tax	223	93	240	76	147	96	22	50
Market value adjustments	-22	16		-17	-5	-9	2	5
Profit before tax	201	109	185	59	142	87	24	55
Loans and advances *	9,742	9,428	103	9,742	9,607	9,537	9,549	9,428
Deposits and other debt	13,168	13,498	98	13,168	13,107	12,654	13,000	13,498
Operating cost/income, %	73	72		72	73	70	75	71
Number of FTE, end of period	358	376	95	358	356	367	372	376

* The Group implemented IFRS 9 effective from 1 January 2018. Implementation affected lending adversely by DKK 51.9m.

Personal Banking

The Personal Banking segment reported operating profit of DKK 88m in Q2 2018, up by DKK 1m compared to Q1 2018.

Net interest income was DKK 66m in Q2 2018, flat compared to the previous quarter. Net fee and commission income was down by DKK 2m compared to Q1 2018, which was offset by an increase in other operating income related to the restructuring of asset management activity with regards to MiFID II. Operating costs were DKK 44m in Q2 2018, down DKK 1m from Q1 2018, while impairment charges were a reversal of DKK 14m in Q2 2018 compared to a reversal of DKK 15m in Q1 2018.

Loans and advances to personal customers during the quarter increased by DKK 14m to DKK 6,382m at 30 June 2018, while deposits increased by DKK 223m, both compared to 31 March 2018.

Income statement, Personal banking

DKKm	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	132	130	102	66	66	68	66	65
Net fee and commission income	84	79	105	41	43	42	35	37
Other operating income	19	8	238	11	8	4	9	5
Operating income	235	217	108	118	117	114	110	107
Operating cost	-89	-89	100	-44	-45	-51	-43	-45
Sector costs	0	-1	29	0	0	1	0	0
Profit before impairment charges	146	127	115	74	72	64	67	62
Impairment charges	24	-1		11	13	1	-4	-2
Reversals of acquired OEI impairments	5	5	98	3	2	3	3	3
Impairment charges, net	29	4	727	14	15	4	-1	1
Operating profit	175	131	133	88	87	68	66	63
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	175	131	133	88	87	68	66	63
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	175	131	133	88	87	68	66	63
Loans and advances	6,382	6,123	104	6,382	6,368	6,325	6,274	6,123
Deposits and other debt	10,027	10,282	98	10,027	9,804	9,669	9,802	10,282
Operating cost/income, %	38	41		38	38	45	39	42
Number of FTE, end of period	201	214	94	201	207	212	208	214

Corporate Banking

The Corporate Banking activities reported operating profit of DKK 39m in Q2 2018, down by DKK 6m compared to Q1 2018. Net interest income was up by DKK 1m in Q2 2018, while net fee and commission income was flat, both compared to Q1 2018. Operating costs were also flat QoQ, while net impairment charges were a reversal of DKK 9m in Q2 2018 compared to a reversal of DKK 16m in Q1 2018.

Corporate loans and advances increased by DKK 120m to DKK 3,360m at 30 June 2018, while deposits fell by DKK 162m, both compared to 31 March 2018.

Income statement, Corporate Banking

DKKm	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	57	62	92	29	28	30	31	30
Net fee and commission income	7	8	86	3	3	4	3	4
Other operating income	3	1		1	3	1	1	0
Operating income	67	71	95	34	33	35	35	34
Operating cost	-8	-7	118	-4	-4	-5	-4	-3
Sector costs	0	0	29	0	0	0	0	0
Profit before impairment charges	59	64	93	30	29	30	31	31
Impairment charges	23	-2		8	15	39	4	3
Reversals of acquired OEI impairments	2	3	53	1	1	9	1	1
Impairment charges, net	25	1		9	16	49	5	4
Operating profit	84	65	129	39	45	79	36	35
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	84	65	129	39	45	79	36	35
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	84	65	129	39	45	79	36	35
Loans and advances	3,360	3,305	102	3,360	3,240	3,212	3,276	3,305
Deposits and other debt	3,141	3,216	98	3,141	3,303	2,985	3,198	3,216
Operating cost/income, %	11	9		11	12	14	11	9
Number of FTE, end of period	17	17	99	17	18	18	17	17

Insurance: Trygd

Premium income was DKK 26m in Q2 2018, up by DKK 3m compared to Q2 2017, while claims were DKK 23m in Q2 2018, up from DKK 14m in Q2 2017. Operating costs were DKK 6m in Q2 2018, flat compared to Q2 2017. Trygd incurred a loss before tax of DKK 4m in Q2 2018 compared to a profit before tax of DKK 3m in the same period of last year.

Trygd has steadily increased premium income in recent years and is continuing to strengthen its market position as a leading provider of general insurance in the Faroe Islands.

Income statement, Trygd

DKKm	H1 2018	H1 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Premium income, net of reinsurance	51	46	111	26	25	25	24	23
Claims, net of reinsurance	-38	-29	129	-23	-15	-15	-12	-14
Net insurance income	13	17	81	3	11	10	12	9
Net income from investment activities	0	0		0	0	0	0	0
Operating income	13	17	78	3	11	10	12	9
Operating cost	-12	-12	104	-6	-6	-6	-6	-6
Profit before tax	1	5	20	-4	5	3	6	3
Combined ratio	97	89		114	80	87	73	88
Claims ratio	74	64		90	58	60	49	60
Number of FTE, end of period	25	26	94	25	25	27	27	26

Income statement

Note	DKK 1,000	Group		BankNordik	
		H1 2018	H1 2017	H1 2018	H1 2017
3	Interest income	194,524	207,017	193,928	206,031
4	Interest expenses	7,016	12,127	7,017	12,127
	Net interest income	187,508	194,890	186,912	193,904
	Dividends from shares and other investments	11,237	5,218	11,237	5,218
5	Fee and commission income	93,162	111,267	98,010	115,585
5	Fee and commissions paid	6,167	6,608	6,167	6,608
	Net dividend, fee and commission income	98,231	109,877	103,080	114,195
	Net interest and fee income	285,739	304,767	289,991	308,098
	Premium income, net of reinsurance	57,637	51,719		
	Claims, net of reinsurance	39,484	33,363		
	Interest and fee income and income from insurance activities, net	303,892	323,123	289,991	308,098
6	Market value adjustments	8,322	18,710	9,423	19,728
7	Other operating income	22,364	11,624	18,695	9,923
8	Staff costs and administrative expenses	230,077	231,553	219,731	220,168
	Amortisation, depreciation and impairment charges	-56,123	3,970	-56,416	3,715
	Other operating expenses	455	1,605	455	1,605
9	Impairment charges on loans and advances etc.	-47,013	3,422	-47,013	3,422
	Income from investments accounted for under the equity method	0	-501	4,780	2,835
	Profit before tax	207,182	112,407	206,132	111,674
	Tax	37,898	24,019	36,848	23,286
	Net profit	169,284	88,388	169,284	88,388
	Portion attributable to				
	Shareholders of BankNordik P/F	169,284	88,388	169,284	88,388
	Net profit	169,284	88,388	169,284	88,388
	EPS Basic for the period, total, DKK	17.45	9.09	17.45	9.09
	EPS Diluted for the period, total, DKK	17.45	9.09	17.45	9.09

Statement of comprehensive income

DKK 1,000	Group	H1	BankNordik	H1
	H1	H1	H1	H1
	2018	2017	2018	2017
Net profit	169,284	88,388	169,284	88,388
Total other comprehensive income	0	0	0	0
Total comprehensive income	169,284	88,388	169,284	88,388
Portion attributable to				
Shareholders of BankNordik P/F	169,284	88,388	169,284	88,388
Total comprehensive income	169,284	88,388	169,284	88,388

Balance Sheet

Note	DKK 1,000	Group		BankNordik	
		June 30 2018	Dec. 31 2017	June 30 2018	Dec. 31 2017
Assets					
	Cash in hand and demand deposits with central banks	394,976	250,509	394,829	250,426
10	Due from credit institutions and central banks	715,372	616,813	715,372	616,813
	Loans and advances at fair value	423,665	431,017	423,665	431,017
9	Loans and advances at amortised cost	9,318,382	9,106,408	9,318,382	9,106,408
	Bonds at fair value	4,622,270	4,262,730	4,433,676	4,091,177
	Shares, etc.	336,206	248,811	336,206	248,811
	Assets under insurance contracts	7,458	8,575	0	0
	Holdings in associates	5,898	5,898	5,898	5,898
	Holdings in subsidiaries	0	0	114,050	115,270
	Assets under pooled schemes	455,881	450,335	455,881	450,335
	Intangible assets	2,362	0	2,362	0
	Total land and buildings	102,616	169,217	100,662	167,253
	investment property	0	0	0	0
	domicile property	102,616	169,217	100,662	167,253
	Other property, plant and equipment	25,626	28,552	24,368	27,770
	Current tax assets	9,914	6,894	9,914	6,894
	Deferred tax assets	33,746	44,707	33,720	44,553
11	Assets held for sale	4,911	6,302	4,911	6,302
	Other assets	217,644	73,336	214,274	70,858
	Prepayments	42,080	74,851	40,494	73,273
	Total assets	16,719,006	15,784,953	16,628,664	15,713,057

Balance Sheet

Note	DKK 1,000	Group		BankNordik	
		June 30 2018	Dec. 31 2017	June 30 2018	Dec. 31 2017
Shareholders' equity and liabilities					
Liabilities other than provisions					
		440,414	360,497	440,414	360,497
		13,147,427	12,632,463	13,167,812	12,653,510
		456,628	450,863	456,628	450,863
		98,065	81,197	0	0
		61,676	34,800	57,790	31,929
		349,839	147,883	342,054	139,985
		3,921	4,177	3,162	3,434
		14,557,970	13,711,880	14,467,860	13,640,216
Provisions for liabilities					
		37,968	23,640	37,968	23,640
		8,996	6,472	8,764	6,240
		46,965	30,112	46,732	29,880
Subordinated debt					
		223,173	222,868	223,173	222,868
		14,828,107	13,964,861	14,737,765	13,892,964
Shareholders' equity					
		200,000	200,000	200,000	200,000
		1,690,899	1,580,092	1,690,899	1,580,092
		0	40,000	0	40,000
		1,890,899	1,820,092	1,890,899	1,820,092
		16,719,006	15,784,953	16,628,664	15,713,057

Statement of capital - BankNordik Group

Changes in shareholders' equity:

DKK 1,000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at December 31, 2017	200,000	40,000	1,580,093	1,820,092
Changes in accounting policies for impairment under IFRS 9			-70,056	-70,056
Tax on changes regarding the implementation of IFRS 9			17,407	17,407
Adjusted equity at January 1, 2018	200,000	40,000	1,527,444	1,767,444
Net profit		0	169,284	169,284
Total comprehensive income		0	116,636	116,636
Acquisition of own shares			-9,283	-9,283
Sale of own shares			2,284	2,284
Dividends paid		-40,000	1,171	-38,829
Shareholders' equity at June 30, 2018	200,000	0	1,690,899	1,890,899

DKK 1,000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2017	200,000	300,000	1,422,035	1,922,035
Net profit		40,000	149,078	189,078
Total comprehensive income		40,000	149,078	189,078
Acquisition of own shares			-1,665	-1,665
Sale of own shares			2,276	2,276
Dividends paid		-300,000	8,368	-291,632
Shareholders' equity at December 31, 2017	200,000	40,000	1,580,093	1,820,092

DKK 1,000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2017	200,000	300,000	1,422,035	1,922,035
Net profit		0	88,388	88,388
Total comprehensive income		0	88,388	88,388
Acquisition of own shares			-1,662	-1,662
Sale of own shares			2,224	2,224
Dividends paid		-300,000	7,396	-292,604
Shareholders' equity at June 30, 2017	200,000	0	1,518,381	1,718,381

Statement of capital - BankNordik P/F

Changes in shareholders' equity:

DKK 1,000	Equity				Total
	Share capital	method reserve	Proposed dividends	Retained earnings	
Shareholders' equity at December 31, 2017 2018	200,000	0	40,000	1,580,092	1,820,092
Changes in accounting policies for impairment under IFRS 9				-70,056	-70,056
Tax on changes regarding the implementation of IFRS 9				17,407	17,407
Adjusted equity at January 1, 2018	200,000	0	40,000	1,527,444	1,767,444
Net profit		0	0	169,284	169,284
Total comprehensive income		0	0	116,636	116,636
Acquisition of own shares				-9,283	-9,283
Sale of own shares				2,284	2,284
Dividends paid			-40,000	1,171	-38,829
Shareholders' equity at June 30, 2018	200,000	0	0	1,690,899	1,890,899

DKK 1,000	Equity				Total
	Share capital	method reserve	Proposed dividends	Retained earnings	
Shareholders' equity at January 1, 2017	200,000	0	300,000	1,422,035	1,922,035
Net profit		0	40,000	149,078	189,078
Total comprehensive income		0	40,000	149,078	189,078
Acquisition of own shares				-1,665	-1,665
Sale of own shares				2,276	2,276
Dividends paid			-300,000	8,368	-291,632
Shareholders' equity at December 31, 2017	200,000	0	40,000	1,580,092	1,820,092

DKK 1,000	Equity				Total
	Share capital	method reserve	Proposed dividends	Retained earnings	
Shareholders' equity at January 1, 2017	200,000	0	300,000	1,422,035	1,922,035
Net profit		2,835	0	85,553	88,388
Total comprehensive income		2,835	0	85,553	88,388
Acquisition of own shares				-1,662	-1,662
Sale of own shares				2,224	2,224
Dividends paid			-300,000	7,396	-292,604
Dissolution of revaluation reserves in group enterprises		-2,835		2,835	0
Shareholders' equity at June 30, 2017	200,000	0	0	1,518,381	1,718,381

Capital and Solvency - BankNordik

DKK 1,000	June 30 2018	Dec. 31 2017
Core capital	1,667,132	1,731,404
Total capital	1,890,305	1,954,272
Risk-weighted items not included in the trading portfolio	7,932,647	7,575,236
Risk-weighted items with market risk etc.	1,090,721	1,022,062
Risk-weighted items with operational risk	1,195,955	1,298,065
Total risk-weighted items	10,219,323	9,895,363
Core capital ratio, excl. hybrid core capital	16.3%	17.5%
Core capital ratio	16.3%	17.5%
Solvency ratio	18.5%	19.7%
Core Capital and Shareholders' equity		
Share capital	200,000	200,000
Net profit	169,284	189,078
Retained earnings, previous years	1,558,796	1,460,582
Shareholders' equity, before deduction of holdings of own shares	1,928,080	1,849,660
Deduction of dividend	0	40,000
Deduction of net profit	169,284	0
Deduction due to excess holdings of shares in the financial sector	13,862	0
Deduction of holdings of own shares	37,181	29,568
Deduction of intangible assets	2,362	0
Deduction of deferred tax assets	33,720	44,553
Deduction regarding prudent valuation of financial instruments	4,538	4,136
Core capital exclusive of hybrid core capital	1,667,132	1,731,404
Hybrid core capital before deductions	0	0
Core capital	1,667,132	1,731,404
Total capital		
Core capital	1,667,132	1,731,404
Subordinated loan capital, before deductions	223,173	222,868
Total capital	1,890,305	1,954,272

Cash flow statement - BankNordik Group

DKK 1,000	H1 2018	Full year 2017
Cash flow from operations		
Profit before tax	207,182	234,632
Depreciation and impairment charges of tangible assets	-56,123	28,096
Impairment of loans and advances/guarantees	-47,013	-26,773
Paid tax	0	-46,256
Other non-cash operating items	-68,764	-29,363
Total	35,282	160,336
Changes in operating capital		
Change in loans at fair value	9,042	86,521
Change in loans at amortised cost	-164,962	-466,016
Change in holding of bonds	-382,309	411,077
Change in holding of shares	-58,722	10,493
Change in deposits	514,964	-36,234
Due to credit institutions and central banks	79,917	18,821
Change in other assets / liabilities	58,172	-8,981
Assets/liabilities under insurance contracts	17,984	-5,783
Prepayments	32,515	-37,046
Cash flow from operations	141,884	133,187
Cash flow from investing activities		
Dividends received	11,237	5,400
Acquisition of tangible assets	-4,207	-20,382
Sale of tangible assets	139,942	6,350
Cash flow from investing activities	146,972	-8,633
Cash flow from financing activities		
Acquisition of own shares	-9,283	-1,665
Sale of own shares	2,284	2,276
Payment of dividends	-40,000	-300,000
Payment of dividends, own shares	1,171	8,368
Cash flow from financing activities	-45,829	-291,020
Cash flow	243,027	-166,467
Cash in hand and demand deposits with central banks, and due from Credit institutions, etc. at the beginning of the year	867,321	1,033,788
Cash flow	243,027	-166,467
Cash and due etc.	1,110,348	867,321
Cash and due etc.		
Cash in hand and demand deposits with central banks	394,976	250,509
Due from credit institutions, etc.	715,372	616,813
Total	1,110,348	867,321

Note 1 Significant accounting policies

The consolidated financial statements for the first half year of 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of Nasdaq Copenhagen. The financial statements of the Parent Company, P/F BankNordik, have been prepared in accordance with the Faroese Financial Business Act and with the executive order on financial reports of credit institutions etc. of the Danish FSA as applied in the Faroe Islands.

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

As of January 1, 2018 the Group has implemented the International Financial Reporting Standard IFRS 9. The effects of the implementation on the Groups balance sheet are explained below. Otherwise the Group's significant accounting policies are consistent with those applied in the Annual Report 2017. The Annual Report 2017 provides a full description of the Group's significant accounting policies including a description of IFRS 9.

Effects on the Group's Balance Sheet due to the implementation of IFRS 9

The implementation of IFRS 9 has, given the Group's business model and types of financial assets and liabilities, solely had an effect on those of the Group's financial assets, which are measured at amortised cost (loans and guarantees).

The IFRS 9 reporting standards stipulate a new impairment model, which derives estimated losses on exposures based on statistical or specific loss expectations. Under the previous standards, an impairment charge was only recognised when a risk of loss was identified or incurred.

Under IFRS 9 exposures are grouped into 3 different stages and classified as stage 1, 2 or 3 depending on the risk of credit loss.

In accordance with the transitional provisions of IFRS 9, the Group has chosen not to apply the changes retrospectively. As such, the cumulative effect of the changes has been recognised as an adjustment to equity in the opening balance of 2018, while comparable figures for 2017 have not been restated. The impact on the Group's balance sheet, i.e. the effects on loans and advances, provisions for liabilities and on equity, is shown in the table below.

Balance Sheet as of January 1 2018 due to changes in accounting policies

Note	DKK 1,000	Group January 1 2018	BankNordik January 1 2018	Effects of IFRS 9	Group Dec. 31 2017	BankNordik Dec. 31 2017
Assets						
9	Loans and advances at amortised cost	9,054,524	9,054,524	-51,884	9,106,408	9,106,408
Shareholders' equity and liabilities						
	Provisions for losses on unused credits	4,136	4,136	4,136	0	0
	Provisions for losses on guarantees	37,677	37,677	14,037	23,640	23,640
	Current tax liabilities	17,393	14,521	-17,407	34,800	31,929
	Equity	1,767,444	1,767,444	-52,649	1,820,092	1,820,092

As illustrated in the table the total negative effect of the implementation of IFRS 9 on the Group's equity as of January 1, 2018 is DKK 52.6m.

Future financial reporting standards and interpretations

The International Accounting Standards Board (IASB) has issued a number of new accounting standards (IAS and IFRS) and interpretations (IFRIC) that have not yet entered into force. Please refer to the Annual Report 2017 for further information.

Accounting estimates

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

The most significant estimates that management makes in applying the Group's accounting policies and the most important uncertainty affecting estimates made when preparing the condensed interim report are unchanged from the estimates made in connection with the preparation of the Annual Report 2017 and the uncertainties prevailing at that time.

Determination of fair value

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

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

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

Notes - BankNordik Group

Note	Operating segments H1 2018	Banking			Total	Non-life	Elimination	Group
		Private	Corporate	Other		Insurance		
2	DKK 1,000					Faroe Islands		Total
	External interest income, Net	125,601	57,772	2,260	185,634	495		186,130
	Internal interest	6,626	-753	-5,873	0	0		0
	Net interest income	132,228	57,020	-2,235	187,012	495		187,508
	Net Fee and dividends income	94,002	7,422	64	101,487	-3,257		98,231
	Premium income, net of reinsurance	0	0	6,824	6,824	51,424	-612	57,637
	Net premium income of reinsurance and claims	0	0	5,272	5,272	13,493	-612	18,153
	Other income	1,370	0	24,191	25,562	-908	-664	23,989
	Total income	227,599	64,442	27,292	319,333	9,824	-1,276	327,881
	Total operating expenses	89,379	7,780	69,712	166,872	8,813	-1,276	174,409
	Profit before impairment charges on loans	138,220	56,662	-42,420	152,461	1,011		153,472
	Impairment charges, incl. reversals of acquired OEI impairments	-29,092	-24,619	0	-53,710	0		-53,710
	Profit before tax	167,312	81,281	-42,420	206,172	1,011		207,182
	Total assets	6,605,693	3,499,042	6,433,192	16,537,927	181,079		16,719,006
	of which Loans and advances	6,382,439	3,359,608	0	9,742,046	0		9,742,046
	Total liabilities	10,027,130	3,140,682	1,479,216	14,647,028	181,079		14,828,107
	of which Deposits	10,027,130	3,140,682	0	13,167,812		-20,385	13,147,427
	of which Insurance liabilities			705		97,360		98,065
	Operating segments H1 2017					Non-life		Group
	DKK 1,000					Insurance		Total
	External interest income, Net	124,308	62,418	7,522	194,248	642		194,890
	Internal interest	5,374	-676	-4,697	0	0		0
	Net interest income	129,682	61,741	2,825	194,248	642		194,890
	Net Fee and dividends income	84,254	8,036	20,462	112,752	-2,876		109,876
	Premium income, net of reinsurance	0	0	6,192	6,192	46,133	-606	51,719
	Net premium income of reinsurance and claims	0	0	2,327	2,327	16,636	-606	18,356
	Other income	507	0	22,196	22,703	-612	-633	21,459
	Total income	214,443	69,777	47,810	332,029	13,790	-1,239	344,581
	Total operating expenses	90,245	6,780	132,607	229,632	8,734	-1,239	237,128
	Profit before impairment charges on loans	124,198	62,996	-84,797	102,397	5,057		107,453
	Impairment charges, incl. reversals of acquired OEI impairments	-4,004	-949	0	-4,953	0		-4,953
	Profit before tax	128,202	63,945	-84,797	107,350	5,057	0	112,406
	Total assets	6,313,742	3,535,044	6,094,922	15,943,707	174,085		16,117,793
	of which Loans and advances	6,122,724	3,304,903	0	9,427,627	0		9,427,627
	Total liabilities	10,282,267	3,215,623	727,437	14,225,326	174,085		14,399,412
	of which Deposits	10,282,267	3,215,623	0	13,497,889		-27,407	13,470,482
	of which Insurance liabilities					95,523		95,523

BankNordik Group - Geographical revenue information

Geographical segments	Total income		Non-current assets		Additions to tangible assets		Additions to intangible assets	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Faroe Islands	172,356	168,967	42,510	120,972	-125,651	-524	2,362	0
Denmark	133,097	149,129	47,631	52,001	0	2,328		
Greenland	22,427	26,485	46,360	45,878	0	0		
Total	327,881	344,581	136,501	218,851	-125,651	1,803	2,362	0

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

Operational segments	Total income		Profit before tax		Tax		FTE	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Faroe Islands, Banking, Other	162,533	155,176	164,918	50,908	28,139	9,053	185	184
Faroe Islands, Insurance	9,824	13,790	1,011	5,057	183	910	25	26
Denmark, Banking	133,097	149,129	34,377	43,282	8,695	9,870	162	181
Greenland, Banking	22,427	26,485	6,876	13,160	881	4,185	18	17
Total	327,881	344,581	207,182	112,407	37,898	24,019	390	407

Notes		Group		Bank Nordik	
Note	DKK 1,000	H1 2018	H1 2017	H1 2018	H1 2017
3	Interest income				
	Credit institutions and central banks	1,371	1,401	1,371	1,398
	Loans and advances	184,755	193,515	184,755	193,515
	Bonds	14,572	19,029	13,976	18,047
	Total derivatives of which:	-8,073	-6,929	-8,073	-6,929
	<i>Interest rate contracts</i>	-5,784	-10,241	-5,784	-10,241
	<i>Other transactions</i>	-2,185	-2,307	-2,185	-2,307
	Other interest income	1,900	0	1,900	0
	Total interest income	194,524	207,017	193,928	206,031
4	Interest expenses				
	Credit institutions and central banks	718	836	718	836
	Deposits	60	5,333	61	5,333
	Subordinated debt	6,050	6,050	6,050	6,050
	Other interest expenses	188	-91	188	-91
	Total interest expenses	7,016	12,127	7,017	12,127
5	Net fee and commission income				
	Fee and commission income				
	Securities trading and custody accounts	15,282	38,672	15,282	38,672
	Credit transfers	9,236	11,135	9,236	11,135
	Loan commissions	3,498	3,639	3,498	3,639
	Guarantee commissions	9,277	8,737	9,277	8,737
	Other fees and commissions	55,869	49,084	60,718	53,402
	Total fee and commission income	93,162	111,267	98,010	115,585
	Fee and commissions paid				
	Securities trading and custody accounts	6,167	6,608	6,167	6,608
	Net fee and commission income	86,995	104,659	91,843	108,977
6	Market value adjustments				
	Loans and advances	1,689	-6,696	1,689	-6,696
	Bonds	-24,552	4,373	-23,451	5,391
	Shares	28,674	9,293	28,674	9,293
	Foreign exchange	2,349	18,911	2,349	18,911
	Total derivatives of which:	162	-7,171	162	-7,171
	<i>Currency Swaps</i>	553	6,086	9	6,086
	<i>Interest Swaps</i>	9	9,053	553	9,053
	<i>Other contracts</i>	0	-2	0	-2
	Assets under pooled schemes	-4,735	0	-4,735	0
	Deposits in pooled schemes	4,735	0	4,735	0
	Total market value adjustments	8,322	18,710	9,423	19,728

Note	DKK 1,000	Group		BankNordik	
		H1 2018	H1 2017	H1 2018	H1 2017
7	Other operating income				
	Profit on sale of operating equipment	10,099	135	10,099	135
	Reversals of acquired OEI impairments	6,698	8,375	6,698	8,375
	Other income	5,568	3,114	1,899	1,413
	Total other operating income	22,364	11,624	18,695	9,923
8	Staff costs and administrative expenses				
	Staff costs:				
	Salaries	109,635	105,801	102,122	97,231
	Pensions	13,558	13,564	12,561	12,486
	Social security expenses	16,437	16,284	15,397	15,242
	Total staff costs	139,629	135,649	130,080	124,959
	Administrative expenses:				
	IT	50,550	51,684	48,624	50,032
	Marketing etc	7,243	9,057	6,796	8,417
	Education etc	983	2,138	736	1,363
	Advisory services	749	937	749	933
	Other expenses	34,405	36,133	32,747	34,463
	Total administrative expenses	93,930	99,950	89,651	95,209
	Total staff costs	139,629	135,649	130,080	124,959
	Employee costs included under the item "Claims, net of reinsurance"	-3,482	-4,047	0	0
	Total administrative expenses	93,930	99,950	89,651	95,209
	Total staff costs and administrative expenses	230,077	231,553	219,731	220,168
	Number of employees				
	Average number of full-time employees in the period	392	412	360	380
	Executive remuneration:				
	Board of Directors	1,050	950	1,050	950
	Executive Board:				
	Salaries	1,259	1,171	1,259	1,171
	- less fees received from directorships	80	67	80	67
	The Bank's expense, salaries	1,179	1,104	1,179	1,104
	Pension	188	165	188	165
	Total executive board	1,367	1,269	1,367	1,269
	Total executive remuneration	2,417	2,219	2,417	2,219

Note	DKK 1,000	Group		Bank Nordik	
		H1 2018	H1 2017	H1 2018	H1 2017
9	Impairment charges on loans and advances and provisions for guarantees etc.				
	Individual impairment charges and provisions at 31 December 2017	511,470	678,636	511,470	678,636
	Changes in accounting policies for impairment under IFRS 9	70,056	0	70,056	0
	New and increased impairment charges and provisions	33,696	61,898	33,696	61,898
	Reversals of impairment charges and provisions	66,779	45,235	66,779	45,235
	Written-off, previously impaired	0	53,709	0	53,709
	<i>Interest income on impaired loans</i>	7,595	10,676	7,595	10,676
	Total individual impairment charges and provisions	548,443	641,591	548,443	641,591
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-38,163	10,673	-38,163	10,673
	Loans and advances at fair value	1,329	-98	1,329	-98
	Guarantees and loan commitments	-3,844	-4,588	-3,844	-4,588
	Write-offs charged directly to the income statement	556	1,215	556	1,215
	Received on claims previously written off	6,890	3,780	6,890	3,780
	Total individual impairment charges and provisions	-47,013	3,422	-47,013	3,422
	Individual impairment charges etc.				
	Individual impairment charges etc. at 31 December 2017	409,440	592,106	409,440	592,106
	Changes in accounting policies for impairment under IFRS 9	-409,440	0	-409,440	0
	New and increased impairment charges	0	45,954	0	45,954
	Reversals of impairment charges	0	39,594	0	39,594
	Written-off, previously impaired	0	53,709	0	53,709
	<i>Write-offs charged directly to the income statement</i>	0	1,215	0	1,215
	<i>Received on claims previously written off</i>	0	3,780	0	3,780
	<i>Interest income on impaired loans</i>	0	10,676	0	10,676
	Individual impairment charges etc. at 30 June	0	544,757	0	544,757
	<i>Total net impact recognised in the income statement</i>	0	-6,880	0	-6,880
	Collective impairment charges				
	Collective impairment charges at 31 December 2017	78,390	52,620	78,390	52,620
	Changes in accounting policies for impairment under IFRS 9	-78,390	0	-78,390	0
	New and increased impairment charges	0	14,891	0	14,891
	Collective impairment charges at 30 June	0	67,511	0	67,511
	<i>Total net impact recognised in the income statement</i>	0	14,891	0	14,891

Note	DKK 1,000	Group		Bank Nordik	
		H1 2018	H1 2017	H1 2018	H1 2017
9	Stage 1 impairment charges				
(cont'd)	Stage 1 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	20,770	0	20,770	0
	New and increased Stage 1 impairment charges	20,196	0	20,196	0
	Reversals, net of Stage 1 impairment charges	6,016	0	6,016	0
	Stage 1 impairment charges at 30 June	34,951	0	34,951	0
	<i>Total net impact recognised in the income statement</i>	<i>14,180</i>	<i>0</i>	<i>14,180</i>	<i>0</i>
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	70,744	0	70,744	0
	Reversals, net of impairment charges	16,654	0	16,654	0
	Stage 2 impairment charges at 30 June	54,090	0	54,090	0
	<i>Total net impact recognised in the income statement</i>	<i>-16,654</i>	<i>0</i>	<i>-16,654</i>	<i>0</i>
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	38,759	0	38,759	0
	Reversals, net of impairment charges	8,654	0	8,654	0
	Weak Stage 2 impairment charges at 30 June	30,106	0	30,106	0
	<i>Total net impact recognised in the income statement</i>	<i>-8,654</i>	<i>0</i>	<i>-8,654</i>	<i>0</i>
	Stage 3 impairment charges				
	Stage 3 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	409,440	0	409,440	0
	New and increased impairment charges	8,889	0	8,889	0
	Reversals of impairment charges	27,000	0	27,000	0
	<i>Interest income on impaired loans</i>	<i>7,595</i>	<i>0</i>	<i>7,595</i>	<i>0</i>
	Stage 3 impairment charges at 30 June	391,329	0	391,329	0
	<i>Total net impact recognised in the income statement</i>	<i>-25,706</i>	<i>0</i>	<i>-25,706</i>	<i>0</i>
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 1 January	23,640	33,910	23,640	33,910
	Changes in accounting policies for impairment under IFRS 9	18,172	0	18,172	0
	New and increased provisions	4,611	1,053	4,611	1,053
	Reversals of provisions	8,456	5,641	8,456	5,641
	Provisions for guarantees etc at 30 June	37,968	29,322	37,968	29,322
	<i>Total net impact recognised in the income statement</i>	<i>-3,844</i>	<i>-4,588</i>	<i>-3,844</i>	<i>-4,588</i>
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	8,507	0	8,507	0
	Stage 2 provisions	9,583	0	9,583	0
	Weak Stage 2 provisions	3,400	0	3,400	0
	Stage 3 provisions	16,478	29,322	16,478	29,322
	Provisions for guarantees etc at 30 June	37,968	29,322	37,968	29,322

Note	DKK 1,000	Group		BankNordik	
		June 30 2018	Dec. 31 2017	June 30 2018	Dec. 31 2017
10	Due from credit institutions etc. specified by maturity				
	On demand	389,623	290,525	389,623	290,525
	3 months and below	211,738	112,177	211,738	112,177
	3 months to 1 year	14,012	0	14,012	0
	Over 1 year to 5 years	100,000	214,111	100,000	214,111
	Total due from credit institutions etc.	715,372	616,813	715,372	616,813
11	Assets held for sale				
	Total purchase price, at 1 January	10,998	17,095	10,998	17,095
	Additions	659	360	659	360
	Disposals	2,451	6,457	2,451	6,457
	Total purchase price	9,206	10,998	9,206	10,998
	Depreciation and impairment, at 1 January	4,696	5,121	4,696	5,121
	Impairment charges for the year	0	120	0	120
	Reversal of impairment on disposals during the year	401	545	401	545
	Total depreciation and impairment	4,295	4,696	4,295	4,696
	Total assets held for sale	4,911	6,302	4,911	6,302
12	Contingent liabilities				
	Guarantees				
	Financial guarantees	391,841	318,943	391,841	318,943
	Mortgage finance guarantees	1,297,567	1,282,808	1,297,567	1,282,808
	Registration and remortgaging guarantees	608,959	733,798	608,959	733,798
	Other guarantees	362,174	309,005	362,174	309,005
	Total guarantees	2,660,542	2,644,554	2,660,542	2,644,554

13 **Assets deposited as collateral**

At June 30 2018 the Group had deposited bonds at a total market value of DKK 29m (H1 2017: 39m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing. Deposits of bonds to others in total have a market value of DKK 30m (H1 2017: 48m).

Statement by the Executive Board and the Board of Directors

We have today considered and approved P/F BankNordik's interim report for the first half year of 2018.

The consolidated financial statements for the first half year of 2018 have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of Nasdaq Copenhagen.

The interim financial statements have not been audited or reviewed.

We consider the accounting policies applied to be appropriate, such that the Interim Financial Report gives a true and fair view of the Group's and the Parent Company's assets, shareholders' equity and liabilities and financial position at 30 June 2018, and of the results of the Group's and the Parent Company's operations and the Group's and Parent Company's cash flows for the half year ended 30 June 2018.

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

Tórshavn, 3 August 2018

Executive Board

Árni Ellefsen
CEO

Board of Directors

Stine Bosse
Chairman

Barbara Pállsdóttir Vang
Vice chairman

Jógvan Jespersen

Kim Jacobsen

John Henrik Holm

Kenneth M. Samuelson

Dan Rasmussen

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BankNordik is a limited liability
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domiciled in the Faroe Islands.

The company is listed on
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