

# Interim Report Q1 2020

**BANKNORDIK**





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# **Interim Report Q1 2020**

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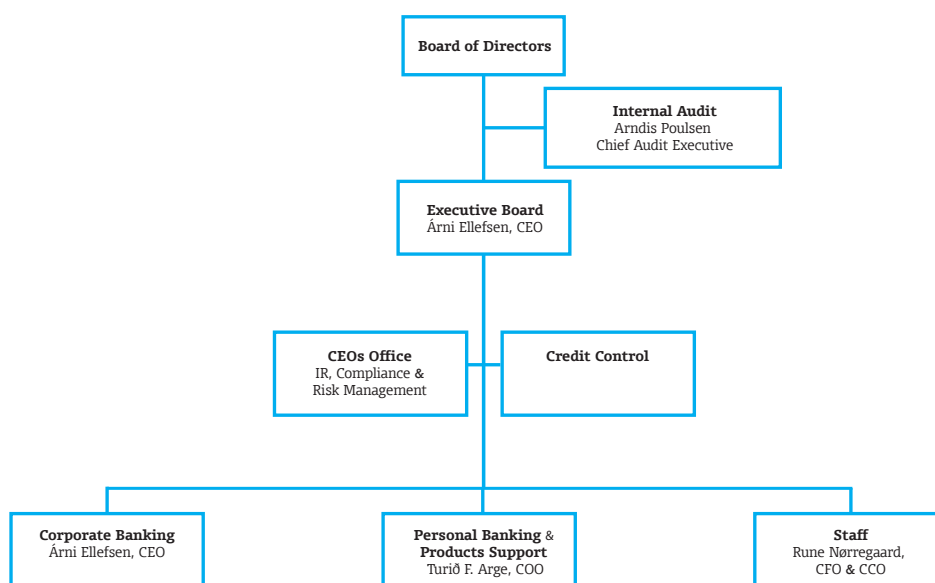
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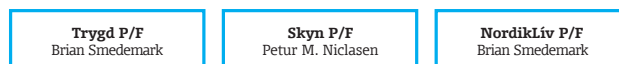
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## BankNordik Organisation



## Subsidiaries



# Overview of the Group

**BANKNORDIK**

**BANKNORDIK**  
**TRYGD NORDIKLÍV SKYN**

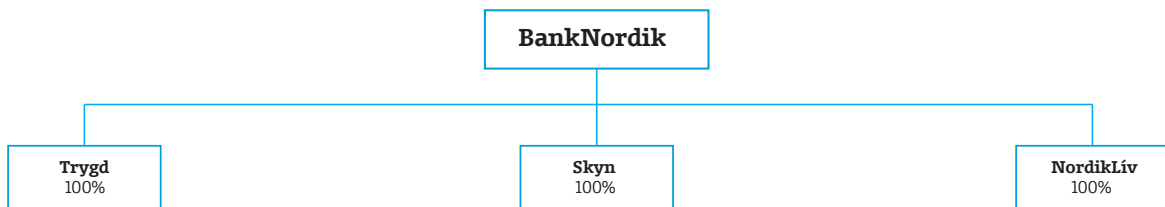
**BANKNORDIK**

**17**  
Branches across  
3 countries

**359**  
Full-time  
employees

**23**  
DKKbn in lending  
and mortgage  
lending

**4.0**  
DKKbn in asset  
management



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

Other activities include Skyn, a Faroese estate agency.

## Highlights, ratios, and key figures - BankNordik Group

<b>Highlights</b> DKK 1,000	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	94,743	91,034	104	94,743	94,785	90,413	90,459	91,034
Dividends from shares and other investments	855	240	356	855	0	0	13,743	240
Net fee and commission income	54,319	47,876	113	54,319	48,993	47,126	45,479	47,876
Net interest and fee income	149,917	139,151	108	149,917	143,778	137,539	149,681	139,151
Net insurance income	3,551	8,517	42	3,551	13,630	14,875	15,305	8,517
Interest and fee income and income from insurance activities, net	153,468	147,668	104	153,468	157,408	152,414	164,987	147,668
Market value adjustments	-51,134	15,548	-51,134	-51,134	3,172	749	-15,075	15,548
Other operating income	768	2,791	28	768	3,172	5,612	2,922	2,791
Staff costs and administrative expenses	104,092	116,707	89	104,092	124,754	113,734	115,784	116,707
Impairment charges on loans and advances etc.	23,656	-19,057	23,656	-24,573	-8,566	-52,732	-19,057	-19,057
Net profit	-24,272	52,419	-24,272	48,418	39,847	65,946	52,419	52,419
Loans and advances	9,970,611	10,006,218	100	9,970,611	9,908,886	9,982,999	10,052,620	10,006,218
Bonds at fair value	4,952,913	5,174,715	96	4,952,913	5,599,529	5,024,465	5,159,449	5,174,715
Intangible assets	10,818	7,511	144	10,818	9,957	9,043	8,122	7,511
Assets held for sale	946	19,795	5	946	1,500	3,865	19,795	19,795
Total assets	16,940,493	17,417,463	97	16,940,493	18,173,399	17,618,509	17,715,177	17,417,463
Amounts due to credit institutions and central banks	482,266	83,127	580	482,266	54,922	368,008	150,905	83,127
Deposits and other debt	12,870,849	14,003,644	92	12,870,849	14,367,685	13,528,109	14,131,224	14,003,644
Total shareholders' equity	2,086,980	1,965,329	106	2,086,980	2,112,335	2,064,175	2,031,275	1,965,329
<b>Ratios and key figures</b>	<b>March 31 2020</b>	<b>March 31 2019</b>		<b>March 31 2020</b>	<b>Dec. 31 2019</b>	<b>Sept. 30 2019</b>	<b>June 30 2019</b>	<b>March 31 2019</b>
<b>Solvency</b>								
Solvency ratio, %	23.4	19.2		23.4	22.3	21.0	19.6	19.2
Core capital ratio, %	21.3	17.2		21.3	20.2	18.9	17.5	17.2
CET 1 capital	19.8	17.2		19.8	18.8	17.5	17.5	17.2
Risk-weighted Items, DKK mill	10,405	10,907		10,405	10,764	10,664	10,720	10,907
<b>Profitability</b>								
Return on shareholders' equity after tax, %	-1.2	2.7		-1.2	2.3	1.9	3.3	2.7
Cost / income, %	128.8	61.1		128.8	63.9	68.6	43.7	61.1
Cost / income, % (excl. value adjustm. and impairments)	70.7	80.0		70.7	80.4	74.3	71.2	80.0
Return on assets	-0.1	0.3		-0.1	0.3	0.2	0.4	0.3
<b>Market risk</b>								
Interest rate risk, %	1.0	1.4		1.0	1.8	1.6	1.2	1.4
Foreign exchange position, %	1.2	1.9		1.2	1.4	1.0	2.1	1.9
Foreign exchange risk, %	0.0	0.1		0.0	0.1	0.0	0.1	0.1
<b>Liquidity</b>								
Excess cover relative to statutory liquidity requirements, %	159.4	221.5		159.4	215.7	225.1	238.3	221.5
<b>Credit risk</b>								
Change in loans and advances, %	0.6	0.5		0.6	-0.7	-0.7	0.5	0.5
Gearing of loans and advances	4.8	5.1		4.8	4.7	4.8	4.9	5.1
Impairment and provisioning ratio, end of period, %	3.8	4.4		3.8	3.7	3.9	4.0	4.4
Write-off and provisioning ratio, %	0.2	-0.1		0.2	-0.2	-0.1	-0.4	-0.1
Share of amounts due on which interest rates have been reduced, end of period, %	0.7	0.8		0.7	0.8	0.8	0.7	0.8
<b>Shares</b>								
Earnings per share after tax (nom. DKK 20), DKK	-2.5	5.5		-2.5	5.1	4.1	6.8	5.5
Market price per share (nom. DKK 20), DKK	99.0	108.0		99.0	109.0	102.5	109.0	108.0
Book value per share (nom. DKK 20), DKK	218.9	206.3		218.9	221.6	216.6	213.1	206.3
<b>Other</b>								
Number of full-time employees, end of period	359	393		359	377	383	390	393

# Financial Review

Although BankNordik's results for Q1 2020 were significantly impacted by the COVID-19 health crisis, several of the Bank's initiatives announced or executed in 2019 started to bear fruit. Interest income was up 4% on the first quarter of 2019, fee and commission income increased by 13%, and staff costs and administrative expenses were 10% lower. As such, the changes made have laid the foundation for a strengthened performance by the Bank in the years ahead. The pre tax loss of DKK 30m was mainly due to a discretionary impairment charge of DKK 25m, large fluctuations in the market value of Bank's investment portfolio and high insurance claims," said BankNordik CEO, Árni Ellefsen.

"BankNordik expects the effects of the pandemic to be felt throughout 2020 and likely beyond. There is a large amount of uncertainty around the overall impact of the health crisis on the economies in which the Bank operates, but BankNordik is well positioned to meet these challenges. The Bank is well capitalised with a solvency ratio of 23.4% and CET1 capital ratio of 19.8% at the end of Q1 2020. The Bank's core business has grown stronger, and our through-the-cycle approach to credit risk will benefit the Bank in the current uncertain economic environment," said Mr. Ellefsen.



The following comments relate to the adjusted figures and are generally stated relative to Q4 2019. Due to seasonal variations, comments on the insurance segment are made relative to Q1 2019.



## Income statement

Income statement, Group								
DKKm	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	88	84	104	88	87	83	83	84
Net fee and commission income	54	48	113	54	49	47	45	48
Net insurance income	4	9	42	4	14	15	15	9
Other operating income (less reclassification)	9	11	81	9	14	13	11	11
<b>Operating income</b>	<b>154</b>	<b>151</b>	<b>102</b>	<b>154</b>	<b>164</b>	<b>158</b>	<b>155</b>	<b>151</b>
Operating costs <sup>1</sup>	-109	-120	90	-109	-117	-116	-119	-120
Sector costs	0	0		0	0	0	0	0
<b>Profit before impairment charges</b>	<b>45</b>	<b>31</b>	<b>146</b>	<b>45</b>	<b>47</b>	<b>42</b>	<b>35</b>	<b>31</b>
Impairment charges, net	-24	19		-24	25	9	53	19
<b>Operating profit</b>	<b>22</b>	<b>50</b>	<b>43</b>	<b>22</b>	<b>71</b>	<b>51</b>	<b>88</b>	<b>50</b>
Non-recurring items <sup>2</sup>	0	0		0	-13	0	0	0
<b>Profit before value adjustments and tax</b>	<b>22</b>	<b>50</b>	<b>43</b>	<b>22</b>	<b>58</b>	<b>50</b>	<b>88</b>	<b>50</b>
Investment portfolio earnings <sup>3</sup>	-51	15		-51	1	0	-2	15
<b>Profit before tax</b>	<b>-30</b>	<b>65</b>		<b>-30</b>	<b>59</b>	<b>50</b>	<b>86</b>	<b>65</b>
Operating cost/income, %	70	79		70	71	73	77	79
Number of FTE, end of period	359	393	91	359	377	383	390	393

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

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

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

### Operating income

The BankNordik Group generated operating income of DKK 154m in Q1 2020, down by DKK 10m compared to Q4 2019 due to lower net insurance income.

### Net interest income

Net interest income was DKK 88m in Q1 2020, up by DKK 1m compared to Q4 2019.

### Net fee and commission income

Net fee and commission income amounted to DKK 54m in Q1 2020, up by DKK 5m compared to Q4 2019 driven by activity in the Bank's Markets division.

### Net insurance income

Net insurance income amounted to DKK 4m in Q1 2020, DKK 5m less than in Q1 2019 due to high storm-related claims following a storm in early March as well as increased travel cancellation insurance claims due to COVID-19.

### Operating and sector costs

Operating costs amounted to DKK 109m in Q1 2020, down by DKK 8m relative to Q4 2019, as the effects of organisational changes enacted in Q4 2019 began to feed through.

### Profit before impairment charges

Profit before impairment charges was DKK 45m in Q1 2020, down 1m from DKK 47m in Q4 2019.

### Impairment charges

Net impairment charges were DKK 24m in Q1 2020 compared to a reversal of DKK 25m in Q4 2019.

### Operating profit

As a result, operating profit came in at DKK 22m in Q1 2020 compared to DKK 71m in Q4 2019.



## The Supervisory Diamond

Sum of large exposures < 175 %

Q1 2020	Q1 2019
132.9%	125.5%

Loan growth < 20 %

Q1 2020	Q1 2019
-0.2%	4.8%

Funding-ratio < 1.0

Q1 2020	Q1 2019
0.65	0.62

Property exposure < 25%

Q1 2020	Q1 2019
7.6%	5.5%

Liquidity indicator > 100%

Q1 2020	Q1 2019
214.4%	264.4%

At 31 March 2020, the Group was in compliance with all Supervisory Diamond requirements set by the Danish FSA.

## Balance sheet

BankNordik's total assets at 31 March 2020 amounted to DKK 16.9bn. Loans and advances were DKK 10.0bn, i.e. up by DKK 62m compared to 31 December 2019. Deposits were DKK 12.9bn, a decrease of DKK 1,497m compared to 31 December 2019.

Liquidity invested in bonds, primarily in Danish mortgage bonds and Danish government bonds, amounted to DKK 5.0bn, a decrease of DKK 647m compared to 31 December 2019. Liquidity invested in equities amounted to DKK 313m, a DKK 1m increase relative to 31 December 2019. The Group's liquidity indicator was 214.4% at 31 March 2020, well above the requirement of 100%. The Group's LCR at 31 March 2020 was 177.7% also well above the requirement of 100%. Shareholders' equity at 31 March 2020 amounted to DKK 2,087m, down by DKK 25m compared to 31 December 2019.

## Capital ratios

At 31 March 2020, the Group's CET1 capital ratio was 19.8%, the core capital ratio was 21.3% and the total capital ratio was 23.4%.

The loss for Q1 2020 is included in the capital and solvency statement.

## Events after the balance sheet date

No events have occurred since 31 March 2020 that are deemed to have a significant impact on the Group's financial position.

## Outlook 2020

On 20 March, management suspended FY2020 guidance on profit after tax of DKK 100-150m (2019: DKK 207m).

As a result of the unprecedented uncertainty surrounding the global health crisis, BankNordik has reviewed its expectations for the financial year using scenario analysis based on current knowledge. Based on this analysis, the Bank now expects profit after tax for FY2020 to be in the range of DKK 30-80m. The guidance range has been lowered by DKK 80m (70m after tax), which may be attributed as follows: DKK 40m in impairments, DKK 15m in investment portfolio losses and DKK 25m in lower net insurance income.

Please note that this guidance is subject to a much higher degree of uncertainty than usual. In large part, it depends on how the COVID-19 health crisis evolves going forward, as this in turn has a significant effect on e.g. loan impairment charges, market value adjustments and net insurance income.

## Adjusted results

Note	Income statement Q1 2020, Group, DKK 1,000	Income statement	Restatement	Restated income statement
1	Net interest income	94,743	-7,165	87,579
2	Net fee and commission income	55,174	-855	54,319
	Net insurance income	3,551		3,551
2, 3	Other operating income	768	8,145	8,913
	<b>Operating income</b>	<b>154,237</b>	<b>126</b>	<b>154,362</b>
	Operating costs	108,792	0	108,792
	Sector costs	314	0	314
	<b>Profit before impairment charges</b>	<b>45,130</b>	<b>126</b>	<b>45,256</b>
	Impairment charges	23,656		23,656
	<b>Operating profit</b>	<b>21,474</b>	<b>126</b>	<b>21,600</b>
1, 3	Investment portfolio earnings	-51,134	-126	-51,260
	<b>Profit before tax</b>	<b>-29,660</b>	<b>0</b>	<b>-29,660</b>
Note	<b>Income statement Q1 2019, Group, DKK 1,000</b>			
1	Net interest income	91,034	-6,966	84,068
2	Net fee and commission income	48,116	-240	47,876
	Net insurance income	8,517		8,517
2, 3	Other operating income	2,791	8,196	10,987
	<b>Operating income</b>	<b>150,459</b>	<b>990</b>	<b>151,449</b>
	Operating costs	120,255	0	120,255
	Sector costs	169	0	169
	<b>Profit before impairment charges</b>	<b>30,035</b>	<b>990</b>	<b>31,025</b>
	Impairment charges	-19,057		-19,057
	<b>Operating profit</b>	<b>49,092</b>	<b>990</b>	<b>50,082</b>
1, 3	Investment portfolio earnings	15,548	-990	14,558
	<b>Profit before tax</b>	<b>64,640</b>	<b>0</b>	<b>64,640</b>
Note	<b>Restatements made to the income statement, DKK 1,000</b>		<b>Q1 2020</b>	<b>Q1 2019</b>
1	Reclassification of interest income from bonds from the item Interest income to Investment portfolio earnings.		7,165	6,966
2	Dividends reclassified from Net fee and commission income to Other operating income.		855	240
3	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions to Other operating income.		7,290	7,956

# Segments

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TRYGD NORDIKLÍV SKYNN

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## Personal Banking

	Q1 2020	Q1 2019
Loans and advances	DKK 6.2bn	DKK 6.4bn
Deposits	DKK 10.0bn	DKK 10.3bn
Mortgage credit	DKK 12.8bn	DKK 12.1bn
Cost/Income(Operating cost/income)	33%	37%
Operating profit	DKK 74m	DKK 77m

## Corporate Banking

	Q1 2020	Q1 2019
Loans and advances	DKK 3.8bn	DKK 3.6bn
Deposits	DKK 2.9bn	DKK 3.7bn
Mortgage credit	DKK 0.2bn	DKK 0.4bn
Cost/Income(Operating cost/income)	11%	10%
Operating profit	DKK 19m	DKK 42m

## Trygd

	Q1 2020	Q1 2019
Premium, net of insurance	DKK 30m	DKK 27m
Net insurance income	DKK 1m	DKK 8m
Profit before tax	DKK -6m	DKK 2m
Combined ratio	116%	93%
Claims ratio	97%	72%

# Banking

Income statement, Banking								
DKKmn	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	87	84	104	87	87	83	83	84
Net fee and commission income	57	51	113	57	52	50	48	51
Other operating income	9	10	89	9	13	11	10	10
<b>Operating income</b>	<b>153</b>	<b>144</b>	<b>106</b>	<b>153</b>	<b>152</b>	<b>144</b>	<b>140</b>	<b>144</b>
Operating cost	-105	-116	91	-105	-110	-111	-113	-116
Sector costs	0	0		0	0	0	0	0
<b>Profit before impairment charges</b>	<b>47</b>	<b>28</b>	<b>169</b>	<b>47</b>	<b>41</b>	<b>33</b>	<b>27</b>	<b>28</b>
Impairment charges, net	-24	19		-24	25	9	53	19
<b>Operating profit</b>	<b>24</b>	<b>47</b>	<b>51</b>	<b>24</b>	<b>66</b>	<b>42</b>	<b>80</b>	<b>47</b>
Non-recurring items	0	0		0	-13	0	0	0
<b>Profit before value adjustments and tax</b>	<b>24</b>	<b>47</b>	<b>51</b>	<b>24</b>	<b>52</b>	<b>41</b>	<b>80</b>	<b>47</b>
Investment portfolio earnings	-50	15		-50	2	0	-2	15
<b>Profit before tax</b>	<b>-26</b>	<b>62</b>		<b>-26</b>	<b>55</b>	<b>42</b>	<b>78</b>	<b>62</b>
Loans and advances	9,971	10,006	100	9,971	9,909	9,983	10,053	10,006
Deposits and other debt	12,903	14,027	92	12,903	14,399	13,557	14,156	14,027
Mortgage credit	13,010	12,477	104	13,010	12,960	12,918	12,644	12,477
Operating cost/income, %	69	80		69	73	77	81	80
Number of FTE, end of period	327	359	91	327	345	354	358	359

Note that the financial results as presented in the item Investment portfolio earnings are not recognised under the business segments Corporate Banking and Personal Banking.



# Personal Banking

Income statement, Personal Banking									
DKKm	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	
Net interest income	59	61	96	59	61	60	60	61	
Net fee and commission income	53	46	114	53	48	46	44	46	
Other operating income	10	8	123	10	8	8	8	8	
<b>Operating income</b>	<b>122</b>	<b>116</b>	<b>105</b>	<b>122</b>	<b>117</b>	<b>114</b>	<b>112</b>	<b>116</b>	
Operating cost	-40	-43	93	-40	-38	-42	-45	-43	
Sector costs	0	0		0	0	0	0	0	
<b>Profit before impairment charges</b>	<b>81</b>	<b>73</b>	<b>112</b>	<b>81</b>	<b>78</b>	<b>71</b>	<b>67</b>	<b>73</b>	
Impairment charges, net	-8	4		-8	13	2	26	4	
<b>Operating profit</b>	<b>74</b>	<b>77</b>	<b>96</b>	<b>74</b>	<b>91</b>	<b>74</b>	<b>92</b>	<b>77</b>	
Non-recurring items	0	0		0	-9	0	0	0	
<b>Profit before value adjustments and tax</b>	<b>74</b>	<b>77</b>	<b>96</b>	<b>74</b>	<b>82</b>	<b>74</b>	<b>92</b>	<b>77</b>	
<b>Profit before tax</b>	<b>74</b>	<b>77</b>	<b>96</b>	<b>74</b>	<b>82</b>	<b>74</b>	<b>92</b>	<b>77</b>	
Loans and advances	6,152	6,429	96	6,152	6,287	6,402	6,451	6,429	
Deposits and other debt	10,003	10,304	97	10,003	10,603	10,523	10,639	10,304	
Mortgage credit	12,815	12,093	106	12,815	12,751	12,546	12,280	12,093	
Operating cost/income, %	33	37		33	33	37	40	37	
Number of FTE, end of period	187	200	94	187	202	213	212	200	

The Personal Banking segment reported operating income of DKK 122m in Q1 2020, up by DKK 5m compared to Q4 2019.

Net interest income was DKK 59m in Q1 2020, down DKK 2m compared to the previous quarter. Net fee and commission income in Q1 2020 was up by DKK 5m quarter on quarter due to strong customer activity during the quarter, in particular activity in the Bank's Markets division.

Operating costs were DKK 40m in Q1 2020, an increase of DKK 2m relative to Q4 2019. Impairment charges amounted to DKK 8m in Q1 2020 compared to a reversal of DKK 13m in Q4 2019.

This brought operating profit to DKK 74m in Q1 2020, down by DKK 17m on the previous quarter.

Bank loans and advances to personal customers during the quarter fell by DKK 135m to DKK 6,152m at 31 March 2020 while mortgage lending was up by DKK 64m to DKK 12,815m, both compared to 31 December 2019. Faroese households have historically funded their housing by way of traditional bank loans, but in recent years BankNordik has observed a gradual increase in household preferences towards the traditional Danish financing model of 80% mortgage funding and the residual in 2nd lien bank lending. As a result, the Bank mainly addressed demand for household lending in the Faroe Islands in 2019 through mortgage broking, a trend which continued in Q1 2020.

Deposits held by personal customers during the quarter fell by DKK 600m to DKK 10,003m at 31 March 2020 due to the introduction of negative interest rate brackets.

# Corporate Banking

Income statement, Corporate Banking									
DKKm	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	
Net interest income	33	29	113	33	31	30	29	29	
Net fee and commission income	4	4	105	4	4	4	4	4	
Other operating income	1	1	81	1	2	1	1	1	
<b>Operating income</b>	<b>38</b>	<b>35</b>	<b>111</b>	<b>38</b>	<b>37</b>	<b>35</b>	<b>34</b>	<b>35</b>	
Operating cost	-4	-3	129	-4	-4	-4	-3	-3	
Sector costs	0	0		0	0	0	0	0	
<b>Profit before impairment charges</b>	<b>34</b>	<b>31</b>	<b>109</b>	<b>34</b>	<b>33</b>	<b>31</b>	<b>31</b>	<b>31</b>	
Impairment charges, net	-15	11		-15	22	4	24	11	
<b>Operating profit</b>	<b>19</b>	<b>42</b>	<b>45</b>	<b>19</b>	<b>55</b>	<b>35</b>	<b>54</b>	<b>42</b>	
Non-recurring items	0	0		0	0	0	0	0	
<b>Profit before value adjustments and tax</b>	<b>19</b>	<b>42</b>	<b>45</b>	<b>19</b>	<b>55</b>	<b>35</b>	<b>54</b>	<b>42</b>	
<b>Profit before tax</b>	<b>19</b>	<b>42</b>	<b>45</b>	<b>19</b>	<b>55</b>	<b>35</b>	<b>54</b>	<b>42</b>	
Loans and advances	3,819	3,565	107	3,819	3,602	3,534	3,573	3,565	
Deposits and other debt	2,892	3,715	78	2,892	3,770	3,018	3,498	3,715	
Mortgage credit	196	384	51	196	209	372	364	384	
Operating cost/income, %	11	10		11	10	11	10	10	
Number of FTE, end of period	17	16	105	17	16	16	16	16	

The Corporate Banking activities reported operating income of DKK 38m in Q1 2020, up by DKK 1m compared to Q4 2019.

Net interest income increased by DKK 2m in Q1 2020 relative to the previous quarter, partly driven by negative interest rate brackets introduced on corporate deposits being in effect for the full quarter. The contribution to net interest income from this initiative is expected to be in the amount of DKK 8-10m on an annual basis.

Net fee and commission income as well as operating costs remained flat during the quarter. Impairment charges amounted to DKK 15m, net, during Q1 2020 a significant increase compared to the previous quarter, when a reversal of DKK 22m was seen.

Operating profit therefore amounted to DKK 19m in Q1 2020 vs. DKK 55m in Q4 2019.

Corporate loans and advances increased by DKK 217m in Q1 2020 to DKK 3,819m at 31 March 2020, while deposits fell by DKK 878m during the period to DKK 2,892m, driven by negative interest rates on corporate deposits.

# Insurance

Income statement, Trygd									
DKKm	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	
Premium income, net of reinsurance	30	27	112	30	28	29	28	27	
Claims, net of reinsurance	-29	-19	150	-29	-17	-17	-15	-19	
<b>Net insurance income</b>	<b>1</b>	<b>8</b>	<b>13</b>	<b>1</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>8</b>	
Net income from investment activities	-1	0		-1	0	0	0	0	
<b>Operating income</b>	<b>0</b>	<b>8</b>	<b>5</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>13</b>	<b>8</b>	
Operating cost	-6	-6	103	-6	-7	-6	-7	-6	
<b>Profit before tax</b>	<b>-6</b>	<b>2</b>		<b>-6</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>2</b>	
Combined ratio	116	93		116	85	80	78	93	
Claims ratio	97	72		97	60	60	54	72	
Number of FTE, end of period	25	26	96	25	25	22	24	26	

Trygd's premium income was DKK 30m in Q1 2020, up by DKK 3m compared to Q1 2019. Claims increased by DKK 10m in Q1 2020 compared to the same period last year at DKK 29m.

Operating costs were DKK 6m in Q1 2020, equal to that of the same period last year. As a result, Trygd reported a loss before tax of DKK 6m compared to a profit before tax of DKK 2m in Q1 2019.

Trygd's result in Q1 2020 was largely driven by claims in excess of the company's reinsurance limit following a strong storm in early March. In addition, travel cancellation claims due to COVID-19 were received towards the end of the quarter, but these are expected to impact the company to a greater extent in the second and third quarters.

However, Trygd continues to strengthen its market position as a leading provider of non-life insurance in the Faroe Islands. The steady increase in premiums stems from both an increase in market share as well as general market growth driven by developments in the Faroese economy. Meanwhile, operating costs have been held at a constant level, contributing to margin expansion.

As evidenced by the results for Q1 2020, Trygd's claims vary significantly from one period to the next due to the limited size of the Faroese insurance market, which adds volatility to the financial results.







## Income statement - BankNordik

Note	DKK 1,000	Group		BankNordik	
		Q1 2020	Q1 2019	Q1 2020	Q1 2019
3	Interest income	100,230	98,043	99,731	97,724
	- of which interest income from deposits	7,869	1,369	7,869	1,369
4	Interest expenses	5,486	7,009	5,473	7,009
	- of which interest expenses from assets	1,194	528	1,194	528
	<b>Net interest income</b>	<b>94,743</b>	<b>91,034</b>	<b>94,258</b>	<b>90,715</b>
	Dividends from shares and other investments	855	240	855	240
5	Fee and commission income	57,767	51,592	60,586	54,241
5	Fee and commissions paid	3,448	3,716	3,448	3,716
	<b>Net dividend, fee and commission income</b>	<b>55,174</b>	<b>48,116</b>	<b>57,993</b>	<b>50,765</b>
	<b>Net interest and fee income</b>	<b>149,917</b>	<b>139,151</b>	<b>152,251</b>	<b>141,479</b>
	Premium income, net of reinsurance	33,325	30,127		
	Claims, net of reinsurance	29,773	21,610		
	<b>Interest and fee income and income from insurance activities, net</b>	<b>153,468</b>	<b>147,668</b>	<b>152,251</b>	<b>566,299</b>
6	Market value adjustments	-51,134	15,548	-49,864	15,935
7	Other operating income	768	2,791	390	1,427
8	Staff costs and administrative expenses	104,092	116,707	100,453	112,294
	Amortisation, depreciation and impairment charges	4,701	3,547	4,507	3,410
	Other operating expenses	314	169	314	169
9	Impairment charges on loans and advances etc.	23,656	-19,057	23,656	-19,057
	Income from investments accounted for under the equity method	0	0	-2,876	2,145
	<b>Profit before tax</b>	<b>-29,660</b>	<b>64,640</b>	<b>-29,029</b>	<b>64,170</b>
	Tax	-5,388	12,221	-4,757	11,751
	<b>Net profit</b>	<b>-24,272</b>	<b>52,419</b>	<b>-24,272</b>	<b>52,419</b>
	Portion attributable to				
	Shareholders of BankNordik P/F	-24,272	52,419	-24,272	52,419
	<b>Net profit</b>	<b>-24,272</b>	<b>52,419</b>	<b>-24,272</b>	<b>52,419</b>
	EPS Basic for the period, total, DKK*	-2.55	5.48	-2.55	5.48
	EPS Diluted for the period, total, DKK*	-2.55	5.48	-2.55	5.48

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

## Statement of comprehensive income - BankNordik

	Group		BankNordik	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
DKK 1,000				
<b>Net profit</b>	-24,272	52,419	-24,272	52,419
Other comprehensive income				
Total other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>-24,272</b>	<b>52,419</b>	<b>-24,272</b>	<b>52,419</b>
<b>Portion attributable to</b>				
Shareholders of BankNordik P/F	-25,985	52,419	-25,985	52,419
<b>Additional Tier 1 capital holders</b>	<b>1,713</b>	<b>0</b>	<b>1,713</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>-24,272</b>	<b>52,419</b>	<b>-24,272</b>	<b>52,419</b>

## Balance Sheet - BankNordik

Note	DKK 1,000	Group		BankNordik	
		March 31 2020	Dec. 31 2019	March 31 2020	Dec. 31 2019
	<b>Assets</b>				
	Cash in hand and demand deposits with central banks	158,027	252,059	157,910	252,000
10	Amounts due from credit institutions and central banks	471,057	877,825	471,057	877,825
9	Loans and advances at fair value	511,729	509,864	511,729	509,864
9	Loans and advances at amortised cost	9,458,882	9,399,022	9,458,882	9,399,022
	Bonds at fair value	4,952,913	5,599,529	4,744,438	5,404,445
	Shares, etc.	312,997	312,175	312,997	312,175
	Assets under insurance contracts	9,851	6,176	0	0
	Holdings in associates	6,369	6,369	6,369	6,369
	Holdings in subsidiaries	0	0	129,262	133,438
	Assets under pooled schemes	715,608	795,822	715,608	795,822
	Intangible assets	10,818	9,957	10,818	9,957
	Total land and buildings	211,379	212,559	208,713	209,886
	Domicile property	211,379	212,559	208,713	209,886
	Other property, plant and equipment	17,236	19,985	16,121	19,060
	Current tax assets	10,934	10,705	10,934	10,705
	Deferred tax assets	9,174	5,008	9,127	4,960
11	Assets held for sale	946	1,500	946	1,500
	Other assets	71,428	87,188	66,059	81,669
	Prepayments	11,143	67,657	9,997	66,584
	<b>Total assets</b>	<b>16,940,493</b>	<b>18,173,399</b>	<b>16,840,968</b>	<b>18,095,281</b>

## Balance Sheet - BankNordik

		Group		BankNordik	
Note DKK 1,000		March 31 2020	Dec. 31 2019	March 31 2020	Dec. 31 2019
<b>Shareholders' equity and liabilities</b>					
<b>Liabilities other than provisions</b>					
Amounts due to credit institutions and central banks					
		482,266	54,922	482,266	54,922
Deposits and other debt					
		12,870,849	14,367,685	12,902,933	14,399,292
Deposits under pooled schemes					
		663,426	795,832	663,426	795,832
Liabilities under insurance contracts					
		116,026	92,922	0	0
Current tax liabilities					
		35,273	36,107	32,625	32,828
Other liabilities					
		282,651	309,825	270,538	297,822
Deferred income					
		3,806	5,471	2,986	3,951
<b>Total liabilities other than provisions</b>		<b>14,454,296</b>	<b>15,662,763</b>	<b>14,354,773</b>	<b>15,584,648</b>
<b>Provisions for liabilities</b>					
Provisions for deferred tax					
		2	2	0	0
9	Provisions for losses on guarantees etc				
		17,492	18,446	17,492	18,446
Provisions for other liabilities					
		5,017	5,012	5,017	5,012
<b>Total provisions for liabilities</b>		<b>22,511</b>	<b>23,461</b>	<b>22,509</b>	<b>23,459</b>
<b>Subordinated debt</b>					
Subordinated debt					
		224,239	224,086	224,239	224,086
<b>Total liabilities</b>		<b>14,701,046</b>	<b>15,910,311</b>	<b>14,601,521</b>	<b>15,832,193</b>
<b>Equity</b>					
Share capital					
		192,000	192,000	192,000	192,000
Revaluation reserve					
		8,628	8,628	8,628	8,628
Retained earnings					
		1,886,352	1,844,506	1,886,352	1,844,506
Proposed dividends					
		0	67,200	0	67,200
<b>Shareholders of the Parent Company</b>		<b>2,086,980</b>	<b>2,112,335</b>	<b>2,086,980</b>	<b>2,112,335</b>
Additional tier 1 capital holders					
		152,466	150,754	152,466	150,754
<b>Total equity</b>		<b>2,239,447</b>	<b>2,263,088</b>	<b>2,239,447</b>	<b>2,263,088</b>
<b>Total liabilities and equity</b>		<b>16,940,493</b>	<b>18,173,399</b>	<b>16,840,968</b>	<b>18,095,281</b>



## Statement of capital - Group

### Changes in equity:

	Shareholders equity						Additional tier 1	
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	capital	Total	
DKK 1,000								
<b>Shareholders' equity at January 1, 2020</b>	<b>192,000</b>	<b>9,243</b>	<b>67,200</b>	<b>1,843,891</b>	<b>2,112,335</b>	<b>150,754</b>	<b>2,263,088</b>	
Net profit			0	-25,985	-25,985	1,713	-24,272	
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>-25,985</b>	<b>-25,985</b>	<b>1,713</b>	<b>-24,272</b>	
Acquisition of own shares				631	631		631	
Changes to proposed dividends			-67,200	67,200	0		0	
<b>Shareholders' equity at March 31, 2020</b>	<b>192,000</b>	<b>9,243</b>	<b>0</b>	<b>1,885,737</b>	<b>2,086,980</b>	<b>152,466</b>	<b>2,239,447</b>	

Regarding 2019: Proposed dividend per share DKK 7. Dividend payed out per share DKK 0.

	Shareholders equity						Additional tier 1	
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	capital	Total	
DKK 1,000								
<b>Shareholders' equity at December 31, 2018</b>	<b>200,000</b>	<b>10,968</b>	<b>70,000</b>	<b>1,705,783</b>	<b>1,986,752</b>		<b>1,986,752</b>	
Changes in accounting policies, subsidiaries				-6,109	-6,109		-6,109	
Tax on changes in accounting policies, subsidiaries				1,100	1,100		1,100	
<b>Adjusted equity at January 1, 2019</b>	<b>200,000</b>	<b>10,968</b>	<b>70,000</b>	<b>1,700,774</b>	<b>1,981,742</b>		<b>1,981,742</b>	
Revaluation of assets		-3,000		1,265	-1,735		-1,735	
Tax on entries on income recognised as Other comprehensive income		660			660		660	
Revaluation of assets, subsidiaries		615			615		615	
Net profit			67,200	137,691	204,891	1,739	206,631	
<b>Total comprehensive income</b>		<b>-1,725</b>	<b>67,200</b>	<b>138,957</b>	<b>204,432</b>	<b>1,739</b>	<b>206,171</b>	
Issuance of additional tier 1 capital, net of transaction costs					0	149,014	149,014	
Cancellation of own shares	-8,000			8,000	0		0	
Acquisition of own shares				-7,054	-7,054		-7,054	
Dividends paid			-70,000	3,215	-66,785		-66,785	
<b>Total equity at December 31, 2019</b>	<b>192,000</b>	<b>9,243</b>	<b>67,200</b>	<b>1,843,891</b>	<b>2,112,335</b>	<b>150,754</b>	<b>2,263,088</b>	

	Shareholders equity						Additional tier 1	
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	capital	Total	
DKK 1,000								
<b>Shareholders' equity at January 1, 2019</b>	<b>200,000</b>	<b>10,968</b>	<b>70,000</b>	<b>1,705,783</b>	<b>1,986,752</b>		<b>1,986,752</b>	
Net profit				52,419	52,419		52,419	
<b>Total comprehensive income</b>				<b>52,419</b>	<b>52,419</b>		<b>52,419</b>	
Acquisition of own shares				-7,057	-7,057		-7,057	
Dividends paid			-70,000	3,215	-66,785		-66,785	
<b>Shareholders' equity at March 31, 2019</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>1,754,361</b>	<b>1,965,329</b>		<b>1,965,329</b>	

**Statement of capital - BankNordik P/F**
**Changes in equity:**

DKK 1,000	Shareholders equity						
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
<b>Shareholders' equity at January 1, 2020</b>	192,000	9,243	67,200	1,843,891	2,112,335	150,754	2,263,088
Net profit			0	-25,985	-25,985	1,713	-24,272
<b>Total comprehensive income</b>		0	0	-25,985	-25,985	1,713	-24,272
Acquisition of own shares				631	631		631
Changes to proposed dividends			-67,200	67,200	0		0
<b>Shareholders' equity at March 31, 2020</b>	192,000	9,243	0	1,885,737	2,086,980	152,466	2,239,447

Regarding 2019: Proposed dividend per share DKK 7. Dividend paid out per share DKK 0.

DKK 1,000	Shareholders equity						
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
<b>Shareholders' equity at December 31, 2018</b>	200,000	10,968	70,000	1,705,783	1,986,752		1,986,752
Changes in accounting policies, subsidiaries				-6,109	-6,109		-6,109
Tax on changes in accounting policies, subsidiaries				1,100	1,100		1,100
<b>Adjusted equity at January 1, 2019</b>	200,000	10,968	70,000	1,700,774	1,981,742		1,981,742
Revaluation of assets		-3,000		1,265	-1,735		-1,735
Tax on entries on income recognised as Other comprehensive income		660			660		660
Net profit			67,200	137,691	204,891	1,739	206,631
<b>Total comprehensive income</b>		-1,725	67,200	138,957	204,432	1,739	206,171
Issuance of additional tier 1 capital, net of transaction costs					0	149,014	149,014
Cancellation of own shares	-8,000			8,000	0		0
Acquisition of own shares				-7,054	-7,054		-7,054
Dividends paid			-70,000	3,215	-66,785		-66,785
<b>Total equity at December 31, 2019</b>	192,000	9,243	67,200	1,843,891	2,112,335	150,754	2,263,088
<b>Shareholders' equity at January 1, 2019</b>	200,000	10,968	70,000	1,705,783	1,986,752		1,986,752

DKK 1,000	Shareholders equity						
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
<b>Shareholders' equity at January 1, 2019</b>	200,000	10,968	70,000	1,705,783	1,986,752		1,986,752
Net profit		0	0	52,419	52,419		52,419
<b>Total comprehensive income</b>		0	0	52,419	52,419		52,419
Acquisition of own shares				-7,057	-7,057		-7,057
Dividends paid			-70,000	3,215	-66,785		-66,785
<b>Shareholders' equity at March 31, 2019</b>	200,000	10,968	0	1,754,360	1,965,329		1,965,329

## Statement of capital - P/F BankNordik

Solvency DKK 1,000	March 31 2020	Dec. 31 2019
Core capital	2,214,351	2,173,404
Total capital	2,438,589	2,397,490
Risk-weighted items not included in the trading portfolio	8,254,248	8,374,072
Risk-weighted items with market risk etc.	1,081,767	1,299,559
Risk-weighted items with operational risk	1,068,984	1,090,091
<b>Total risk-weighted items</b>	<b>10,404,999</b>	<b>10,763,722</b>
<b>CET 1 capital ratio</b>	<b>19.8%</b>	<b>18.8%</b>
<b>Core capital ratio</b>	<b>21.3%</b>	<b>20.2%</b>
<b>Solvency ratio</b>	<b>23.4%</b>	<b>22.3%</b>
<b>Core Capital and Shareholders' equity</b>		
Share capital	192,000	192,000
Reserves	8,628	8,628
Net profit	-24,272	206,631
Retained earnings, previous years	1,917,171	1,712,623
<b>Shareholders' equity, before deduction of holdings of own shares</b>	<b>2,093,528</b>	<b>2,119,882</b>
Deduction of dividend	0	68,939
Deduction due to excess holdings of shares in the financial sector	0	0
Deduction of holdings of own shares	6,547	7,547
Deduction of intangible assets	10,818	9,957
Deduction of deferred tax assets	9,127	4,960
Deduction regarding prudent valuation of financial instruments	5,151	5,828
<b>CET 1 capital</b>	<b>2,061,884</b>	<b>2,022,650</b>
Hybrid core capital	152,466	150,754
<b>Core capital</b>	<b>2,214,351</b>	<b>2,173,404</b>
<b>Total capital</b>		
Core capital	2,214,351	2,173,404
Subordinated loan capital	224,239	224,086
<b>Total capital</b>	<b>2,438,589</b>	<b>2,397,490</b>

The BankNordik Group holds a license to operate as a bank and is therefore subject to a capital requirement under the Faroese Financial Business Act and to CRR. The Faroese provisions on capital requirements apply to both the Parent Company and the Group. The capital requirement provisions stipulate a minimum capital of 8% of the identified risks. A detailed body of rules determines the calculation of capital as well as risks (risk-weighted items). The capital comprises core capital, hybrid capital and subordinated loan capital. The core capital corresponds to the carrying amount of equity, after deductions of holdings of own shares, tax assets and other minor deductions.

## Cash flow statement - Group

DKK 1,000	2020	2019
<b>Cash flow from operations</b>		
Profit before tax	-29,660	259,775
Interest expence on leasing liabilities	825	2,924
Depreciation and impairment charges of tangible assets	4,701	14,923
Impairment of loans and advances/guarantees	23,656	-104,928
Paid tax	0	-21,272
Other non-cash operating items	48,515	-20,973
<b>Total</b>	<b>48,037</b>	<b>130,449</b>
<b>Changes in operating capital</b>		
Change in loans at fair value	-1,865	9,774
Change in loans at amortised cost	-83,516	242,746
Change in holding of bonds	647,357	-1,032,634
Change in holding of shares	-822	-8,172
Change in deposits	-1,596,836	935,456
Due to credit institutions and central banks	27,344	-16,038
Change in other assets / liabilities	-11,489	16,794
Assets/liabilities under insurance contracts	19,429	-3,791
Prepayments	54,850	3,963
<b>Cash flow from operations</b>	<b>-897,511</b>	<b>278,548</b>
<b>Cash flow from investing activities</b>		
Dividends received	855	13,984
Acquisition of intangible assets	-861	-3,828
Acquisition of tangible assets	-1,089	-10,358
Sale of tangible assets	0	16,922
<b>Cash flow from investing activities</b>	<b>-1,095</b>	<b>16,719</b>
<b>Cash flow from financing activities</b>		
Change in loans from central banks and credit institutions	400,000	-227,650
Issued additional tier 1 capital	0	148,962
Acquisition of own shares	631	-7,054
Payment of dividends	0	-70,000
Payment of dividends, own shares	0	3,215
Principal portion of lessee lease payments	-2,824	-7,328
<b>Cash flow from financing activities</b>	<b>397,807</b>	<b>-159,855</b>
<b>Cash flow</b>	<b>-500,800</b>	<b>135,412</b>
Cash in hand and demand deposits with central banks, and due from Credit institutions, etc. at the beginning of the year	1,129,884	994,471
Cash flow	-500,800	135,412
<b>Cash and due etc.</b>	<b>629,084</b>	<b>1,129,884</b>
Cash and due etc.		
Cash in hand and demand deposits with central banks	158,027	252,059
Due from credit institutions, etc.	471,057	877,825
<b>Total</b>	<b>629,084</b>	<b>1,129,884</b>



## Notes

### Note **Significant accounting policies**

1

The consolidated financial statements for the first three months of 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of the Nasdaq exchange in Copenhagen. The financial statements of the Parent Company, P/F BankNordik, have been prepared in accordance with the Faroese Financial Business Act and with the executive order on financial reports of credit institutions etc. of the Danish FSA as applied in the Faroe Islands.

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

The Group's significant accounting policies are consistent with those applied in the Annual Report 2019. The Annual Report 2019 provides a full description of the Group's significant accounting policies.

#### **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 2019 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 2019 and the uncertainties prevailing at that time.

#### **Determination of fair value**

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

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

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

## Notes - BankNordik Group

Note	Operating segments Q1 2020	Banking			Total	Non-life Insurance	Elimination	Group
		Private	Corporate	Other		Faroe Islands		
2	<b>DKK 1,000</b>							
	External interest income, Net	58,990	33,226	2,145	94,362	382		94,743
	Internal interest	0	0	0	0	0		0
	<b>Net interest income</b>	<b>58,990</b>	<b>33,226</b>	<b>2,145</b>	<b>94,362</b>	<b>382</b>		<b>94,743</b>
	<b>Net Fee and dividends income</b>	<b>53,742</b>	<b>4,251</b>	<b>-891</b>	<b>57,102</b>	<b>-1,928</b>		<b>55,174</b>
	Premium income, net of reinsurance	0	0	3,798	3,798	30,128	-601	33,325
	<b>Net premium income of reinsurance and claims</b>	<b>0</b>	<b>0</b>	<b>3,188</b>	<b>3,188</b>	<b>965</b>	<b>-601</b>	<b>3,551</b>
	Other income	8,994	1,012	-58,027	-48,021	-1,006	-1,340	-50,366
	<b>Total income</b>	<b>121,725</b>	<b>38,490</b>	<b>-53,584</b>	<b>106,631</b>	<b>-1,587</b>	<b>-1,941</b>	<b>103,102</b>
	<b>Total operating expenses</b>	<b>40,506</b>	<b>4,394</b>	<b>62,234</b>	<b>107,133</b>	<b>3,915</b>	<b>-1,941</b>	<b>109,106</b>
	<i>of which depreciation and amortisation</i>	1,476	0	3,093	4,569	132		4,701
	<b>Profit before impairment charges on loans</b>	<b>81,220</b>	<b>34,096</b>	<b>-115,818</b>	<b>-502</b>	<b>-5,502</b>		<b>-6,004</b>
	Impairment charges	7,513	15,347	796	23,656	0	0	23,656
	<b>Profit before tax</b>	<b>73,707</b>	<b>18,749</b>	<b>-116,614</b>	<b>-24,158</b>	<b>-5,502</b>	<b>0</b>	<b>-29,660</b>
	<b>Total assets</b>	<b>6,354,201</b>	<b>3,907,242</b>	<b>6,469,555</b>	<b>16,730,998</b>	<b>209,494</b>		<b>16,940,493</b>
	<i>of which Loans and advances</i>	6,151,830	3,818,781		9,970,611	0		9,970,611
	<b>Total liabilities</b>	<b>10,006,810</b>	<b>2,896,123</b>	<b>1,675,366</b>	<b>14,578,299</b>	<b>122,747</b>		<b>14,701,046</b>
	<i>of which Deposits</i>	10,006,810	2,896,123		12,902,933	0	-32,084	12,870,849
	<i>of which Insurance liabilities</i>			3,159		112,867	0	116,026

Operating segments Q1 2019	Banking			Total	Non-life Insurance	Elimination	Group
	Private	Corporate	Other		Faroe Islands		
<b>DKK 1,000</b>							
External interest income, Net	60,274	29,430	952	90,656	378		91,034
Internal interest	1,087	5	-1,091	0	0		0
<b>Net interest income</b>	<b>61,361</b>	<b>29,435</b>	<b>-139</b>	<b>90,656</b>	<b>378</b>		<b>91,034</b>
<b>Net Fee and dividends income</b>	<b>46,709</b>	<b>4,055</b>	<b>-862</b>	<b>49,903</b>	<b>-1,786</b>		<b>48,116</b>
Premium income, net of reinsurance	0	0	3,685	3,685	27,001	-560	30,127
<b>Net premium income of reinsurance and claims</b>	<b>0</b>	<b>0</b>	<b>1,545</b>	<b>1,545</b>	<b>7,531</b>	<b>-560</b>	<b>8,517</b>
Other income	7,771	1,250	10,149	19,170	-387	-444	18,340
<b>Total income</b>	<b>115,841</b>	<b>34,740</b>	<b>10,694</b>	<b>161,275</b>	<b>5,736</b>	<b>-1,004</b>	<b>166,007</b>
<b>Total operating expenses</b>	<b>43,244</b>	<b>3,399</b>	<b>70,918</b>	<b>117,560</b>	<b>3,867</b>	<b>-1,004</b>	<b>120,424</b>
<i>of which depreciation and amortisation</i>	596	0	2,814	3,410	138		3,547
<b>Profit before impairment charges on loans</b>	<b>72,598</b>	<b>31,340</b>	<b>-60,224</b>	<b>43,714</b>	<b>1,869</b>		<b>45,583</b>
Impairment charges	-4,311	-10,542	-4,204	-19,057	0	0	-19,057
<b>Profit before tax</b>	<b>76,909</b>	<b>41,882</b>	<b>-56,020</b>	<b>62,771</b>	<b>1,869</b>	<b>0</b>	<b>64,640</b>
<b>Total assets</b>	<b>6,620,325</b>	<b>3,669,543</b>	<b>6,937,273</b>	<b>17,227,140</b>	<b>190,323</b>		<b>17,417,463</b>
<i>of which Loans and advances</i>	6,435,065	3,571,154		10,006,218	0		10,006,218
<b>Total liabilities</b>	<b>10,307,874</b>	<b>3,719,007</b>	<b>1,317,099</b>	<b>15,343,980</b>	<b>108,155</b>		<b>15,452,135</b>
<i>of which Deposits</i>	10,307,874	3,719,007		14,026,881	0	-23,237	14,003,644
<i>of which Insurance liabilities</i>			2,475		98,645	0	101,120

## Notes - BankNordik Group

Note DKK 1,000

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

Geographical segments	Total income		Non.current assets		Additions to tangible assets		Additions to intangible assets	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Faroe Islands	53,158	87,027	123,534	119,641	416	75,034	10,818	7,511
Denmark	38,646	67,697	76,538	60,256	243	18,492		
Greenland	11,298	11,283	45,731	46,047	113	-88		
<b>Total</b>	<b>103,102</b>	<b>166,007</b>	<b>245,803</b>	<b>225,945</b>	<b>772</b>	<b>93,437</b>	<b>10,818</b>	<b>7,511</b>

Geographical segments	Impairments		Investment portfolio earnings	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Faroe Islands	-11,373	9,761	-18,339	10,351
Denmark	-4,962	13,951	-29,495	3,768
Greenland	-7,322	-4,655	-3,426	439
<b>Total</b>	<b>-23,656</b>	<b>19,057</b>	<b>-51,260</b>	<b>14,558</b>

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

Operational segments	Total income		Profit before tax		Tax		FTE	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Faroe Islands, Banking, Other	54,745	81,291	-5,125	42,013	-3,808	7,452	183	197
Faroe Islands, Insurance	-1,587	5,736	-5,502	1,869	3,211	336	25	26
Denmark, Banking	38,646	67,697	-16,333	20,541	-5,695	3,552	132	149
Greenland, Banking	11,298	11,283	-2,700	217	5,105	881	19	21
<b>Total</b>	<b>103,102</b>	<b>166,007</b>	<b>-29,660</b>	<b>64,640</b>	<b>-1,187</b>	<b>12,221</b>	<b>359</b>	<b>393</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		Q1 2020	Q1 2019	Q1 2020	Q1 2019
3	<b>Interest income</b>				
	Credit institutions and central banks	68	319	68	319
	Loans and advances	86.780	91.683	86.780	91.683
	Deposits	7.869	1.369	7.869	1.369
	Bonds	8.698	7.812	8.199	7.493
	Total derivatives of which:	-3.092	-3.158	-3.092	-3.158
	<i>Currency contracts</i>	-127	-68	-127	-68
	<i>Interest rate contracts</i>	-2.965	-3.091	-2.965	-3.091
	Other interest income	-94	19	-94	19
	<b>Total interest income</b>	<b>100.230</b>	<b>98.043</b>	<b>99.731</b>	<b>97.724</b>
4	<b>Interest expenses</b>				
	Credit institutions and central banks	160	592	160	592
	Deposits	828	1,522	815	1,523
	Subordinated debt	3,041	3,009	3,041	3,009
	Bonds	1,034	528	1,034	528
	Lease liabilities	825	731	825	731
	Other interest expenses	-402	628	-402	628
	<b>Total interest expenses</b>	<b>5,486</b>	<b>7,009</b>	<b>5,473</b>	<b>7,009</b>
5	<b>Net fee and commission income</b>				
	Fee and commission income				
	Securities trading and custody accounts	14,620	9,268	14,620	9,268
	Credit transfers	6,250	5,695	6,250	5,695
	Loan commissions	2,035	1,599	2,035	1,599
	Guarantee commissions	6,317	5,214	6,317	5,214
	Other fees and commissions	28,545	29,817	31,364	32,465
	<b>Total fee and commission income</b>	<b>57,767</b>	<b>51,592</b>	<b>60,586</b>	<b>54,241</b>
	Fee and commissions paid				
	Securities trading and custody accounts	3,448	3,716	3,448	3,716
	<b>Net fee and commission income</b>	<b>54,319</b>	<b>47,876</b>	<b>57,138</b>	<b>50,524</b>
6	<b>Market value adjustments</b>				
	Loans and advances	2,874	9,586	2,874	9,586
	Bonds	-55,214	11,755	-53,943	12,142
	Shares	1,674	6,894	1,674	6,894
	Foreign exchange	1,651	2,174	1,651	2,174
	Total derivatives of which:	-2,119	-14,861	-2,119	-14,861
	<i>Currency Swaps</i>	7	904	7	904
	<i>Interest Swaps</i>	-2,587	-15,781	-2,587	-15,781
	<i>Other contracts</i>	461	16	461	16
	Assets under pooled schemes	-122,426	-32,513	-122,426	-32,513
	Deposits in pooled schemes	122,426	32,513	122,426	32,513
	<b>Total market value adjustments</b>	<b>-51,134</b>	<b>15,548</b>	<b>-49,864</b>	<b>15,935</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		Q1 2020	Q1 2019	Q1 2020	Q1 2019
7	<b>Other operating income</b>				
	Profit on sale of properties	151	512	151	512
	- of which assets held for sale	0	512	0	512
	Other income	617	2,279	239	914
	<b>Total other operating income</b>	<b>768</b>	<b>2,791</b>	<b>390</b>	<b>1,427</b>
8	<b>Staff costs and administrative expenses</b>				
	Staff costs:				
	Salaries	49,486	53,551	45,810	49,593
	Pensions	6,594	6,840	6,129	6,369
	Social security expenses	7,943	8,318	7,417	7,811
	<b>Total staff costs</b>	<b>64,022</b>	<b>68,710</b>	<b>59,355</b>	<b>63,773</b>
	Administrative expenses:				
	IT	26,659	26,812	25,492	26,009
	Marketing etc	2,159	5,321	1,943	5,188
	Education etc	700	645	646	431
	Advisory services	74	528	74	526
	Other expenses	12,365	16,607	12,943	16,368
	<b>Total administrative expenses</b>	<b>41,958</b>	<b>49,914</b>	<b>41,098</b>	<b>48,522</b>
	Total staff costs	64,022	68,710	59,355	63,773
	Employee costs included under the item "Claims, net of reinsurance"	-1,889	-1,916	0	0
	Total administrative expenses	41,958	49,914	41,098	48,522
	<b>Total staff costs and administrative expenses</b>	<b>104,092</b>	<b>116,707</b>	<b>100,453</b>	<b>112,294</b>
	<b>Number of employees</b>				
	Average number of full-time employees in the period	368	393	336	360
	Executive remuneration:				
	Board of Directors	725	550	725	550
	Executive Board:				
	Salaries	662	627	662	627
	- less fees received from directorships	113	25	113	25
	The Bank's expense, salaries	549	602	549	602
	Pension	99	94	99	94
	<b>Total executive board</b>	<b>649</b>	<b>696</b>	<b>649</b>	<b>696</b>
	<b>Total executive remuneration</b>	<b>1,374</b>	<b>1,246</b>	<b>1,374</b>	<b>1,246</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		Q1 2020	Q1 2019	Q1 2020	Q1 2019
9	<b>Impairment charges on loans and advances and provisions for guarantees etc.</b>				
	Impairment charges and provisions at 31 December	496,291	607,341	496,291	607,341
	New and increased impairment charges and provisions	76,382	23,018	76,382	23,018
	Reversals of impairment charges and provisions	48,331	39,130	48,331	39,130
	Written-off, previously impaired	13,777	1,564	13,777	1,564
	Interest income on impaired loans	2,360	2,945	2,360	2,945
	<b>Total impairment charges and provisions at 31 March</b>	<b>510,565</b>	<b>589,665</b>	<b>510,565</b>	<b>589,665</b>
	<i>Referring to Q1 2020 the management has made impairments amounting to 25m due to the COVID-19 crises</i>				
	<b>Impairment charges and provisions recognised in the income statement</b>				
	Loans and advances at amortised cost	24,639	-16,508	24,639	-16,508
	Loans and advances at fair value	-29	-78	-29	-78
	Guarantees and loan commitments	-954	-2,471	-954	-2,471
	Assets held for sale	0	0	0	0
	<b>Total individual impairment charges and provisions</b>	<b>23,656</b>	<b>-19,057</b>	<b>23,656</b>	<b>-19,057</b>
	<b>Stage 1 impairment charges</b>				
	Stage 1 impairment charges etc. at 31 December	14,405	14,583	14,405	14,583
	New and increased Stage 1 impairment charges	8,402	2,530	8,402	2,530
	Reversals, net of Stage 1 impairment charges	5,907	6,566	5,907	6,566
	<b>Stage 1 impairment charges at 31 March</b>	<b>16,900</b>	<b>10,547</b>	<b>16,900</b>	<b>10,547</b>
	<i>Total net impact recognised in the income statement</i>	<i>2,495</i>	<i>-4,037</i>	<i>2,495</i>	<i>-4,037</i>
	<b>Stage 2 impairment charges</b>				
	Stage 2 impairment charges etc. at 31 December	33,012	44,846	33,012	44,846
	New and increased impairment charges	27,109	7,002	27,109	7,002
	Reversals, net of impairment charges	14,954	6,512	14,954	6,512
	<b>Stage 2 impairment charges at 31 March</b>	<b>45,167</b>	<b>45,335</b>	<b>45,167</b>	<b>45,335</b>
	<i>Total net impact recognised in the income statement</i>	<i>12,155</i>	<i>490</i>	<i>12,155</i>	<i>490</i>
	<b>Weak Stage 2</b>				
	Weak Stage 2 impairment charges etc. at 31 December	41,301	57,867	41,301	57,867
	New and increased impairment charges	32,146	6,495	32,146	6,495
	Reversals, net of impairment charges	8,100	4,581	8,100	4,581
	<b>Weak Stage 2 impairment charges at 31 March</b>	<b>65,347</b>	<b>59,781</b>	<b>65,347</b>	<b>59,781</b>
	<i>Total net impact recognised in the income statement</i>	<i>24,046</i>	<i>1,914</i>	<i>24,046</i>	<i>1,914</i>



## Notes

Note	DKK 1,000	Group		BankNordik	
		Q1 2020	Q1 2019	Q1 2020	Q1 2019
9	<b>Stage 3 impairment charges</b>				
(cont'd)	Stage 3 impairment charges etc. at 31 December	389,126	462,602	389,126	462,602
	New and increased impairment charges	6,463	6,024	6,463	6,024
	Reversals of impairment charges	16,153	18,032	16,153	18,032
	Written-off, previously impaired	13,777	1,564	13,777	1,564
	<i>Write-offs charged directly to the income statement</i>	1,450	227	1,450	227
	Received on claims previously written off	3,485	3,433	3,485	3,433
	Interest income on impaired loans	2,360	2,945	2,360	2,945
	<b>Stage 3 impairment charges at 31 March</b>	<b>365,659</b>	<b>449,030</b>	<b>365,659</b>	<b>449,030</b>
	<i>Total net impact recognised in the income statement</i>	-14,085	-14,953	-14,085	-14,953
	<b>Provisions for guarantees and undrawn credit lines</b>				
	Individual provisions at 31 December	18,446	27,443	18,446	27,443
	New and increased provisions	2,263	967	2,263	967
	Reversals of provisions	3,217	3,438	3,217	3,438
	<b>Provisions for guarantees etc at 31 March</b>	<b>17,492</b>	<b>24,973</b>	<b>17,492</b>	<b>24,973</b>
	<i>Total net impact recognised in the income statement</i>	-954	-2,471	-954	-2,471
	<b>Provisions for guarantees and undrawn credit lines</b>				
	Stage 1 provisions	1,616	2,028	1,616	2,028
	Stage 2 provisions	2,851	3,872	2,851	3,872
	Weak Stage 2 provisions	1,200	3,400	1,200	3,400
	Stage 3 provisions	11,825	15,673	11,825	15,673
	<b>Provisions for guarantees etc at 31 March</b>	<b>17,492</b>	<b>24,973</b>	<b>17,492</b>	<b>24,973</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		March 31 2020	Dec. 31 2019	March 31 2020	Dec. 31 2019
10	<b>Due from credit institutions etc. specified by maturity</b>				
	On demand	358,057	336,172	358,057	336,172
	3 months and below	113,000	541,652	113,000	541,652
	<b>Total due from credit institutions etc.</b>	<b>471,057</b>	<b>877,825</b>	<b>471,057</b>	<b>877,825</b>
11	<b>Assets held for sale</b>				
	Total purchase price, at 1 January	3,752	22,730	3,752	22,730
	Additions	0	34	0	34
	Disposals	554	19,011	554	19,011
	<b>Total purchase price</b>	<b>3,199</b>	<b>3,752</b>	<b>3,199</b>	<b>3,752</b>
	Depreciation and impairment, at 1 January	2,252	2,366	2,252	2,366
	Reversal of impairment on disposals during the year	0	114	0	114
	<b>Total depreciation and impairment</b>	<b>2,252</b>	<b>2,252</b>	<b>2,252</b>	<b>2,252</b>
	<b>Total assets held for sale</b>	<b>946</b>	<b>1,500</b>	<b>946</b>	<b>1,500</b>
12	<b>Contingent liabilities</b>				
	<b>Guarantees</b>				
	Financial guarantees	526,108	522,188	526,108	522,188
	Mortgage finance guarantees	1,494,704	1,425,392	1,494,704	1,425,392
	Registration and remortgaging guarantees	736,371	750,225	736,371	750,225
	Other guarantees	310,637	322,774	310,637	322,774
	<b>Total guarantees</b>	<b>3,067,820</b>	<b>3,020,579</b>	<b>3,067,820</b>	<b>3,020,579</b>
13	<b>Assets deposited as collateral</b>				
	At March 31 2020 the Group had deposited bonds at a total market value of DKK 440m (Q1 2019: 26m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing. Deposits of bonds and cash to others in total have a market value of DKK 61m (Q1 2019: 50m).				

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

We have today considered and approved P/F BankNordik's interim report for the three months to 31 March 2020.

The consolidated financial statements for the three months to 31 March 2020 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 31 March 2020, 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 three months ended 31 March 2020.

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, 30 April 2020

### Executive Board

Árni Ellefsen  
CEO

### Board of Directors

Ben Arabo  
Chairman

John Henrik Holm  
Vice Chairman

Barbara Pállsdóttir Vang

Jógvan Jespersen

Gunnar Nielsen

Hans Arni Bjarnason Thomsen

Kenneth M. Samuelsen

Dan Rasmussen

Alexandur Johansen

## Head Office

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Faroe Islands  
Tel. +298 330 330  
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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 Copenhagen.

## IR Contact

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Tel. +298 330 330

## Branches

### Faroe Islands

**Tórshavn**  
Oknarvegur 5  
100 Tórshavn  
Tel. +298 330 330

**Miðvágur**  
Jatnavegur 26  
370 Miðvágur  
Tel. +298 330 330

**Klaksvík**  
Við Sandin 12  
700 Klaksvík  
Tel. +298 330 330

**Saltangará**  
Heiðavegur 54  
600 Saltangará  
Tel. +298 330 330

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Tel. +298 330 330

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100 Tórshavn  
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### Denmark

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