BANKNORDIK

Annual Report 2023

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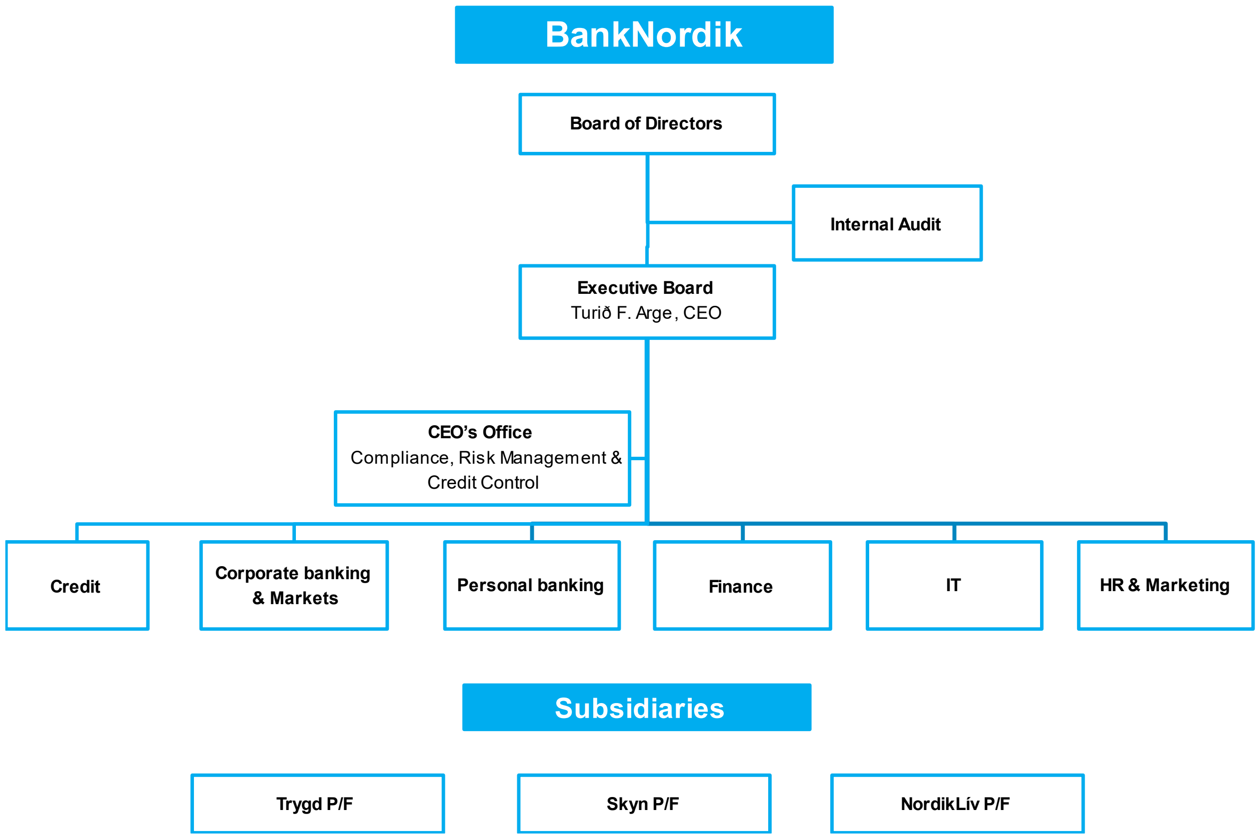
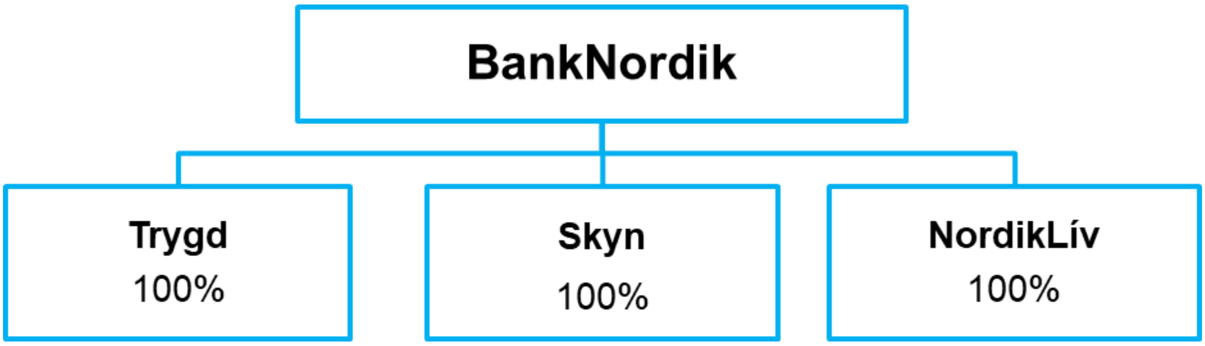

BankNordik
Board of Directors
Internal Audit
Executive Board
Turið F. Arge, CEO
CEO's Office
Compliance, Risk Management & Credit Control
Credit
Corporate banking & Markets
Personal banking
Finance
IT
HR & Marketing
Subsidiaries
Trygd P/F
Skyn P/F
NordikLív P/F

Overview of the Group



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

- Operations in 2 countries, Faroe Islands and Greenland
- 207 employees (FTE)
- 6 banking branches
- Insurance activities in the Faroe Islands
- Estate agency in the Faroe Islands

BANKNORDIK

Financial highlights and ratios - BankNordik Group

Highlights DKK 1,000	Full year 2023	Full year 2022	*Index* 23 / 22	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net interest income	419,461	274,334	153	112,011	113,606	102,060	91,784	81,107
Dividends from shares and other investments	6,115	6,475	94	0	10	25	6,080	0
Net fee and commision income	81,680	88,113	93	10,878	23,256	22,851	24,695	12,713
Net interest and fee income	507,257	368,922	137	122,888	136,873	124,937	122,559	93,820
Net insurance result	45,925	34,133	135	21,279	16,221	9,889	-1,463	28,934
Interest and fee income and income from insurance activities, net	553,182	403,056	137	144,167	153,093	134,826	121,096	122,753
Market value adjustments	54,614	-25,611		31,721	13,949	7,369	1,576	-743
Other operating income	9,294	7,472	124	4,407	1,495	2,042	1,350	2,451
Staff costs and administrative expenses	243,670	225,642	108	64,045	57,577	62,114	59,935	59,224
Impairment charges on loans and advances etc.	-10,043	-46,629	22	5,086	460	-7,189	-8,400	-3,378
Net profit	307,533	164,407	187	88,560	87,886	69,736	61,352	53,865
Loans and advances	8,882,855	8,083,343	110	8,882,855	8,790,393	8,655,308	8,354,190	8,083,343
Bonds at fair value	1,396,516	1,591,453	88	1,396,516	1,461,287	1,451,887	1,612,037	1,591,453
Intangible assets	1,702	2,402	71	1,702	1,780	1,987	2,195	2,402
Assets held for sale	0	24,200		0	19,000	19,000	19,000	24,200
Total assets	12,944,835	12,167,073	106	12,944,835	12,493,312	12,427,069	12,461,892	12,167,073
Amounts due to credit institutions and central banks	719,105	858,172	84	719,105	850,685	1,074,332	835,923	858,172
Issued bonds at amortised cost	986,134	547,584	180	986,134	561,264	556,176	564,813	547,584
Deposits and other debt	8,702,192	8,335,662	104	8,702,192	8,590,082	8,415,165	8,518,439	8,335,662
Total shareholders' equity	1,850,609	1,798,857	103	1,850,609	1,761,974	1,675,828	1,607,831	1,798,857

Ratios and key figures	Dec. 31 2023	Dec. 31 2022		Dec. 31 2023	Sept. 30 2023	June 30 2023	March 31 2023	Dec. 31 2022
Solvency								
Total capital ratio, incl. MREL capital, %	41.1	29.7		41.1	29.9	30.2	28.9	29.7
Total capital ratio, %	29.4	24.8		29.4	25.0	25.4	24.2	24.8
Core capital ratio, %	28.0	23.5		28.0	23.6	24.0	22.8	23.5
CET 1 capital	25.8	21.4		25.8	21.5	21.8	20.8	21.4
RWA, DKK mill	6,819	7,195		6,819	7,106	7,029	7,382	7,195
Profitability								
Return on shareholders' equity after tax, %	16.9	8.6		4.9	5.1	4.2	3.6	3.0
Cost / income, %	39.0	48.9		39.7	37.9	42.0	43.7	43.9
Cost / income, % (excl. value adjustm. and impairments)	44.6	56.0		44.7	41.2	49.1	51.0	47.8
Return on assets	2.4	1.4		0.7	0.7	0.6	0.5	0.4
Market risk								
Interest rate risk, %	0.8	1.0		0.8	1.0	1.5	1.4	1.0
Foreign exchange position, %	0.6	0.7		0.6	0.9	1.0	0.7	0.7
Foreign exchange risk, %	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Liquidity								
Liquidity Coverage Ratio (LCR), %	228.2	225.2		228.2	196.6	183.7	220.0	225.2
Credit risk								
Change in loans and advances, %	9.9	6.0		1.1	1.6	3.6	3.4	1.3
Gearing of loans and advances	4.8	4.5		4.8	4.9	5.1	5.1	4.5
Impairment and provisioning ratio, end of period, %	1.8	1.9		1.8	1.8	1.7	1.8	1.9
Write-off and provisioning ratio, %	-0.1	-0.5		0.1	0.0	-0.1	-0.1	0.0
Share of amounts due on w hich interest rates have been reduced, end of period, %	0.3	0.2		0.3	0.2	0.2	0.2	0.2
Shares								
Earnings per share after tax (nom. DKK 20), DKK	32.1	17.2		9.3	9.2	7.3	6.4	5.6
Market price per share (nom. DKK 20), DKK	164.5	136.0		164.5	165.0	143.0	180.0	136.0
Book value per share (nom. DKK 20), DKK	193.3	187.7		193.3	186.0	177.0	169.9	187.7
Other								
Number of full-time employees, end of period	207	200		207	207	203	203	200

Letter to our stakeholders

Tailwinds and positive developments are the key words to describe virtually all aspects of the BankNordik Group's business in 2023. However, the year was also one of rising interest rates, relatively high inflation and geopolitical uncertainty, which obviously has also kindled general volatility in the financial markets**.**

Solid performance while striking a sound balance between income and expenses

We are delivering solid results for the year, backed by an 18% improvement in our core operations and a 33% improvement in our operating profit before impairment. Our results are better than we had expected: a year ago, we forecast profit after tax of DKK 190-220m, whereas we ended the year at a net profit of DKK 308m after several profit upgrades.

The positive performance was driven especially by a favourable interest rate environment and an improved balance of income and costs. In 2022, we lowered our cost/income ratio target from <55% to <53%, and for 2023, we are delivering a cost/income ratio of 49%, an improvement from 54% in 2022.

Other factors underlying the good results of 2023 include our insurance business as well as a solid return on our own portfolio. Our insurance business produced a pre-tax profit of DKK 27m, up from DKK 15m in 2022, while the return on our own portfolio amounted to DKK 109m, compared with a loss of DKK 43m in 2022. In addition, we reversed loan impairment charges for a total of DKK 10m in 2023.

Management estimate raised

Even with the positive performance of 2023, we have decided to raise the management estimated provision to DKK 100m. This is due to persistent general instability in the financial markets caused by rising interest rates, high inflation and geopolitical tensions.

Looking ahead to the coming year, we also believe that impairment charges are to be expected. Although our customers generally enjoy robust finances and have demonstrated resilience during a period of surging interest rates and high inflation, it is not unthinkable that changing circumstances could begin to impact their financial situation, and that would likely lead to increased impairment.

However, we are optimistic about the coming year. We are reversing impairment charges overall for 2023, inclusive of the management estimate, which shows that we have a strong credit portfolio and are quite strongly positioned for 2024.

Sustainability playing an increasingly prominent role in our day-to-day operations

Whereas we formalised our strategic focus on sustainability in 2022, our focus in 2023 was to make sustainability a more integral part of our day-to-day operations. Apart from focusing on our own emissions and on increasing the sustainability aspect of our products, all of our corporate advisers completed a course in sustainable value creation through dialogue. The purpose of the course was to train and prepare our corporate advisers to engage in dialogue on sustainability with our customers. All of our personal banking advisers will continue there focus on sustainability and will be taking the same course in early 2024.

Our digital solutions rated highly

As a step forward in developing and improving customers' digital experience, we introduced new online banking services in 2022 intended to be easier to use and to give each individual customer a better overview of their personal finances. In our latest satisfaction survey, customers rated the new solution positively and higher than the previous survey. Over the coming years, we will continue to develop our digital solutions, so that our customers can do a large part of their banking through our digital platforms, while still being able to get solid advice from our many experienced advisers.

A big thank you to our skilled and competent employees

Rising interest rate, high inflation and continued geopolitical uncertainty defined 2023, and these conditions have resulted in an environment requiring competent employees with the ability to advise customers in times of change and uncertainty. Although in many ways, 2023 was a challenging year, our customers have demonstrated that they are financially resilient, thanks in part to the solid advice provided by our staff and our very consistent credit policies. On that note, I would also like to take this opportunity to thank each and everyone of our employees for an exceptional effort in 2023.

Turið F. Arge

Chief Executive Officer

Financial Review

The following figures and comments are generally stated relative to 2023 and relate to the adjusted figures, see the section “Applied calculation methods and alternative performance measures” on p. 14 for more information on the adjustments made.

Adjusted Income statement, Group

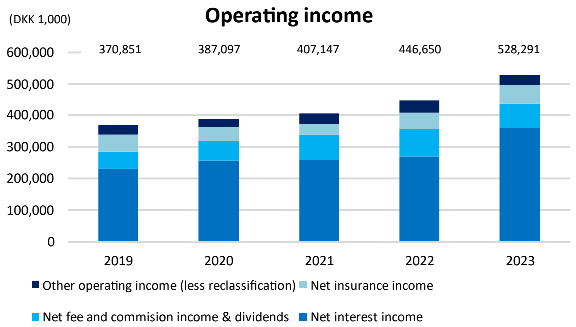
DKKm	Q4 2023	Q3 2023	*Index*	Q2 2023	Q1 2023	Q4 2022	2023	2022	*Index*
Net interest income	100	96	*104*	86	78	72	360	270	*133*
Net fee and commission income	17	19	*90*	19	21	23	77	88	*87*
Net insurance income	12	24	*51*	19	5	14	60	52	*115*
Other operating income (less reclassification)	4	9	*42*	11	8	8	32	37	*87*
Operating income	**133**	**148**	***90***	**135**	**112**	**117**	**528**	**447**	***118***
Operating costs[1]	-65	-65	*100*	-64	-63	-58	-257	-243	*106*
Sector costs	0	0	*100*	0	0	0	-2	-1	*143*
Profit before impairment charges	**68**	**83**	***82***	**71**	**49**	**59**	**269**	**202**	***133***
Impairment charges, net	-5	0	*1105*	7	8	3	10	47	*22*
Operating profit	**62**	**82**	***76***	**78**	**57**	**62**	**279**	**249**	***112***
Non-recurring items[2]	0	0		-6	-3	0	-9	0	
Profit before investment portfolio earnings and tax	**62**	**82**	***76***	**72**	**54**	**62**	**270**	**249**	***109***
Investment portfolio earnings[3]	46	26	*179*	15	22	8	109	-43	*-256*
Profit before tax	**109**	**108**	***101***	**87**	**75**	**70**	**379**	**207**	***184***
Tax	**20**	**20**	***100***	**17**	**14**	**16**	**72**	**42**	***170***
Net profit	**89**	**88**	***101***	**70**	**61**	**54**	**308**	**164**	***187***
Operating cost/income, %	49	44		47	56	49	49	54	
Number of FTE, end of period	207	207	*100*	203	203	200	207	200	*104*

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

2 Reclassified from Staff costs and administrative expenses.

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

Income statement



Operating income

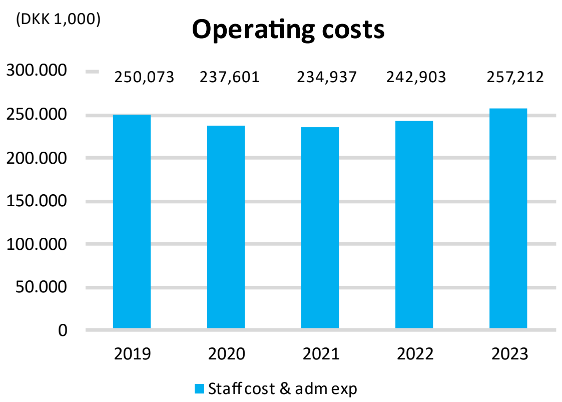
Net interest income amounted to DKK 360m in 2023 compared to DKK 270m in 2022, reflecting the fact that the bank’s interest rate margin increased during the year.

Net fee and commission income fell by DKK 11m year on year to DKK 77m in 2023, due mainly to slightly subdued activity levels, including a decrease in mortgage credit conversions.

Net insurance income was up from DKK 52m in 2022 to DKK 60m in 2023 due to premium increases as well as the absence of large claims.

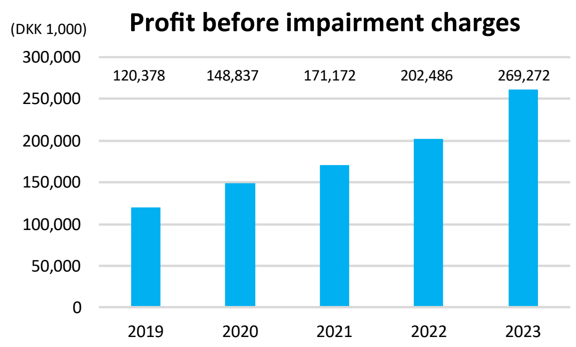
Other operating income came in at DKK 32m in 2023 compared to DKK 37m in 2022.

The Group therefore recognised total operating income of DKK 528m in 2023, an 18% increase on 2022.



Operating costs

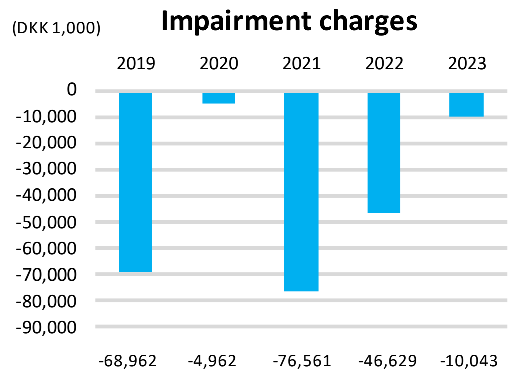
Overall operating costs increased by DKK 14m in 2023, to DKK 257m. The increase was driven by increased staff costs as well as IT-related costs. Cost discipline remains a focus area for the Group, and the drive to improve operational efficiency and automation will continue in the year ahead as the Group plans to continue to meet its cost/income target of <53% in 2024.



Net impairment charges

The BankNordik Group's low-risk credit approach meant that in 2023, net impairment charges were a reversal of DKK 10m. The figure in 2022 was a reversal of DKK 47m. The provision originally taken by management in 2020 for future impairment charges due to COVID-19 is continuously being evaluated. It was increased from DKK 56m to DKK 100m during the year due to geopolitical risk factors and macroeconomic uncertainty. The Group's management has also taken a provision due to uncertainties related to the modelling of future losses and possible errors in calculating the Bank's impairment charges.

The Group remains confident about its through-the-cycle credit policy and its sound lending portfolio. Strong loan-to-value private sector exposure makes up about half of the Group's loans and advances, and on the corporate side, the Group is not overexposed to historically risky industries. As a result, BankNordik still expects to be able to keep impairment charges below the industry average going forward.



Operating profit

The Group's operating profit in 2023 came in at DKK 279m, DKK 30m higher than in 2022.

Non-recurring items

Non-recurring costs of DKK 9m were recognised during 2023 and relate to changes in the Bank's management. No non-recurring items were recognised in 2022.

Investment portfolio earnings

The Bank's investment portfolio earnings in 2023 amounted to DKK 109m. The figure in 2022, when market conditions were generally challenging, was a loss of DKK 43m.

Profit before tax

The BankNordik Group achieved a profit before tax for 2023 of DKK 379m, a 84% increase from DKK 207m in 2022. The increase was driven both by a strongly delivering core banking and insurance business as well as significant earnings being recognised in the Bank's investment portfolio.

Balance sheet

Lending

Loans and advances amounted to DKK 8,883m in 2023, an increase of 10% compared to DKK 8,083m in 2022. The increase was driven by a DKK 378m increase in the Corporate Banking segment and by a DKK 421m increase in the Personal Banking segment. Brokered mortgage credit volumes fell slightly to DKK 2,599m in 2023 from DKK 2,648m in 2022.

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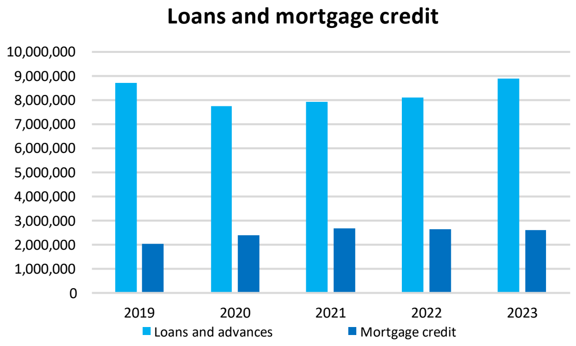
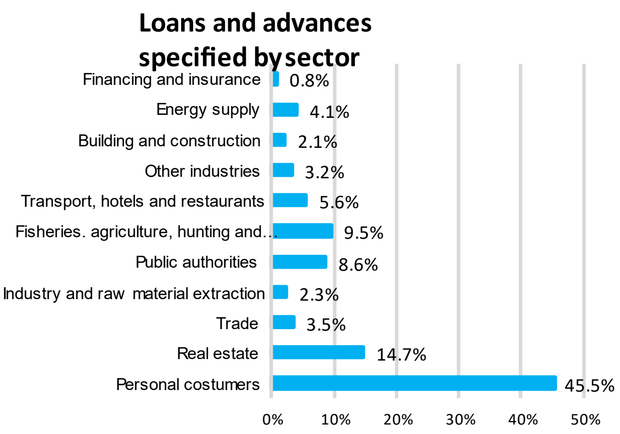
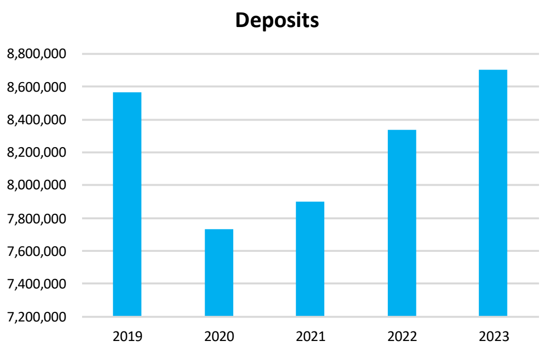


BankNordik places great emphasis on maintaining sound credit policy guidelines to ensure that lending growth does not come at the expense of the Group's financial sustainability. About half of the loan portfolio is allocated to personal lending and half to a well-diversified corporate sector, as shown in the figure below.



Deposits

Total deposits amounted to DKK 8,710m at 31 December 2023, an increase of DKK 359m from DKK 8,351m at year-end 2022.

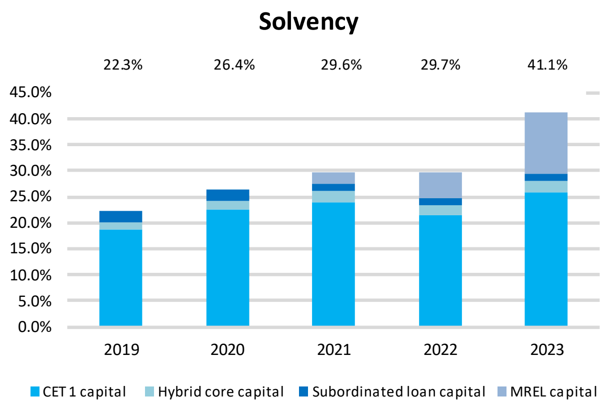


Solvency and liquidity

BankNordik held total capital of DKK 2,806m, incl. Minimum Requirement for own funds and Eligible Liabilities (MREL capital), at 31 December 2023 compared to DKK 2,137m at 31 December 2022. The increase is both due to an increased level of CET1 capital as well as MREL capital and Senior Preferred capital. The Bank, however, maintains its target to reduce its core capital relative to REA and further increase its MREL eligable capital. MREL capital and Senior Preferred capital amounted to DKK 798m at 31 December 2023 compared to DKK 350m a year earlier due to the bank issuing DKK 250m in MREL capital and DKK 200m in Senior Preferred capital during the year. Subordinated capital amounted to DKK 100m at 31 December 2023, flat compared to 31 December 2022, and hybrid core capital was DKK 150m at 31 December 2023, also flat compared to 31 December 2022. Core capital amounted to DKK 1,908m at 31 December 2023, which was a increase of DKK 220m from DKK 1,688m at 31 December 2022. CET1 capital amounted to DKK 1,758m at 31 December 2023, DKK 220m higher than the CET1 capital of DKK 1,538m at 31 December 2022.

The Group's solvency requirement at the end of 2023 decreased to 10.3% from 10.5% at year-end 2022. The Group's MREL capital ratio increased to 41.1% at 31 December 2023 compared to 29.7% a year earlier. The total capital ratio increased to 29.4% at the end of 2023 from 24.8% at the end of 2022. The core capital ratio increased to 28.0% at the end of 2023 from 23.5% at the end of 2022, while the Group's CET 1 ratio increased to 25.8% at the end of 2023 from 21.4% the previous year. The Group's total capital included DKK 10.9m worth of subordinated debt, which is not eligible to be included in the solvency surplus. As such, the solvency surplus at 31 December 2023 was 19.0% compared to 14.3% in 2022. Compared to the external capital requirements, incl. MREL requirements, totalling 23.3% at the end of 2023, BankNordik had a solvency surplus of 17.8 percentage points.

The Group's liquidity coverage ratio (LCR) was 228.2% at year-end 2023, well above the requirement of 100% and relatively flat compared to 31 December 2022, when it was 225.2%.



Financial results for Q4 2023

Net interest income in Q4 2023 was DKK 100m, up DKK 4m compared to Q3 2023. Net fee and commission income was DKK 17m in Q4 compared to DKK 19m in Q3, while net insurance income was DKK 12m in Q4 compared to DKK 24m in the previous quarter.

Operating costs amounted to DKK 65m in Q4, flat relative to Q3. Impairment charges amounted to DKK 5m Q4 vs. DKK 0m in Q3. Profit before tax amounted to DKK 109m in Q4 2023 compared to a profit of DKK 108m in Q3 2023.

Other

Supervisory Diamond

The Supervisory Diamond is used to measure a bank's risk profile. The model identifies five areas that if not within certain limits are considered to indicate increased risk. As shown in the figure, the Bank met all criteria by a comfortable margin.

The Supervisory Diamond

	2023	2022	FSA limit
Sum of large exposures	139.7%	161.2%	< 175%
Liquidity indicator	223.7%	229.3%	>100 %
Loan growth	9.9%	6.0%	< 20 %
Property exposure	13.1%	13.8%	< 25 %

Dividends proposed

At the upcoming Annual General Meeting, to be held on 21 March 2024, the Board intends to propose total dividend payments of DKK 80m for 2023 (DKK 8.33 per share) to shareholders. The dividend corresponds to 26% of net profit. The board has decided to deviate from its dividend policy of 70% of net profit due to an ongoing consultation at the Danish Financial Supervisory Authority on the status of the Faroese and Greenlandic property markets. With reference to the section on Faroese and Greenlandic real estate markets below, the Bank has noted that the consultation may increase the risk-weighting on the Faroese and Greenlandic banks' exposures secured by mortgages on residential and commercial property. This, in turn, may necessitate an increased capital level to maintain solvency levels as well as meeting the Supervisory Diamond limit values.

If the proposed changes are implemented, the Bank will manage its loan portfolio with respect to its largest exposures within some months, such that it can comply with its dividend policy.

The Bank expects the clarity on the issue, which affects all banks in the Faroese and Greenlandic markets, during the first half of 2024.

More information on the dividend policy is available on our website at www.banknordik.com/dp

Faroese and Greenlandic real estate markets

On 29 November 2023, the Danish Financial Supervisory Authority published a note on "Loss levels on exposures secured by mortgages on real estate" where the FSA assessed whether the real estate markets in Denmark, the Faroe Islands and Greenland are well-developed and long-established.

For the Faroe Islands and Greenland in particular, the note concludes that based on the established criteria the FSA has not been able to determine whether there is a well-developed and long-established market for residiential and commercial properties. The assessment significantly affects financial institutions' risk-weighting of exposures secured by mortgages on residential and commercial property.

Therefore, the Danish FSA has subsequently asked financial institutions operating in the North Atlantic, including BankNordik, for further information and clarification on the Faroese and Greenlandic property markets.

On this basis financial institutions are providing supplementary material to the FSA based on their deep local knowledge of the Faroese and Greenlandic real estate markets to support an assessment by the FSA that the markets are well-developed and long-established.

The FSA is expected to reach its conclusion on the status of the Faroese and Greenlandic property markets during the first half of 2024.

Debt issuance
Due to the continuous focus on optimising its liquidity, BankNordik plans to continue issuing senior unsecured loans in 2024.

Rating
BankNordik obtained its initial rating from Moody's on 21 March 2022, when both the long-term deposit and issuer rating were set at A2, outlook positive. The Group is very pleased that Moody's, in continued recognition of the Bank's "very strong capitalisation and sound recurring profitability" on 20 November 2023 upgraded the Bank's long-term deposit and issuer rating to A1.

Events after the balance sheet date
Other than what is mentioned in the Annual Report, no events of significance for the reporting period have occurred after 31 December 2023.

Outlook 2024
BankNordik expects to continue growing its overall lending and mortgage volumes in 2024 to both personal and corporate customers, albeit at a lower pace than in 2023.

In the personal banking segment, the Group will continue to build on the progress of previous years by establishing stronger relationships and continuing to enhance the user experience to attract new customers. BankNordik expects the trend of Faroese household preferences shifting towards the traditional Danish financing model of 80% mortgage funding and the residual in 2nd lien bank lending to continue for the long term even though growth in bank lending out paced growth in mortgage credit in the past two years, and the mortgage credit business as such is expected to outgrow the direct lending business to personal customers. In Greenland, BankNordik expects to grow lending to existing customers as well as attracting new customers, thereby growing its market share.

On the corporate side, the Group sees an opportunity to increase volumes in 2024 due to continued investment activity in both the Faroe Islands and Greenland, despite the uncertain global economic outlook. To help manage its capital position as MREL requirements are being phased in, BankNordik has continued to utilise Danish government guarantee programmes to reduce the risk weighted portion of corporate exposure in 2023, and the Group expects to continue utilising available programmes in 2024.

The Bank's net interest income is expected to decrease slightly in the coming year, as interest rates are expected to fall slightly. However, future interest rate movements are of course subject to central bank policy.

Insurance premiums are expected to continue to grow due to both customer acquisition and general price increases. Although it is difficult to predict the level of net insurance income due to significant variations in claims levels from one year to the next, BankNordik expects net insurance income to fall slightly in 2024 relative to 2023.

The Group's operating costs rose slightly in 2023, as staff and IT costs continued to increase for the financial sector in general. The Group's cost/income ratio, however, fell to a healthy 49% (2022: 54%). The Group expects operating costs in 2024 to be marginally higher than 2023 but also expects to meet its target of keeping the cost-income ratio below 53%.

The BankNordik Group is fully focused on serving the Faroese and Greenlandic markets. It remains the largest player in the Faroe Islands and a strong challenger in Greenland. The Group expects to deliver a strong financial performance and higher returns for the longer term with the focus on business units in markets where the Bank remains competitive. Focus will remain on increasing efficiency and reducing operating costs while consistently offering market-leading service and strong asset quality.

The Group's impairment levels are expected to be around DKK 40m in 2024.

Earnings on the Groups investment portfolio were strongly positive in 2023 and are expected to remain strong in 2024 due to market rates having increased during 2023.

In 2024, BankNordik expects to achieve a net profit in the range of DKK 225-255m (2023: DKK 308m).

This outlook is subject to uncertainty, including impairments on loans and advances, market value adjustments, and macroeconomic developments in the markets in which the Group operates.

Our external environment

The macroeconomic environment has a significant impact on any financial institution. BankNordik, therefore, naturally follows economic developments in the Faroe Islands and Greenland closely.

The two North Atlantic economies are affected by global economic developments. The IMF estimates that the global economy (as measured by global GDP) grew by 3.0% in 2023, which was about the level that the institution had expected at the start of the year.

The dominalt economic themes of 2022 continued to dominate in 2023. Inflation was the focus of economists and central bankers the world over, and for the Faroe Islands especially, the economic relationship with Russia provided a significant factor of uncertainty throughout the year. These two factors dominate the overarching risk picture facing BankNordik and the countries in which it operates.

Inflation and interest rates will continue to dominate the Bank's risk landscape in 2024. Interest rate moves in 2023 were largely as the Bank and the financial markets had expected. Inflation is now nearing central banks' targets, and financial markets are therefore expecting central banks to start lowering interest rates. The point of debate seems to be how much interest rates will decrease during the year, and when rates will start to come down.

Rising interest rates have, as this report shows, been a financial benefit to the Group in the same way that it has been for the financial industry globally. Interest rate margins have lifted from a historically low level. Margins are not expected to expand further but might contract slightly in the coming year due to upward pressure on deposit rates.

Inflation has meant that the Bank's borrowers will have less money for servicing their debts, other things being equal, and the debt servicing itself has become significantly more expensive for those with variable rate loans, which are typical in the Faroe Islands. While this is a risk for the Bank, we have not yet seen an increase in borrowers unable to meet their obligations.

Developments in the Faroese and Greenlandic economies have again been directionally similar in 2023. The bank continues to track key indicators for both economies, and developments have generally followed the expected trend in 2023.

The Faroese Economic Council estimated in September that the Faroese economy would grow by 5.9% in nominal terms in 2023 following growth of 8.1% in 2022. Exports remain strong, but private sector consumption and investment is estimated to have made the strongest contribution to GDP expansion in 2023. The outlook for 2024 is stable, but growth is expected at a rate of 1.4%, which would be the lowest level seen since 2020, and before that since 2009.

Greenland's growth was a healthy but moderate 1.8% in real terms in 2023, with expectations for 2024 being growth of 0.9%. Exports during 2023 are expected to have matched the record level seen in 2022 with both prices and amounts exported remaining strong. A significant portion of Greenland's GDP stems from investment into housing and infrastructure, and although infrastructure investment are a prerequisite for lifting future growth, a decline in investment activity will present certain challenges once ongoing projects are completed.

In tems of inflation, prices in the Faroe Islands have followed Western trends closely, with the latest reading coming in at 2.8%, down from 10.1% a year earlier. Greenland, on the other hand, has not had readings exceeding 2.7%. This has in large part been driven by oil prices being hedged through 2023 and the fact that most electricity in Greenland is generated through hydropower. Inflation in Green land is expected to come in at around 3% in 2023 and to rise to around 5% in 2024, which is higher than the level expected in other western economies.

Both the Faroe Islands and Greenland have extraordinarily tight labour markets. The Faroese unemployment rate and labour participation rate are world-leading, whereas Greenland is experiencing demand for skilled labour that far outstrips supply. The Greenlandic labour market is also challenged by the fact that education levels in the local population are lower than in other Western countries. Both countries import a significant amount of workers and have in recent years made it easier for employers to obtain permits to do so.

BankNordik remains optimistic about its prospects given the health of the two markets in which it operates. Customers are financially sound and lending demand is strong due to healthy levels of economic activity. We continue to believe in the sustainability our strategic focus on the North Atlantic.

Applied calculation methods and alternative performance measures

Alternative performance measures
The Bank applies a number of alternative performance measures. These measures are applied where they provide greater informational value about, e.g. the Bank's earnings, or as a common denominator for multiple items. The Bank is aware of the need for applying calculations consistently and with comparative figures. The alternative performance measures applied are defined below:

Operating income
Sum of Net interest income (less interest income from the Groups bond portfolio), Net fee income, Net insurance income and Other operating income.

Profit before impairment charges
Profit before Investment portfolio earnings, Impairment charges and Non-recurring costs.

Operating profit
Profit before non-recurring costs and before Investment portfolio earnings.

Other operating income
Other operating income, Dividends related to sector shares, Value adjustments related to sector shares, and Profit or loss from currency transactions.

Operating costs
Sum of Staff costs and administrative expenses, Other operating expenses apart from contributions to the Resolution Fund etc. and Amortisation, depreciation and impairment charges on intangible assets and property, plant and equipment.

Sector costs
Contributions to the Resolution Fund etc., which is a subset of the item Other operating expenses.

Impairments
Sum of Impairment charges on loans and reversed impairment charges on loans taken over.

Non-recurring items
Non-recurring staff costs, administrative expenses and extraordinary impairment charges on tangible assets.

Investment portfolio earnings
Interest income from the bond portfolio, value adjustments less value adjustments of sector shares and less of profit or loss from currency transactions. Dividends less dividends related to sector shares, Income from holdings in associates.

BANKNORDIK

Adjusted results

Note	Adjusted Income statement 2023, Group, DKK 1,000	Income statement	Restatement	Restated income statement
1, 5	Net interest income	419,461	-59,876	359,585
2	Net fee and commission income	87,796	-10,811	76,985
5, 6, 7	Net insurance income	45,925	13,789	59,714
2, 4	Other operating income	9,294	22,713	32,007
	Operating income	**562,476**	**-34,185**	**528,291**
3, 6	Operating costs	251,098	6,114	257,212
	Sector costs	1,807	0	1,807
	Profit before impairment charges	**309,571**	**-40,299**	**269,272**
	Impairment charges	-10,043	0	-10,043
	Operating profit	**319,614**	**-40,299**	**279,315**
	Non-recurring items	0	-8,928	-8,928
	Profit before investment portfolio earnings and tax	**319,614**	**-49,227**	**270,387**
1, 4, 7	Investment portfolio earnings	59,716	49,227	108,943
	Profit before tax	**379,330**	**0**	**379,330**

Note	Adjusted Income statement 2022, Group, DKK 1,000			
1, 5	Net interest income	274,334	-4,785	269,549
2	Net fee and commission income	94,588	-6,475	88,113
5, 6, 7	Net insurance income	34,133	17,935	52,068
2, 4	Other operating income	7,472	29,448	36,920
	Operating income	**410,528**	**36,123**	**446,651**
3, 6	Operating costs	229,096	13,808	242,904
	Sector costs	1,261	0	1,261
	Profit before impairment charges	**180,171**	**22,315**	**202,486**
	Impairment charges	-46,629	0	-46,629
	Operating profit	**226,800**	**22,315**	**249,115**
	Non-recurring items	0	0	0
	Profit before investment portfolio earnings and tax	**226,800**	**22,315**	**249,115**
1, 4, 7	Investment portfolio earnings	-20,221	-22,315	-42,536
	Profit before tax	**206,579**	**0**	**206,579**

Note	Restatements made to the income statement, DKK 1,000	Q1-Q4 2023	Q1-Q4 2022
1	Reclassification of interest income related to bonds from the item Interest income to Investment portfolio earnings.	67,116	6,835
2	Dividends reclassified from Net fee and commission income to Other operating income.	10,811	6,475
3	Reclassification of severance costs to Non-recurring items.	8,928	0
4	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions to Other operating income.	11,902	22,973
5	Reclassification of interest income from Net insurance income to Net interest incom to implementation of IFRS 17	7,240	2,050
6	Reclassification of operating costs from Net insurance income to Operating costs due to implementation of IFRS 17	15,042	13,808
7	Reclassification of market value adjustments from net insurance income to Investment portfolio earnings due to implementation of IFRS 17	5,987	6,177

BANKNORDIK

Management and directorships

Board of Directors

Birita Sandberg Samuelsen (Chair)	
Elected by the General Meeting	
Year of birth	1975
Gender	Female
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	
Term expires:	2024
Independent	
Educational background:	Master of law, University of Copenhagen
Competencies:	Working experiences and in-depth knowledge of various legal matters. Including consultancy regarding bying, selling and privatization of companies, insurance related advising, as well as different company related legal issues, for instance establishment, reconstruction, mergers, capital adjustments and liquidation.
Principal occupation:	Lawyer and Partner at Sókn Advokatar (lawfirm).
Directorships and other offices:	Chair of P/F Vága Floghavn and for the period 2014-2017 boardmember of the Financing Fund of 1992.
Rúni Vang Poulsen (vice chair)	
Elected by the General Meeting	
Year of birth	1975
Gender	Male
Nationality	Faroese
First time elected to the Board:	2016-2018, and again in 2022
Most recently re-elected:	2023
Term expires:	2024
Independent	
Educational background:	MSc Business Administration and Auditing, Copenhagen Business School; Orchestrating Winning Performance - IMD Lusanne.
Competencies:	Broad and extensive knowledge of company structures, accounting as well as the Faroese economy as a whole. In-depth experiences and knowledge within finance, including strategy and business development.
Principal occupation:	CEO at P/F Grant
Directorships and other offices:	Vice-chair at BankNordik and former boardmember of the Financing Fund of 1992.
Birgir Durhuus	
Elected by the General Meeting	
Year of birth	1963
Gender	Male
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	2023
Term expires:	2024
Independent	
Educational background:	Master of Finance, Copenhagen Business School
Competencies:	In-depth knowledge and experiences within the Danish financial sector. Primarily from Danske Bank, Nordea and Nykredit as an analyst and head of different departments within investment and Risk Management.
Principal occupation:	Chief Development Officer at Absolute Return Partners LLP
Directorships and other offices:	Former chair of P/F Atlantic Petroleum.
Marjun Eystberg	
Elected by the General Meeting	
Year of birth	1963
Gender	Female
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	2023
Term expires:	2024
Independent	
Educational background:	Master in Communication and HR-Master, Probana; Organisation and Strategy, Copenhagen Business School; Process Leader, Copenhagen Coaching Centre.
Competencies:	Extensive experiences from the financial sector in the Faroe Islands and in-depth knowledge of the Faroese business community. Furthermore a broad knowledge and experience within Management and HR related issues.
Principal occupation:	Manager at INPUT - Consultance within Management and HR.
Directorships and other offices:	Boardmember of P/F Poul Michelsen; former boardmember of the Faroese Business Development Fund (Framtak) and the Financing Fund of 1992.
Kristian Reinert Davidsen	
Elected by the General Meeting	
Year of birth	1966
Gender	Male
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	2023
Term expires:	2024
Independent	
Educational background:	HD (Graduate Deploma in Organisation and Management), Copenhagen Business School; MSc Engineering E-division, DTU Denmark.
Competencies:	Working experiences and in-depth knowledge og management, strategy processes and project managing. In-depth knowledge of digital transformation and technology security, including security related to personal data and cyber security.
Principal occupation:	CEO at Faroese Telecom, Former CEO at Tusass (TELE Greenland).
Directorships and other offices:	Chair of LBF (Engineering Consultancy) and boardmember og the Telecommunication and IT company P/F NEMA.

Tom Ahrenst	
Elected by the General Meeting	
Year of birth	1960
Gender	Male
Nationality	Danish
First time elected to the Board:	2023
Most recently re-elected:	
Term expires:	2024
Independent	
Educational background:	Executive Management program, Columbia Business School; Executive Management program, Wharton Business School. HD-accounting, Copenhagen Business School.
Competencies:	Several years of practical credit-related experiences from Danske Bank and Nykredit. Indepth knowledge within credit-aera in general, including financing of mergers and acquisitions, capital market transactions, structuring of company financing and management of credit-related risks as a whole.
Principal occupation:	Senior Advisor, EVP, at Nykredit.
Directorships and other offices:	Board member of Core Property Management P/S. Former chair of Nykredit Leasing A/S and Nykredit Finance plc. Former board member of Frankfurter Bodenkredit Gmbh.
Alexandur Johansen	
Elected by the employees	
Year of birth	1979
Gender	Male
Nationality	Faroese
First time elected to the Board:	2018
Most recently re-elected:	2022
Term expires:	2026
Educational background:	Financial education and subsequent continuing education within financial and insurance aspects.
Competencies:	In-depth understanding of insurance aspects. All-round advisory services.
Principal occupation:	P/F Trygd - Commercial Insurance - Head of corporate department.
Directorships and other offices:	None
Kenneth Samuelsen	
Elected by the employees	
Year of birth	1966
Gender	Male
Nationality	Faroese
First time elected to the Board:	2010
Most recently re-elected:	2022
Term expires:	2026
Educational background:	Financial education
Competencies:	Broad knowledge of sector and labour market relationships. Customer and employer satisfaction. Experience within and knowledge of IT.
Principal occupation:	BankNordik - IT & Analyses department - unit Faroe Islands.
Directorships and other offices:	None
Rúna Hentze	
Elected by the employees	
Year of birth	1966
Gender	Female
Nationality	Faroese
First time elected to the Board:	2021
Most recently re-elected:	2023
Term expires:	2026
Educational background:	Financial education supplemented with different banking related courses.
Competencies:	Broad knowledge and experience within different aspects of Banking services. In-depth knowledge and experiences within Retail Banking and funds
Principal occupation:	BankNordik - Backoffice funds
Directorships and other offices:	None

Executive board

Turið F. Arge (CEO)	
Year of birth	1982
Gender	Female
Nationality	Faroese
Year of joining the Executive Management:	2022
Educational background:	Cand.merc.Aud, Aarhus Business School; Executive MBA, Henley Business School.
Principal occupation:	CEO at P/F BankNordik
Board positions held that are relevant to banking and insurance:	Chair of P/F Trygd, P/F NordikLív, P/F Skyn. Boardmember of BI Holding A/S, SDC A/S and the Faroese Banking organisation.

Segments

Banking

Adjusted Income statement, Banking

DKKm	Q4 2023	Q3 2023	Index	Q2 2023	Q1 2023	Q4 2022	2023	2022	Index
Net interest income	100	96	*104*	86	78	72	360	270	*133*
Net fee and commission income	21	23	*92*	23	25	26	92	102	*91*
Other operating income	3	8	*31*	9	8	6	27	32	*86*
Operating income	**124**	**127**	***97***	**118**	**110**	**105**	**479**	**403**	***119***
Operating cost	-59	-59	*100*	-58	-58	-53	-233	-223	*105*
Sector costs	0	0	*100*	0	0	0	-2	-1	*143*
Profit before impairment charges	**65**	**68**	***94***	**60**	**51**	**52**	**244**	**179**	***136***
Impairment charges, net	-5	0	*1105*	7	8	3	10	47	*22*
Operating profit	**59**	**68**	***88***	**67**	**60**	**55**	**254**	**226**	***112***
Non-recurring items	0	0		-6	-3	0	-9	0	
Profit before investment portfolio earnings and tax	**59**	**68**	***88***	**62**	**56**	**55**	**245**	**226**	***108***
Investment portfolio earnings	42	24	*175*	14	20	3	101	-38	*-264*
Profit before tax	**102**	**92**	***111***	**76**	**76**	**58**	**346**	**188**	***184***
Loans and advances	8,883	8,790	*101*	8,655	8,354	8,083	8,883	8,083	*110*
Deposits and other debt	8,710	8,602	*101*	8,426	8,524	8,351	8,710	8,351	*104*
Mortgage credit	2,599	2,615	*99*	2,567	2,634	2,648	2,599	2,648	*98*
Operating cost/income, %	47	46		49	53	50	49	55	
Number of FTE, end of period	176	176	*100*	173	172	169	176	169	*104*

The Bank's net interest income was up by DKK 90m in 2023 compared to 2022 driven by margin increases from the the second half of 2022 and throughout most of 2023 as well as healthy volume growth. Net fee and commission income fell by 9% from DKK 102m in 2022 to DKK 92m in 2023. Other operating income fell by DKK 5m relative to 2022 to DKK 27m. As a result, the Bank's operating income as a whole rose by DKK 76m year on year in 2023 to DKK 479m. Operating costs increased by DKK 11m in 2023 compared to 2022, mainly due to staff and IT costs. The resulting profit before impairment charges rose by DKK 65m compared to 2022 to DKK 244m in 2023.

BankNordik maintains its through-the-cycle credit policy. Due to the continued sound financial health of its customers despite uncertain global economic conditions, the Bank saw a net reversal of impairments of DKK 10m in 2023, including an increase in provisions for future losses of DKK 44m from DKK 56m to DKK 100m. In 2022, the Bank reversed DKK 47m of previously impaired loans. The resulting operating profit for the banking segment in 2023 was DKK 254m, DKK 28m higher than in 2022.

Non-recurring costs of DKK 9m were recognised in 2023 due to changes in the Bank's management whereas no non-recurring items were recognised in 2022. Investment portfolio earnings came in a DKK 101m for 2023 compared to a loss of DKK 38m in 2022. As a result, the Bank's profit before tax was DKK 346m in 2023 compared to DKK 188m in 2022.

Loans and advances to customers grew by a healthy DKK 800m in 2023 to DKK 8,883m, and the portfolio of the Bank's brokered mortgage credit fell by DKK 49m to DKK 2,599m. Customer deposits were up by DKK 359m to DKK 8,710m.

Personal Banking

Adjusted Income statement, Personal banking

DKKm	Q4 2023	Q3 2023	*Index*	Q2 2023	Q1 2023	Q4 2022	2023	2022	*Index*
Net interest income	72	60	*119*	48	43	35	223	136	*164*
Net fee and commission income	16	18	*90*	16	18	19	69	73	*93*
Other operating income	2	5	*29*	7	6	5	20	25	*81*
Operating income	**90**	**84**	***107***	**71**	**67**	**60**	**311**	**235**	***133***
Operating costs	-49	-51	*96*	-49	-47	-48	-196	-186	*106*
Sector costs	0	0	*100*	0	0	0	-1	-1	*143*
Profit before impairment charges	**40**	**32**	***124***	**22**	**20**	**11**	**114**	**48**	***237***
Impairment charges, net	-5	1	*-494*	1	5	-3	2	16	*11*
Operating profit	**35**	**33**	***104***	**23**	**25**	**8**	**115**	**64**	***181***
Non-recurring items	0	0		-5	-3	0	-8	0	
Profit before investment portfolio earnings and tax	**35**	**33**	***104***	**18**	**22**	**8**	**108**	**64**	***170***
Investment portfolio earnings	30	17	*175*	10	11	6	69	-28	*-244*
Profit before tax	**65**	**51**	***128***	**28**	**33**	**14**	**177**	**35**	***498***
Loans and advances	4,066	3,859	*105*	3,771	3,673	3,645	4,066	3,645	*112*
Deposits and other debt	5,761	5,678	*101*	5,584	5,392	5,412	5,761	5,412	*106*
Mortgage credit	2,179	2,203	*99*	2,285	2,331	2,338	2,179	2,338	*93*
Number of FTE, end of period	81	82	*99*	74	74	71	81	71	*113*

BankNordik's operating income from personal banking customers increased by 33% in 2023. Net interest income was up by DKK 87m while net fee and commission income and other operating income decreased by DKK 5m and DKK 5m, respectively. The resulting operating income totalled DKK 311m, DKK 77m more than in 2022.

Operating costs rose to DKK 196m in 2023 from DKK 186m in 2022. As a result, profit before impairment charges rose by DKK 66m year on year in 2023 to DKK 114m. Impairment charges were a net reversal of DKK 2m in 2023 compared to a reversal of DKK 16m in 2022. Non-recurring costs of DKK 8m were recognised in 2023 while no non-recurring items were recognised in 2022.

Investment portfolio earnings amounted to DKK 69m compared to a loss of DKK 28m in 2022. Profit before tax was thus DKK 177m in 2023 compared to DKK 35m in 2022.

Direct lending to personal customers rose by DKK 421m to DKK 4,066m at year-end 2023. Brokered mortgage credit saw a slight fall of DKK 160m to DKK 2,179m at year-end 2023.

Corporate Banking

Adjusted Income statement, Corporate Banking

DKKm	Q4 2023	Q3 2023	*Index*	Q2 2023	Q1 2023	Q4 2022	2023	2022	*Index*
Net interest income	28	36	*78*	38	35	37	137	133	*103*
Net fee and commission income	5	5	*100*	7	7	7	24	28	*83*
Other operating income	1	3	*36*	2	1	1	7	7	*106*
Operating income	**34**	**44**	***78***	**47**	**43**	**45**	**168**	**169**	***99***
Operating costs	-9	-8	*124*	-8	-6	-3	-32	-31	*101*
Sector costs	0	0	*100*	0	0	0	-1	0	*143*
Profit before impairment charges	**24**	**36**	***68***	**39**	**36**	**42**	**135**	**137**	***99***
Impairment charges, net	0	-2	*-21*	6	3	6	8	31	*27*
Operating profit	**25**	**34**	***72***	**45**	**40**	**48**	**144**	**168**	***86***
Non-recurring items	0	0		-1	0	0	-1	0	
Profit before investment portfolio earnings and tax	**25**	**34**	***72***	**44**	**39**	**48**	**142**	**168**	***85***
Investment portfolio earnings	12	7	*175*	4	4	-3	27	-15	*-174*
Profit before tax	**36**	**41**	***89***	**48**	**44**	**46**	**169**	**152**	***111***
Loans and advances	4,816	4,932	*98*	4,884	4,681	4,438	4,816	4,438	*109*
Deposits and other debt	2,948	2,924	*101*	2,824	3,132	2,939	2,948	2,939	*100*
Mortgage credit	420	412	*102*	282	302	310	420	310	*136*
Number of FTE, end of period	14	15	*95*	15	15	15	14	15	*95*

The Group’s Corporate Banking segment saw net interest income increase to DKK 137m in 2023 from DKK 133m in 2022, and net fee and commission income fell by DKK 5m in 2023 to 24m. Other operating income was flat in 2023 at DKK 7m. Total operating income was thus largely flat, DKK 168m in 2023 compared to DKK 169m in 2022.

Operating costs increased by DKK 1m in 2023 to DKK 32m, resulting in profit before impairment charges coming in at DKK 135m, down DKK 1m compared to 2022.

Impairment charges were a net reversal of DKK 8m in 2023, compared to a reversal of DKK 31m in 2022. Non-recurring costs of DKK 1m were recongnised in 2023, whilst no non-recurring items were recognised in 2022.

Investment portfolio earnings amounted to DKK 27m in 2023 compared to a loss of DKK 15m in 2022. The resulting profit before tax was thus DKK 169m in 2023, an increase of DKK 17m compared to 2022.

The corporate lending portfolio grew by 9% during the year and amounted to DKK 4,816m at 31 December 2023. The portfolio remains well diversified and is not overly exposed to historically risky sectors. Corporate deposits were up by DKK 9m over year-end 2022 to stand at DKK 2,948m at year-end 2023. Brokered mortgage credit rose by more than a third, albeit from a low base, to DKK 420m at year-end 2023.

Insurance

Adjusted Income statement, Trygd

DKKm	Q4 2023	Q3 2023	*Index*	Q2 2023	Q1 2023	Q4 2022	2023	2022	*Index*
Premium income, net of reinsurance	42	37	*113*	35	34	36	148	141	*105*
Claims, net of reinsurance	-30	-17	*174*	-19	-32	-24	-99	-97	*101*
Net insurance income	**12**	**20**	***59***	**16**	**2**	**12**	**49**	**43**	***113***
Net income from investment activities	3	2	*159*	0	2	4	7	-3	*-215*
Operating income	**15**	**22**	***68***	**16**	**4**	**16**	**56**	**40**	***138***
Operating cost	-8	-7	*103*	-8	-7	-6	-29	-25	*116*
Profit before tax	**7**	**14**	***49***	**8**	**-3**	**10**	**27**	**15**	*175*
Combined ratio	90	67		76	113	85	86	87	
Claims ratio	72	47		55	94	68	67	69	
Number of FTE, end of period	23	23	*99*	22	23	23	23	23	*102*

The Group's insurance company, Trygd, reported another year of growth in insurance premiums. Net premiums grew by 5% in 2023 to DKK 148m due to price rises and a continued inflow of new customers.

Claims can vary significantly from year to year, e.g. due to Faroese weather conditions or an unusual number of large claims. In 2023, claims amounted to DKK 99m, a slight increase of DKK 1m compared to 2022.

Income from investment activities amounted to DKK 7m in 2023 compared to a loss of DKK 3m in 2022. Operating costs totalled DKK 29m in 2023 compared to DKK 25m in 2022. As a result, Trygd posted a profit before tax of DKK 27m compared to a profit before tax of DKK 15m in 2022.

Trygd is expected to pay a dividend of DKK 10.0m to BankNordik for the 2023 financial year.

Trygd continues to grow its market share by offering competitive prices and delivering superior customer experiences. Trygd expects to continue to attract new customers and to grow premium income in 2024, as it has done for the past several years whilst remaining profitable.

Other activities

Skyn

Following several years of strong activity and continuous price increases in recent years, the housing market activity was relatively subdued in the past two years. House prices in the Faroe Islands have been more or less flat, and the number of properties sold was a bit below the volume in the years prior to 2022.

The Group's estate agency, Skyn, performed well given the challenging market conditions, being involved in a total of 168 transactions in 2023 compared to 179 in 2022. Skyn recorded a net profit of DKK 0.8m in 2023, a slight fall from DKK 1.2m in 2022.

Skyn is expected to pay a dividend of DKK 0.5m to BankNordik for the 2023 financial year.

NordikLív

NordikLív is a life insurance company established in 2015 and wholly owned by BankNordik. The company began operations in 2016 by providing regular life, disability and critical illness insurance cover in the Faroese market. In 2023, premium income was DKK 21.6m compared to DKK 17.3m in 2022, while net profit amounted to DKK 4.9m in 2023 compared to DKK 1.7m in 2022.

NordikLív is expected to pay a dividend of DKK 5m to BankNordik for the 2023 financial year.

Shareholders

BankNordik share performance

The closing price of BankNordik's shares on Nasdaq Copenhagen at 31 December 2023 was DKK 164.5 compared to a closing price of DKK 136.0 at 31 December 2022. This is an increase of 21.0% compared to an increase of 16.8% for the Copenhagen Bank Index. Note that BankNordik's total return in 2023 was 40.6%, as a total dividend of DKK 26.04 per share was paid out during the year. The turnover in BankNordik's shares on Nasdaq Copenhagen was DKK 615m in 2023 compared to 169m in 2022.

Performance of BankNordik shares vs the Nasdaq Copenhagen Bank Index in 2023:

Shareholder structure

At the time of publication of the Annual Report 2023, the following shareholders had notified the relevant authorities that they held 5% or more of the Bank's shares:

- Føroya Landsstýri (Faroese Government), Tórshavn, Faroe Islands, holds 34.8% of the shares.
- Ruth Holding ApS, Hirtshals, Denmark, holds 14.6% of the shares.
- GMT Familie Holding ApS, Hirtshals, Denmark, holds 10.4% of the shares.
- Kaldbakur ehf, Akureyri, Iceland, holds 5.1% of the shares.

At 31 December 2023, BankNordik had approximately 8,400 shareholders. The Faroese government held 34.8% of the share capital, institutional and other corporate investors held 49%, private investors held 16%, while the Bank held 0.22% as treasury shares. The majority of shareholders are based in the Faroe Islands.

Country	Pct. of nominal shareholdings
Faroe Islands	49
Denmark	36
Iceland	7
Other nationalities	8
Total	**100**

The Board of Directors has been authorised to allow the Bank to acquire up to 10% of the Bank's nominal share capital in the period until 1 March 2024. BankNordik´s investor relations policy can be found on the Bank's website www.banknordik.com/Ir

Organisation and management

Corporate governance at BankNordik

The overall purpose of BankNordik's corporate governance policy is to ensure responsible corporate management and to safeguard the interests of the Bank's shareholders, customers, and employees. Strong corporate governance is about having clear and systemic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest, and ensuring satisfactory internal control, risk management and transparency. Commitment to BankNordik's mission and vision requires the integration of sound corporate governance with the framework under which the Bank is governed and managed.

BankNordik is a Faroese public limited company listed on NASDAQ Copenhagen A/S. Corporate governance at BankNordik follows generally adopted principles of corporate governance. The external framework that governs the Bank's corporate governance approach includes the rules of NASDAQ Copenhagen A/S, relevant legislation and instructions and guidance issued by the Danish Financial Supervisory Authority or other legislative authorities, and the rules and principles of the recommendations on Corporate Governance. For further information about the Bank's compliance with the recommendations on Corporate Governance, see the Bank's Corporate Governance Report, which is available at www.banknordik.com/cg.

General meetings

The general meeting is the Bank's ultimate decision-making authority. An annual general meeting shall be held within three months of the end of a financial year. In 2024, the meeting will be held on 21 March in Tórshavn, Faroe Islands. The minutes of the meeting will be available at www.banknordik.com.

Voting rights

All shareholders have equal voting rights, and each share carries one vote. However, no shareholder may, neither in respect of his own shares nor when acting as proxy for other shareholders, cast votes representing more than 10% (ten per cent) of the total share capital, regardless of the shareholding. Proxy votes given to the board of directors are not subject to these restrictions.

Any resolution to amend the Articles of Association or to wind up the Bank by voluntary liquidation or to adopt a merger is subject to no less than two-thirds of the share capital being represented at the general meeting and the proposed resolution being adopted by two-thirds of the

votes cast and of the voting share capital represented at the general meeting.

Any proposal to amend or revoke the quorum requirement may be adopted by two-thirds of both the votes cast and of the share capital represented at the general meeting. For the purpose of voting on such proposals, restrictions on voting rights and voting by proxy do not apply.

The Bank's Articles of Association are available at www.banknordik.com/aa

Board of Directors

The Board currently comprises nine members, six of whom were elected at the General Meeting and three by and among the employees. Board members elected at the General Meeting hold office until the next annual general meeting. As prescribed by statutory provisions on employee representation in Faroese legislation, members elected by and among the employees serve on the Board of Directors for four-year terms, with the next election to be held in 2026. The age limit for the election or re-election of board members is 70 years.

The Nomination Committee operates as a preparatory committee for the Board of Directors with respect to the nomination of and appointment of candidates for the Board of Directors and the Executive Board. Candidates for the Board of Directors are nominated by the Board of Directors or the shareholders and are elected by the shareholders.

The primary duty of the Bank's Board of Directors is to determine the strategic framework for the Bank and its activities. The Bank places emphasis on ensuring that the Board of Directors possesses the necessary and relevant experience and qualifications to adequately perform its duties as a board of directors. Members of the Board are subject to a performance evaluation, which includes questionnaire and a personal dialogue with the Chairman. The aim of the evaluation is to ensure, among other things, that the composition of the Board of Directors as well as the special competencies of each Board member enable the Board of Directors to perform its duties. As the Board of Directors operates as a collegial body, its overall competencies and experience are the sum of the individual board members' competencies and experience. The composition of the Board of Directors is intended to ensure a stable and satisfactory development of BankNordik for the benefit of its shareholders, customers, employees, and other stakeholders. The competencies of the Board of Directors are described collectively in the competency profile. The 2023 competence evaluation indicated that further strengthening of the Board's credit-related competences would be preferable. The Board already have taken some action in this regard with two board members having conducted at credit-risk course and all board members having conducted the mandatory bord education from Copenhagen Business School. Furthermore, the Board of Directors in 2023 has recruited one board member with credit related competences.

Executive Management

The Executive management consists of Turið F. Arge, Chief Executive Officer.

Diversity

We recognise gender diversity as a driving force, and we have achieved a 40/60 gender split in senior positions as well as across the organisation. Measures include targeted recruitment where there is always at least one woman in the final field of candidates for the various positions. At board level, we aim to achieve a 40/60 gender split in 2025.

Remuneration

The Remuneration Committee operates as a preparatory committee for the Board of Directors with respect to remuneration issues. This duty includes proposals regarding the Bank's Remuneration Policy and underlying instructions to be approved and adopted at the General Meeting.

The Bank's remuneration policy reflects the Bank's objectives of good governance and supports the Bank's ability to recruit, develop and retain competent, high-performing, and highly motivated employees in a competitive market.

Remuneration for the Board of Directors is approved and adopted at each year's annual general meeting. Members of the Board of Directors receive a fixed salary only. They are not covered by incentive programmes and do not receive variable or performance-based remuneration or pension contributions.

The remuneration of the Executive Management is determined by the Board of Directors. Remuneration in line with market levels constitutes the overriding principle for the remuneration of the Executive Management. Remuneration for the Executive Management shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract the Bank's long-term interests. Remuneration of the Executive Management only consists of a fixed salary and are not covered by any incentive programmes including variable or performance-based remuneration.

Additional information on the remuneration of the Board of Directors, the Executive Management and the executive officers can be found in note 10. For further information regarding the Bank's remuneration policy, see www.banknordik.com/rp

Risk management

The Board of Directors always gives full attention to the Bank's various risks as well as the aggregated risk profile and follows up on risks on a regular basis. Risk appetite within the Bank is defined as the level and nature of risk that the Bank is willing to take in order to pursue the approved strategy on behalf of the shareholders and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders. The Board of Directors is ultimately responsible for the Group's overall risk appetite, and for setting principles for how risk appetite is managed.

The Group's Risk Manager is responsible for the risk management framework and processes, including identifying, controlling and monitoring the Bank's various risks for the purpose of making risk assessments at both individual and aggregated levels. For further information on the Bank's risk management, see the Group's Risk Management Report 2023 at www.banknordik.com/rmr

Corporate responsibility

Complying with the law and adhering to international principles for responsible business conduct is a fundamental and integral part of BankNordik's strategy. We are driven by an ambition to create value for all our stakeholders, to use our expertise to drive sustainable progress and to have a positive impact on the societies we are a part of. At BankNordik, we strive to build a relationship-centric bank that places the customer at the centre of business, provides tailored financial advice and makes the banking experience less complex. Our commitment to conduct responsible business revolves around a set of values consisting of "Competence, Commitment and Drive", which form the backbone of our efforts to create sustainable and shared value for the Group's stakeholders. In addition to creating economic value through responsible business conduct; through the benefits that our products bring to our customers; and through banking expertise, the Group aims to create social value through community involvement. As such, BankNordik's approach is centred on its customers, employees, and the local community. It is our assertion that CSR initiatives will yield the best results if there is a natural connection between such activities and our business strategy and core competences. Therefore, our initiatives are strategically rooted in the Group's vision, strategy, and values.

BankNordik reports on corporate social responsibility in the 2023 CSR Report, which has been prepared in compliance with the Group's CSR policy and the Danish FSA's requirements on corporate responsibility reporting.

The report is available at www.banknordik.com/crr

Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the annual report of P/F BankNordik for the financial year 2023.

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2023 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on 1 January and ending on 31 December 2023. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

In our opinion, the annual report of P/F BankNordik A/S for the financial year 1 January to 31 December 2023 identified as with the file name banknordik-2023-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

The management will submit the annual report to the general meeting for approval.

Tórshavn, 27 February 2024

Executive Board

Turið F. Arge
CEO

Board of Directors

Birita Sandberg Samuelsen Chair	Rúni Vang Poulsen Vice Chair	Birgir Durhuus
Kristian Reinert Davidsen	Marjun Eystberg	Tom Ahrenst
Rúna Hentze	Kenneth M. Samuelsen	Alexandur Johansen

Adopted at the General Meeting held on / 2024

Chair of the meeting

Internal Auditors' Report

Audit opinion
In our opinion, the Consolidated Financial Statements and the Financial Statements of P/F BankNordik give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2023 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January — 31 December 2023 in accordance with the IFRS Acounting Standards as adopted by the EU in respect of the Consolidated Financial Statements and in accordance with the Faroese Financial Business Act in respect of the Parent Company's financial statements.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion
We have audited the Consolidated Financial Statements and the Financial Statements of P/F BankNordik for the financial year 1 January — 31 December 2023. The Consolidated Financial Statements have been prepared in accordance with the IFRS Acounting Standards as adopted by the EU. The Parent Company's Financial Statements have been prepared in accordance with the Faroese Financial Business Act.

We conducted our audit on the basis of the Danish Financial Supervisory Authority's executive order on auditing financial enterprises etc. as well as financial groups as applied in the Faroe Islands and in accordance with international auditing standards on planning and performing the audit work.

We planned and performed our audit to obtain reasonable assurance as to whether the Consolidated Financial Statements and the Parent Company's Financial Statements are free from material misstatement. We participated in auditing all material and critical audit areas.

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

Statement on Management's Review
Management is responsible for the Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company's Financial Statements does not cover the Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company's Financial Statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the Consolidated Financial Statements or the Parent Company's Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the Management's Review provides the information required under the Faroese Financial Business Act.

Based on the work we have performed, we conclude that the Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company's Financial Statements and has been prepared in accordance with the requirements of the Faroese Financial Statements Act. We did not identify any material misstatements of the Management's Review.

Tórshavn, 27 February 2024

Arndis Poulsen
Chief Audit Executive, BankNordik

Independent auditors' reports

To the shareholders of P/F BankNordik

Report on the audit of the Financial Statements

Our opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Faroese Financial Business Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 in accordance with the Faroese Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and the Parent Company Financial Statements of P/F BankNordik for the financial year 1 January to 31 December 2023 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including summary of material accounting policy information for the Group as well for the Parent Company and cashflow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark and the Faroe Islands. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab were first appointed auditors of P/F BankNordik on 29 March 2010 for the financial year 2010. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of fourteen years including the financial year 2023.

Januar P/F Løggilt grannskokanarvirki were first appointed auditors of P/F BankNordik on 26 March 2013 for the financial year 2013. We have been reappointed annually by shareholder resolution and have acted as auditors for the period except for the year 2022, for a total period of engagement of ten years including the financial year 2023.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loan Impairment charges Loans are measured at amortised cost, according to the effective interest method, less impairment charges. Loan impairment charges represent Management's best estimate of expected losses on loans at the balance sheet date Reference is made to the detailed description of accounting policies in note 1. The Company makes provisions for expected losses both on an individual basis in terms of individual provisions and on a model-based basis. As a result of the macroeconomic development and future outlook with among other things increased interest rates and risk of economic downturn Management has recognised a substantial provision for expected losses based on an accounting estimate ("management judgement"). The consequences of the macroeconomic development and outlook for the Company's customers are to a material extent not known and as a result hereof there is an increased estimation uncertainty related to the size of the provision for expected losses on loan. We focused on loan impairment charges, as the accounting estimate is by nature complex and influenced by subjectivity and thus to a large extent associated with estimation uncertainty. The following areas are central to the calculation of loan impairment charges: ■ Determination of credit classification. ■ Model-based impairment charges in stages 1 and 2, including Management's determination of model variables adapted to the Group's loan portfolio. ■ The Group's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2, underperforming). ■ Most significant assumptions and estimates applied by Management in the calculations of impairment charges, including principles for the assessment of various outcomes of the customer's financial position (scenarios) and for the assessment of collateral values of e.g. ships and real estate included in the calculations of impairment. ■ Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in market conditions and which are not included in the model-based calculations or individually assessed impairment charges (management judgement) including in particular the consequences for the Groups customers of the current macroeconomic situation.	We performed risk assessment procedures with the purpose of achieving an understanding of it-systems, business procedures and relevant controls regarding the calculation of provisions for expected losses on loans. In respect of controls, we assessed whether they were designed and implemented effectively to address the risk of material misstatement. We reviewed and assessed the impairment charges recognised in the income statement in 2023 and the accumulated impairment charges recognised in the balance sheet at 31 December 2023. We assessed the applied impairment model prepared by the data centre SDC, including division of responsibilities between the data centre and the Group. We assessed and tested the Group's calculation of impairment charges in stages 1 and 2, including assessment of Management's determination and adaptation of model variables to the Group's own circumstances. Our review and assessment included the Group's methods applied for the calculation of expected credit losses as well as the procedures designed, including the involvement of the credit department and Management, and internal controls established to ensure that credit-impaired loans in stage 3 and in stage 2, underperforming, are identified and recorded on a timely basis. We assessed and tested the principles applied by the Group for the determination of impairment scenarios and for the measurement of collateral values of e.g. ships and real estate included in the calculations of impairment of credit-impaired loans in stage 3 and in stage 2, underperforming. We tested a sample of credit-impaired loans in stage 3 and in stage 2, underperforming, by testing the calculations of impairment charges and applied data to underlying documentation. We tested a sample of other loans by making our own assessment of stage and credit classification. This included an increased sample of major loans, loans within segments with generally increased risks including segments particularly affected by the actual macroeconomic situation. We reviewed and challenged Management's estimates of expected credit losses not included in the modelbased calculations or individually assessed impairment charges based on our knowledge of the portfolio, industry knowledge and knowledge of current market conditions. Among other things, we had a special focus on the Group's calculation of the management estimates

Reference is made to note 1 of the Parent Company Financial statements and the Consolidated Financial Statements, ”Estimates and assumptions”, ”IFRS 9, Financial Instruments” and “Impairment charges”, note 13, ”Credit risk management”, ”Changes to credit risks” and ”Calculation of the expected credit loss” and “Management applied judgements” as well as note 49, ”Risk Management”, addressing matters that may affect loan impairment charges.	to cover expected credit losses as a result of the current macroeconomic situation. We also assessed whether the factors that may have an influence on provisions for expected losses on loans have been appropriate disclosed.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management’s Review includes the disclosures required by the Faroese Financial Business Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Faroese Financial Business Act. We did not identify any material misstatement in Management’s Review.

Management’s responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Faroese Financial Business Act, and for the preparation of parent company financial statements that gives a true and fair view in accordance with the Faroese Financial Business Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in the Faroe Islands will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in the Faroe Islands, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Parent Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of P/F BankNordik for the financial year 1 January to 31 December 2023 with the filename banknordik-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and

- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of BankNordik P/F for the financial year 1 January to 31 December 2023 with the file name banknordik-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 27 February 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Business registration no 33 77 12 31

Benny Voss

State Authorised Public Accountant
mne15009

Tórshavn, 27 February 2024

Januar P/F
Løggilt grannskoðanarvirki
Business registration no. 5821

Fróði Sivertsen

State Authorised Public Accountant
mne32257

Financial statement BankNordik

Contents

BANKNORDIK

Income statement

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
3, 4	Interest income	520,824	308,817	520,824	309,122
	- of which interest income from deposits	*1,610*	*33,032*	*1,610*	*33,032*
3, 5	Interest expenses	101,362	34,483	101,362	34,483
	- of which interest expenses from assets	*-1,636*	*15,716*	*-1,636*	*15,716*
	Net interest income	**419,461**	**274,334**	**419,462**	**274,639**
3	Dividends from shares and other investments	6,115	6,475	6,115	6,475
6	Fee and commission income	87,567	94,834	98,068	108,496
6	Fee and commissions paid	5,886	6,721	5,886	6,721
	Net dividend, fee and commission income	**87,796**	**94,588**	**98,297**	**108,250**
	Net interest and fee income	**507,257**	**368,922**	**517,759**	**382,889**
7	Insurance revenue	184,807	171,835		
7, 10	Insurance service expenses	141,088	128,087		
7	Net return on investments backing insurance liabilities	9,043	-4,790		
7	Net finance income or expense from insurance	-883	411		
7	Other expenses	5,952	5,236		
7	**Net insurance result**	**45,925**	**34,133**	**0**	**0**
	Interest and fee income and income from insurance activities, net	**553,182**	**403,056**	**517,759**	**382,889**
3, 8	Market value adjustments	54,614	-25,611	54,614	-25,611
9	Other operating income	9,294	7,472	2,201	2,452
10, 11	Staff costs and administrative expenses	243,670	225,642	234,956	219,350
26, 27, 28	Amortisation, depreciation and impairment charges	7,428	3,454	7,236	3,331
12	Other operating expenses	1,807	1,261	1,807	1,261
13	Impairment charges on loans and advances etc.	-10,043	-46,629	-10,043	-46,629
23, 24	Income from investments accounted for under the equity method	5,102	5,390	32,614	20,752
	Profit before tax	**379,330**	**206,579**	**373,232**	**203,170**
15	Tax	71,797	42,171	65,698	38,762
	Net profit	**307,533**	**164,407**	**307,533**	**164,407**
	Portion attributable to				
	Shareholders of BankNordik P/F	300,576	157,450	300,576	157,450
	Owners of additional Tier 1 capital	6,958	6,958	6,958	6,958
	Net profit	**307,533**	**164,407**	**307,533**	**164,407**
	EPS Basic for the perdiod, DKK*	32.12	17.17	32.12	17.17
	EPS Diluted for the perdiod, DKK*	32.12	17.17	32.12	17.17

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

Statement of comprehensive income - BankNordik

	Group		BankNordik	
DKK 1,000	**2023**	**2022**	**2023**	**2022**
Net profit	307,533	164,407	307,533	164,407
Other comprehensive income				
Items which will not subsequently be recycled to the income statement:				
Revaluation of domicile property	-158	10,083	-158	10,083
Tax on other comprehensive income	0	-1,815	0	-1,815
Changes in accounting policies, Trygd	615	0	0	0
Total other comprehensive income	**457**	**8,268**	**-158**	**8,268**
Total comprehensive income	**307,991**	**172,675**	**307,376**	**172,675**

Balance Sheet

		Group		BankNordik	
		Dec. 31	Dec. 31	Dec. 31	Dec. 31
Note	DKK 1,000	2023	2022	2023	2022
	Assets				
15	Cash in hand and demand deposits with central banks	1,795,718	1,442,769	1,793,739	1,442,643
16, 17	Amounts due from credit institutions and central banks	260,050	389,894	260,050	389,894
13, 18, 19	Loans and advances at fair value	348,500	357,641	348,500	357,641
13, 18, 19	Loans and advances at amortised cost	8,534,355	7,725,702	8,534,355	7,725,702
20	Bonds at fair value	1,396,516	1,591,453	1,217,642	1,449,713
21	Shares, etc.	279,957	298,478	190,388	228,572
22, 48	Assets under insurance contracts	1,658	1,481	0	0
23	Holdings in associates	14,881	11,839	14,881	11,839
24	Holdings in subsidiaries	0	0	132,553	109,426
25	Assets under pooled schemes and unit-linked investment contracts	33,003	26,766	30,006	24,078
26	Intangible assets	1,702	2,402	1,702	2,402
	Total land and buildings	123,742	124,975	120,431	122,386
27	Domicile property	62,149	61,522	58,838	58,933
27	Domicile property (lease asset)	61,593	63,453	61,593	63,453
28	Other property, plant and equipment	12,381	8,826	9,862	7,821
	Current tax assets	27,413	22,358	27,413	22,358
29	Deferred tax assets	9,412	6,888	9,362	6,666
30	Assets held for sale	0	24,200	0	24,200
31	Other assets	89,044	115,979	90,068	117,466
	Prepayments	16,503	15,421	15,298	14,070
	Total assets	**12,944,835**	**12,167,073**	**12,796,250**	**12,056,877**

Balance Sheet

Note	DKK 1,000	Group Dec. 31 2023	Group Dec. 31 2022	BankNordik Dec. 31 2023	BankNordik Dec. 31 2022
	Shareholders' equity and liabilities				
	Liabilities other than provisions				
32, 33	Amounts due to credit institutions and central banks	719,105	858,172	719,105	858,172
34, 35	Deposits and other debt	8,702,192	8,335,662	8,709,586	8,351,065
	Deposits under pooled schemes and unit-linked investments contracts	33,003	26,766	30,006	24,078
38	Issued bonds at amortised cost	986,134	547,584	986,134	547,584
36, 48	Liabilities under insurance contracts	139,679	115,138	0	0
	Current tax liabilities	71,836	40,837	65,796	37,764
37	Other liabilities	180,955	181,397	175,570	177,244
	Deferred income	4,047	4,774	2,189	4,227
	Total liabilities other than provisions	**10,836,949**	**10,110,329**	**10,688,385**	**10,000,133**
	Provisions for liabilities				
29	Provisions for deferred tax	21	0	0	0
13	Provisions for losses on guarantees etc	4,204	4,353	4,204	4,353
	Provisions for other liabilities	1,869	2,699	1,869	2,699
	Total provisions for liabilities	**6,094**	**7,052**	**6,073**	**7,052**
	Subordinated debt				
40	Subordinated debt	99,650	99,510	99,650	99,510
	Total liabilities	**10,942,694**	**10,216,891**	**10,794,108**	**10,106,696**
	Equity				
	Share capital	192,000	192,000	192,000	192,000
	Revaluation reserve	7,948	14,392	7,948	14,392
	Retained earnings	1,570,662	1,342,466	1,570,662	1,342,466
	Proposed dividends	80,000	250,000	80,000	250,000
	Shareholders of the Parent Company	**1,850,609**	**1,798,857**	**1,850,609**	**1,798,857**
39	Additional tier 1 capital holders	151,532	151,324	151,532	151,324
	Total equity	**2,002,141**	**1,950,181**	**2,002,141**	**1,950,181**
	Total liabilities and equity	**12,944,835**	**12,167,073**	**12,796,250**	**12,056,877**

Statement of capital - BankNordik Group

Changes in equity:

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
	Shareholders equity						
Shareholders' equity at January 1, 2023	**192,000**	**14,392**	**250,000**	**1,342,466**	**1,798,857**	**151,324**	**1,950,181**
Revalution of assets		-7,059		6,901	-158		-158
Tax on entries on income recognised as Other comprehensive income.		0			0		0
Revalution of assets, subsidiaries		615			615		615
Net profit			80,000	220,576	300,576	6,958	307,533
Total comprehensive income		**-6,444**	**80,000**	**227,477**	**301,033**	**6,958**	**307,991**
Paid interest on additional tier 1 capital				0	0	-6,750	-6,750
Dividends paid			-250,000	719	-249,281		-249,281
Shareholders' equity at December 31, 2023	**192,000**	**7,948**	**80,000**	**1,570,662**	**1,850,609**	**151,532**	**2,002,141**

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at December 31, 2021	**192,000**	**6,123**	**386,000**	**1,451,730**	**2,035,853**	**151,117**	**2,186,970**
Corrections related to prior years				-17,809	-17,809		-17,809
Shareholders' equity at January 1, 2022	**192,000**	**6,123**	**386,000**	**1,433,920**	**2,018,044**	**151,117**	**2,169,161**
Revalution of assets		10,083			10,083		10,083
Tax on entries on income recognised as Other comprehensive income		-1,815			-1,815		-1,815
Net profit			250,000	-92,550	157,450	6,958	164,407
Total comprehensive income		**8,268**	**250,000**	**-92,550**	**165,718**	**6,958**	**172,675**
Paid interest on additional tier 1 capital				**0**	**0**	**-6,750**	**-6,750**
Dividends paid			-386,000	1,096	-384,904		-384,904
Shareholders' equity at December 31, 2022	**192,000**	**14,392**	**250,000**	**1,342,466**	**1,798,857**	**151,324**	**1,950,181**

The correction is due to a misinterpretation of the tax regulation. The correction affects equity and Current tax assets negatively by DKK 17.8 mio.

Statement of capital - BankNordik P/F

Changes in equity:

	Shareholders equity						
DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2023	**192,000**	**14,392**	**250,000**	**1,342,466**	**1,798,857**	**151,324**	**1,950,181**
Revalution of assets		-7,059		6,901	-158		-158
Revalution of assets, subsidiaries		615			615		615
Net profit			80,000	220,576	300,576	6,958	307,533
Total comprehensive income		**-6,444**	**80,000**	**227,477**	**301,033**	**6,958**	**307,991**
Paid interest on additional tier 1 capital				**0**	0	**-6,750**	-6,750
Dividends paid			-250,000	719	-249,281		-249,281
Shareholders' equity at December 31, 2023	**192,000**	**7,948**	**80,000**	**1,570,662**	**1,850,609**	**151,532**	**2,002,141**

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at December 31, 2021	**192,000**	**6,123**	**386,000**	**1,451,729**	**2,035,853**	**151,117**	**2,186,970**
Corrections related to prior years				-17,809	-17,809		-17,809
Shareholders' equity at January 1, 2022	**192,000**	**6,123**	**386,000**	**1,433,920**	**2,018,044**	**151,117**	**2,169,161**
Revalution of assets		10,083			10,083		10,083
Tax on entries on income recognised as Other comprehensive income		-1,815			-1,815		-1,815
Net profit			250,000	-92,550	157,450	6,958	164,407
Total comprehensive income		**8,268**	**250,000**	**-92,550**	**165,718**	**6,958**	**172,675**
Paid interest on additional tier 1 capital						-6,750	-6,750
Dividends paid			-386,000	1,096	-384,904		-384,904
Shareholders' equity at December 31, 2022	**192,000**	**14,392**	**250,000**	**1,342,466**	**1,798,857**	**151,324**	**1,950,181**

The correction is due to a misinterpretation of the tax regulation. The correction affects equity and Current tax assets negatively by DKK 17,8 mio.

Capital and Solvency - BankNordik

Solvency DKK 1,000	Dec. 31 2023	Dec. 31 2022
Core capital	1,907,887	1,687,620
Total capital	2,007,537	1,787,130
Risk-weighted items not included in the trading portfolio	5,808,267	6,044,057
Risk-weighted items with market risk etc.	347,722	506,894
Risk-weighted items with operational risk	662,873	644,527
Total risk-weighted items	**6,818,861**	**7,195,479**
CET 1 capital ratio	**25.8%**	**21.4%**
Core capital ratio	**28.0%**	**23.5%**
Total capital ratio	**29.4%**	**24.8%**
MREL capital ratio	**41.1%**	**29.7%**
Core Capital and Shareholders' equity		
Share capital	192,000	192,000
Reserves	7,948	14,392
Net profit	307,533	164,407
Retained earnings, previous years	1,347,453	1,431,815
Shareholders' equity, before deduction of holdings of own shares	**1,854,934**	**1,802,614**
Deduction of ordinary dividend	80,000	115,000
Deduction of extraordinary dividend	0	135,000
Deduction of holdings of own shares	4,325	3,757
Deduction of intangible assets	1,702	2,402
Deduction of deferred tax assets	9,362	6,666
Deduction regarding prudent valuation of financial instruments	1,503	1,806
CET 1 capital	**1,758,043**	**1,537,983**
Hybrid core capital	149,844	149,637
Core capital	**1,907,887**	**1,687,620**
Total capital		
Core capital	1,907,887	1,687,620
Subordinated loan capital	99,650	99,510
Total capital	**2,007,537**	**1,787,130**
MREL capital	798,224	349,954
Total capital incl. MREL capital	**2,805,762**	**2,137,083**

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 CET 1 capital, hybrid core capital and subordinated loan capital. The CET 1 capital corresponds to the carrying amount of equity, after deductions of holdings of own shares, tax assets and other minor deductions.

Cash flow statement - BankNordik Group

DKK 1,000	Group Full year 2023	Group Full year 2022
Cash flow from operations		
Profit before tax	379,330	206,579
Amortisation and impairment charges for intangible assets	701	364
Depreciation and impairment charges of tangible assets	7,101	3,579
Impairment of loans and advances/guarantees	-4,696	-43,940
Paid tax	-48,015	-96,726
Other non-cash operating items	-54,862	15,231
Total	**281,610**	**85,087**
Changes in operating capital		
Change in loans at fair value	25,468	-4,401
Change in loans at amortised cost	-803,957	-472,839
Change in holding of bonds	232,310	227,637
Change in holding of shares	28,313	-47,972
Change in deposits	366,530	436,002
Due to credit institutions and central banks	-124,781	19,564
Change in other assets / liabilities	8,310	15,875
Assets/liabilities under insurance contracts	24,057	4,590
Prepayments	-1,808	16,343
Cash flow from operations	**36,051**	**279,886**
Cash flow from investing activities		
Dividends received	6,115	6,475
Acquisition of intangible assets	0	-82
Acquisition of tangible assets	-7,007	-1,646
Sale of tangible assets	24,869	19
Cash flow from investing activities	**23,977**	**4,767**
Cash flow from financing activities		
Change in loans from central banks and credit institutions	-14,286	0
Issued bonds at amortised cost	638,550	207,757
Redemption of issued bonds at amortised cost	-200,000	0
Interest paid on additional tier 1 capital	-6,750	-6,750
Payment of dividends	-250,000	-386,000
Payment of dividends, own shares	719	1,096
Principal portion of lessee lease payments	-5,156	-5,061
Cash flow from financing activities	**163,078**	**-188,958**
Cash flow	**223,106**	**95,695**
Cash in hand and demand deposits with central banks, and due from		
Credit institutions, etc. at the beginning of the year	1,832,663	1,736,968
Cash flow	223,106	95,695
Cash and due etc.	**2,055,769**	**1,832,663**
Cash and due etc.		
Cash in hand and demand deposits with central banks	1,795,718	1,442,769
Due from credit institutions, etc.	260,050	389,894
Total	**2,055,769**	**1,832,663**

Notes

Note 1

Accounting policies

Contents

1. Basis of preparation

The BankNordik Group presents its consolidated financial statements in accordance with IFRSs as adopted by EU and issued by the International Accounting Standards Board (IASB). Furthermore, the consolidated financial statements comply with the requirements for annual reports in the Faroese Financial Business Act and the executive order regarding the application of IFRS standards in financial institutions which applies for the Faroes issued by the Danish FSA.

The preparation of the consolidated financial statements requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable but that are inherently uncertain and unpredictable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off balance sheet items, as well as income and expenses in the financial statements presented. Changes and effects from implementation of new standards and amendments are explained in the following under the heading Adoption of new standards in 2023.

1) Estimates and assumptions

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

A. Impairment charges of loans and advances
B. Fair value of domicile properties
C. Fair value of financial instruments
D. Fair value of assets held for sale

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

A) Impairment charges of loans and advances

The Group makes impairment charges to account for impairment of loans and advances that occur after initial recognition. Impairment charges are based on the expected credit loss model as further described under the section “Loans and advances at amortised cost”.

In order to determine impairments on financial instruments as stipulated by IFRS 9, the Bank is required to make use of estimations and assumptions. In particular, BankNordik is mandated to estimate future cash flows and loan-to-value when assessing significantly increased credit risks and impairments.

BankNordik’s expected credit loss model based on a series of variable inputs – requires a loss allowance to be recognised on all credit exposures. Impairments within stage 1 and stage 2 which are not classified as weak engagements are based purely on the output of the model, whereas impairments within the weaker part of stage 2 and stage 3 are recognised based on a combination of individual assessment and model output.

The following components of the model are considered accounting estimations and assessments:

- BankNordik’s internal credit score system, which assigns PD values on a loan-by-loan basis and classifies exposures into stages.
- BankNordik’s criteria to determine significant increases in credit risk, which would demand a transfer from one stage of impairment to another.
- Model development, including input parameters and formulas.
- Determining macroeconomic scenarios and economic data input, as well as the effect of these on PD values, EAD values and LGD values.
- Determining forward-looking microeconomic scenarios.

Note 13 provides details on the amounts recognized and note 49 also provides further details on impairment charges on loans and advances.
In addition to model based impairment charges management applies judgement when determining the need for post-model adjustments in order to reflect uncertainty of the future cash flows not covered by the model.

B) Fair value of domicile properties
The income based approach is used to measure fair value of properties. For domicile properties the fair value is estimated on the basis of various assumptions and a major parameter is the potential rental income. The potential rental income is based on the Group's best estimate of the future profit on ordinary operations and the required rate of return for each individual property when taking into account such factors as location and maintenance. A number of these assumptions and estimates have a major impact on the calculations and include such parameters as developments in rent, costs and required rate of return. Any changes to these parameters as a result of changed market conditions will affect the expected return, and thus the fair value of the domicile properties.

C) Fair value of financial instruments
The Group measures a number of financial instruments at fair value, including all derivative instruments as well as shares, bonds and certain loans.

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

- Choosing valuation method
- Determining when available listed prices do not reflect the fair value
- Calculating fair-value adjustments to provide for relevant risk factors, such as credit
- Model and liquidity risks
- Assessing which market parameters are to be taken into account
- Making estimates of future cash flows and return requirements for unlisted shares

The Group's loans and advances are not traded in an active market. Therefore there is no market price to determine fair value of loans. The fair value has to be determined using a valuation technique, which estimates the market price between qualified, willing and independent parties. The valuation technique has to include all the relevant elements such as credit risk, market rates etc. Note 3 and note 13 provide details on the amounts recognised for loans measured at fair value.

As part of its day-to-day operations, the Group has acquired strategic equity investments. These shares are measured at fair value based on the information available about trading in the relevant company's equity investments. Details on the amounts recognised are provided in note 21.

D) Fair value of assets held for sale
Assets held for sale are tangible assets and assets of group undertakings actively marketed for sale within 12 months, for example assets and businesses taken over under non-performing loan agreements and domicile property held for sale.

Such assets are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. Details on the amounts recognised are provided in note 30.

2) Adoption of new standards in 2023

Changes in accounting policies
On 1 January 2023, BankNordik implemented IFRS 17 and changed the presentation of the Income statement to include material line items as required by IFRS 17. The new standard IFRS 17 Insurance Contracts has changed the accounting requirements for the recognition, presentation, and disclosure of insurance contracts. The sections below explain in further details the changes to accounting policies implemented.

IFRS 17 – Insurance Contracts

Under IFRS 17, insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder, by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Insurance contracts with direct participation features are those which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

In BankNordik, insurance contracts are held by the wholly owned subsidiaries P/F Trygd and P/F NordikLív. BankNordik operates with both life insurance and non-life insurance and has mainly up to one-year contracts. Therefore, BankNordik will use the Premium Allocation Approach (PAA), an IFRS 17 simplified model for insurance contracts with a coverage period of one year or less.

The insurance contracts are recognised at the earliest of the beginning of coverage period, or when the first payment is due, or when a group becomes onerous.

Income statement
Insurance revenue and expenses, previously presented as “Premium income, net of reinsurance” og “Claims, net of reinsurance” are, under IFRS 17, presented as the following items, “Insurance revenue”, “Insurance service expenses”, “Net return on investments backing insurance liabilities”, “Net finanse income or expense from insurance” and “Other expences” which constitutes “Net insurance result”.

Compared with 2022 accounting policies, IFRS 17 requires only a few changes to recognition and measurement, and a limited number of reclassifications.

Insurance revenue
Insurance revenue includes premium receipts and expected premium receipts allocated to the period, generally based on the passage of time i. e. allocated straight line. Recognition of insurance revenue is continued with this change:

- Loss components contracts are placed in Insurance Service Expenses and are no longer deducted from insurance revenue.

Insurance service expenses
IFRS 17 introduces a few changes to classification within claims and operating expenses:

- Education and development of new products costs not attributable to the insurance portfolios have been reclassified from "Staff costs and administrative expenses” to “Other expenses” under the “Net insurance result”.
- Trygd and NordikLív will continue the current practice, and expense acquisition costs when incurred.

The implementation of IFRS 17 has not had any impact on the financial result in the income statement for the Group.

Implementation of IFRS 17 - impact on the 2022 Income statement

DKK 1,000	IFRS 4	IFRS 17	Change
Interest income	310,749	308,817	-1,932
- of which interest income from deposits	*33,032*	*33,032*	*0*
Interest expenses	34,366	34,483	117
- of which interest expenses from assets	*15,716*	*15,716*	*0*
Net interest income	**276,384**	**274,334**	**-2,050**
Dividends from shares and other investments	6,475	6,475	0
Fee and commission income	94,834	94,834	0
Fee and commissions paid	6,721	6,721	0
Net dividend, fee and commission income	**94,588**	**94,588**	**0**
Net interest and fee income	**370,972**	**368,922**	**-2,050**
Insurance revenue	157,108	171,835	14,728
Insurance service expenses	105,039	128,087	23,048
Net return on investments becking insurancev liabilities	0	-4,790	-4,790
Net finanse income or expense from insurance	0	411	411
Other expenses	0	5,236	5,236
Net insurance result	**52,068**	**34,133**	**-17,935**
Interest and fee income and income from insurance activities, net	**423,040**	**403,056**	**-19,984**
Market value adjustments	-31,789	-25,611	6,177
Other operating income	7,472	7,472	0
Staff costs and administrative expenses	238,960	225,642	-13,318
Amortisation, depreciation and impairment charges	3,943	3,454	-489
Other operating expenses	1,261	1,261	0
Impairment charges on loans and advances etc.	-46,629	-46,629	0
Income from investments accounted for under the equity method	5,390	5,390	0
Profit before tax	**206,579**	**206,579**	**0**
Tax	42,171	42,171	0
Net profit	**164,407**	**164,407**	**0**

Balance sheet

Presentation under the new accounting policies of the balance sheet is generally unchanged from previous years with exception that receivables and debt relating to insurance and reinsurance contracts now being part of the measurement of the insurance provisions and the reinsurance assets, and therefore no longer form independent line items. This has resulted in a decrease of DKK 5,7m. In addition, some accounting lines have changed names.

Implementation of IFRS 17 - impact on the 2022 Balance sheet

DKK 1,000	IFRS 4	IFRS 17	Change
Assets			
Cash in hand and demand deposits with central banks	1,442,769	1,442,769	0
Amounts due from credit institutions and central banks	389,894	389,894	0
Loans and advances at fair value	357,641	357,641	0
Loans and advances at amortised cost	7,725,702	7,725,702	0
Bonds at fair value	1,591,453	1,591,453	0
Shares, etc.	298,478	298,478	0
Assets under insurance contracts	6,901	1,481	-5,420
Holdings in associates	11,839	11,839	0
Assets under pooled schemes and unit-linked investment contracts	24,078	26,766	2,688
Intangible assets	2,402	2,402	0
Total land and buildings	124,975	124,975	0
Domicile property	61,522	61,522	0
Domicile property (lease asset)	63,453	63,453	0
Other property, plant and equipment	8,826	8,826	0
Current tax assets	22,358	22,358	0
Deferred tax assets	6,888	6,888	0
Assets held for sale	24,200	24,200	0
Other assets	118,597	115,979	-2,618
Prepayments	15,421	15,421	0
Total assets	**12,172,423**	**12,167,073**	**-5,350**

DKK 1,000	IFRS 4	IFRS 17	Change
Shareholders' equity and liabilities			
Liabilities other than provisions			
Amounts due to credit institutions and central banks	858,172	858,172	0
Deposits and other debt	8,335,662	8,335,662	0
Deposits under pooled schemes and unit-linked investments contracts	24,078	26,766	2,688
Issued bonds at amortised cost	547,584	547,584	0
Liabilities under insurance contracts	120,864	115,138	-5,726
Current tax liabilities	40,837	40,837	0
Other liabilities	183,709	181,397	-2,312
Deferred income	4,774	4,774	0
Total liabilities other than provisions	**10,115,679**	**10,110,329**	**-5,350**
Provisions for liabilities			
Provisions for losses on guarantees etc	4,353	4,353	0
Provisions for other liabilities	2,699	2,699	0
Total provisions for liabilities	**7,052**	**7,052**	**0**
Subordinated debt			
Subordinated debt	99,510	99,510	0
Total liabilities	**10,222,241**	**10,216,891**	**-5,350**
Equity			
Share capital	192,000	192,000	0
Revaluation reserve	14,392	14,392	0
Retained earnings	1,342,466	1,342,466	0
Proposed dividends	250,000	250,000	0
Shareholders of the Parent Company	**1,798,857**	**1,798,857**	**0**
Additional tier 1 capital holders	151,324	151,324	0
Total equity	**1,950,181**	**1,950,181**	**0**
Total liabilities and equity	**12,172,423**	**12,167,073**	**-5,350**

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

- IAS 1, Presentation of Financial Statements: Clarify that the distinction between current and non current liabilities must be based on the rights existing on the balance sheet date.
- IFRS 16, Leasing: The amendment to IFRS 16 clarifies that the amount of a deferred gain in a sale and leaseback transaction shall reflect the economic interest retained through the lease. For instance, variable lease payment not based on an index shall be included in determining the economic interest retained. Furthermore, it is clarified that the lease liability should be measured consistently with determination of the retained economic interest.

The amendments are mandatory for financial years beginning on or after 1 January 2024.

The following new standards, amendments, and interpretations issued and endorsed by EU are relevant for BankNordik Group:

- IAS 21, Foreign exchange rates: The amendment clarifies the procedures relating to the assessment of whether a currency is exchangeable into another currency, and when it is not, how to determine the exchange rate to use and which disclosures to provide.

The amendment is mandatory for financial years beginning on or after 1 January 2025.

4) Consolidation
The consolidated financial statements comprise the parent company, P/F BankNordik and its subsidiaries. Subsidiaries are entities over which BankNordik has power, is exposed to variability in returns, and has the ability to use its power to affect the return. Control is said to exist if P/F BankNordik directly or indirectly holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Operating policy control may be exercised through agreements about the undertaking’s activities.

The consolidated financial statements combine the financial statements of the parent and the individual subsidiaries in accordance with the Group’s accounting policies, in which intragroup income and costs, shareholdings, balances and dividends as well as realised and unrealised gains and losses on intragroup transactions have been eliminated.

Acquired subsidiaries are included from the date of acquisition.

The assets of acquired subsidiaries, including identifiable intangible assets, as well as liabilities and contingent liabilities, are recognised at the date of acquisition at fair value in accordance with the acquisition method.

5) Segment information
The Group consists of a number of business units and resource and support functions. The business units are segmented according to legislation, product and services characteristics. The information provided on operating segments is regularly reviewed by the management making decisions about resources to be allocated to the segments and assessing their performance, and for which discrete financial information is available. Amounts presented in the segment reporting are recognised and measured in accordance with the Group’s significant accounting policies.

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

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

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

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

2. Critical accounting policies

1. Income statement

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

2) Interest income and expenses
Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost are recognised in the income statement according to the effective interest method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees, and the amortisation of any other differences between cost price and redemption price. For financial assets in stage 1 and 2 of the impairment model, interest income is determined on the basis of the gross carrying amount. For financial assets in stage 3, interest income is determined based on the carrying amount after impairment.

Interest income and expenses also includes interest on financial instruments measured at fair value with the exception of interest relating to assets and deposits under pooled schemes which are recognized under market-value adjustments. The interests are recognised in the income statement according to the effective interest method on the basis of the cost of the individual financial instrument.

Interest on loans and advances subject to impairment is recognised on the basis of the impaired value.

Interest expenses comprise interests on the groups leasing liabilities recognized as a consequence of the implementation of IFRS 16 ‘Leases’.

Furthermore interest income comprises income originated from liabilities and interest expenses comprise expenses originated from assets.

3) Dividends on shares
Dividends on shares are recognised in the income statement on the date the Group is entitled to receive the dividend. This will normally be when the dividend has been approved at the annual general meeting.

4) Fees and commission income
Fees and commission income comprises fees and commission income that is not included as part of the amortised cost of a financial instrument. The income is accrued during the service period. The income includes fees from securities dealing, money transmission services as well as guarantee commission. Income arising from the execution of a significant act is recognized when the act is executed.

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

6) Net insurance result
Insurance activities from the subsidiaries P/F Trygd (non-life insurance) and P/F NordikLív (life-insurance), are presented in the income statement under the item Net insurance result and includes the following items:

- *Insurance revenue* - comprises gross premiums and change in gross provisions for unearned premiums.
- *Insurance service expenses* - comprises claims paid, change in gross provisions for claims, change in risk margin and acquisition costs.
- *Net return on investments backing insurance liabilities* - comprises return on investments.
- *Net finance income or expenses from insurance* - comprises technical interest of reinsurance and interest and value adjustments of provisions.
- *Other expenses* - comprises administrative expences.

7) Fair value adjustments
Fair value adjustments comprise all value adjustments of financial assets and liabilities that are measured at fair value through profit or loss. Excluded are adjustments on loans and advances at fair value, recorded as fair value adjustments under Impairment charges on loans and advances and provisions for guarantees etc. note 13.

8) Other operating income
Other operating income includes other income that is not ascribable to other income statement line items.

9) Staff costs
Salaries and other remuneration the Group expects to pay. Remuneration is recognized along with delivery of service and is classified as staff costs. This item includes salaries, bonuses, holiday allowances, anniversary bonuses, pension costs and other remuneration.

10) Pension obligations
The Group's contributions to defined contribution plans are recognised in the income statement as they are earned by the employees.

11) Depreciation and impairment of intangible assets, property, plant and equipment
Depreciation and write-downs comprise the depreciation and write-downs on intangible and tangible assets for the period. Furthermore depreciation of property comprises depreciations on the Groups holdings of leased assets.

12) Other operating expenses
Other operating expenses include other expenses that are not ascribable to other income statement line items.

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

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

Tax for the year includes tax on taxable profit for the year, adjustment of deferred tax as well as adjustment of tax for previous years. Tax for the year is recognised in the income statement as regards to the elements that can be attributed to profit for the year and in other comprehensive income and directly in equity as regards to the elements that can be attributed to items recognised in other comprehensive income and directly in equity respectively. Tax for the year is calculated separately based on continuing and discontinued operations.

Current tax liabilities and current tax assets are recognised in the balance sheet as calculated tax on taxable profit for the year, adjusted for tax on taxable profit of previous years.
Provisions for deferred tax or deferred tax assets are based on the balance sheet liability method and include temporary differences between the carrying amounts and tax bases of the balance sheets of each consolidated entity as well as tax loss carry forwards that are expected to be realised. Calculation of deferred tax is based on current tax law and tax rates at the balance sheet date.

Deferred taxes are recognised in the balance sheet under the items “Deferred tax assets” and “Provisions for deferred tax”.

2. Balance sheet — Assets

1) Due from credit institutions and central banks
Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and time deposits with central banks and are measured at amortised cost, as described under Financial instruments / loans and advances at amortised cost.

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

3) Financial instruments — Classification
The Group’s financial assets are at initial recognition divided into the following three categories:

- Loans and advances measured at amortised cost
- Trading portfolio measured at fair value
- Financial assets designated at fair value with value adjustments through profit and loss

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

Subsequently they are measured at amortised cost, according to the effective interest method, less any impairment charges according to the requirements from IFRS 9.

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

Impairment charges
Impairment charges on loans, financial guarantee contracts and loan commitments is based on a staged model under which the impairment charge on instruments which have not been subject to a significant increase in credit risk is determined at the credit loss from loss events expected to take place within the next 12 months. For Instruments with a significant increase in credit risk since initial recognition and instruments which are credit impaired, the impairment charge is the lifetime expected credit loss.

The method of determining whether the credit risk has increased significantly is mainly based on the probability of default reflecting past events as well as current conditions and forecasts at the reporting date.

The method of forecasting at the reporting date is based on a distribution of the bank’s personal customers by geography and of its corporate customers by industry. For each category, the bank considers the future forecast relative to the past events on which the probability of default is based.

The method of calculating the expected credit loss in stage 1 and a part of stage 2 is primarily a model-based individual assessment based on a probability of default, a loss in case of default and exposure at the default date. For large, weak stage 2 customers/facilities and stage 3 customers/facilities, the calculation of impairment allowance is made using a manual, individual assessment of the financial assets rather than a model-based calculation.

For exposures categorised as stage 1 or stage 2, the expected credit loss (ECL) is calculated as a function of the probability of default (PD) * the expected exposure at default (EAD) * the expected loss given default (LGD). Where the PD for exposures in stage 1 reflects the probability of default in the next 12-month period (PD12), the probability of default over the entire life of the exposure is applied to exposures placed in stage 2 (PD Life).

As regards the portion of stage 2 exposures consisting of the weakest exposures, the largest of these are reviewed individually, and the average impairment ratio calculated for them is used to calculate the expected credit loss for the weakest of the stage 2 exposures not individually reviewed.

As regards exposures in stage 3, the expected credit loss is calculated individually.

PD12 is calculated based on the Bank’s behavioural credit score methodology for exposures to retail customers and small corporate customers, whereas the Bank’s accounting-based credit score model is applied to the Bank’s exposures to large corporate customers.

PD Life is calculated based on PD12 but is adjusted for any identified annual migrations between various fixed PD12 stages. Furthermore, the calculated PD Life is adjusted for changes in a number of forward-looking factors, which as regards the Bank’s Danish and Greenlandic exposures are based on information from, e.g., the Danish central Bank and the Danish Economic Council, whereas factors of relevance to Faroese exposures are based on the current impairment ratio relative to a historical average impairment ratio.

EAD is calculated as the actual amount of exposure with due consideration for non-executed loan commitments and unutilised, executed loan commitments as well as any guarantees provided, which factors are calculated as a function of predetermined coefficients.

LGD is calculated as the ratio between the historically identified loss rate for the portion of the exposures that are not secured.

The expected life of an exposure is calculated, unless the circumstances surrounding the exposure in question dictate otherwise, as the contractual maturity of the exposure in question.

All significant variables and calculations made are validated at least annually, primarily based on sample testing and, for model-based variables, supplemented by back-testing and the use of statistical targets for explanatory values.

Since calculations are made in all stages of an expected credit loss, i.e. expectations as to the future, all statements and calculations reflect the Bank’s best estimates and assessments as to future events. These estimates and assessments may therefore result in the calculation of a higher or lower credit loss than the credit losses actually incurred. Please refer to note 13 for further information.

Write-off policy

Pursuant to the credit policy, the Bank will secure as much collateral as possible when entering into exposures. It is Group policy to write off, possibly on account, claims deemed to be lost, even if no collateral has been secured. The following principles apply for writing off bad debts:

- For personal customers, write-off is made prior to or immediately in connection with the exposure being transferred to the central debt collection department.
- For corporate customers, write-off will typically await the commencement or completion of active realisation.
- Non-performing loans where the interest rate has been reduced to zero are normally written off immediately.

The Bank will seek to collect all written-off exposures either through its debt collection department or through external assistance. In certain customer relationships, an agreement will be made on partial repayment of the exposures, and remaining exposures will be forfeited in connection with bankruptcy proceedings and agreements on debt rescheduling.

3.2) Trading portfolio measured at fair value

The trading portfolio includes financial assets acquired which the Group intends to sell or repurchase in the near term. The trading portfolio also contains financial assets managed collectively for which a pattern of short-term profit taking exists.

Assets in the trading portfolio comprise the shares, bonds and derivatives with positive fair value held by the Group's trading departments.

At initial recognition, the trading portfolio is measured at fair value, excluding transaction costs. Subsequently, the portfolio is measured at fair value and the value adjustments are recognised in the Income Statement within market value adjustments.

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 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.

Determination of fair value hierarchy

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

- Financial instruments valued based on quoted prices in an active market are recognised in the Quoted prices category.
- Financial instruments valued substantially based on other observable input are recognised in the Observable and illiquid mortgage bonds valued by reference to the value of similar liquid bonds.
- Other financial instruments are recognised in the Non-observable input category. This category covers unlisted shares and valuation relies on extrapolation of yield curves, correlations, or other model input of material importance to valuation.

3.3) Financial assets designated at fair value with value adjustments through profit and loss

Financial assets designated at fair value through profit and loss comprise fixed-rate loans, loans capped and shares, including sector shares, which are not a part of the trading portfolio.

The interest rate risk on these loans is eliminated or significantly reduced by entering into interest rate swaps. The market value adjustment of these interest rate swaps generates immediate asymmetry in the financial statements if the fixed-rate loans and loans capped were measured at amortised cost. To eliminate the inconsistency recognising the gains and losses on the loans and related swaps the fixed rate loans and loans capped are measured at fair value with value adjustments through profit and loss.

4) Assets under insurance contracts

Assets under insurance contracts comprise reinsurance assets with reduction of debt related to reinsurance. Reinsurance assets are measured by initial recognition at fair value.

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

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

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

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

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

6) Holdings in subsidiaries
Subsidiaries are recognised according to the equity method in the Financial Statement of the Parent Company. Consequently, the net profit of the Group and the Parent Company are identical. The accounting policy described to the consolidated financial statements is therefore also valid for the parent company.

7) Intangible assets
Intangible assets consist of internally developed software. Developed software is amortised over its expected useful life, usually four years, according to the straight-line method.

8) Land and buildings
On acquisition land and buildings are recognised at cost. The cost price includes the purchase price and costs directly attributable to the purchase until the date when the asset is ready for use.

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

Subsequently, domicile property is measured at a revalued amount corresponding to the fair value at the date of the revaluation less depreciation and impairment. The fair value is calculated on the basis of current market data according to an income-based model that includes the property’s estimated rental income if rented to a third party, operating expenses, as well as management and maintenance. Maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. Operating expenses are calculated on the basis of a standard budget. The fair value of the property is determined based on the expected cash flow from operations and a rate of return assessed for the individual property. The rate of return is determined on the basis on the location of the individual property, potential use, the state of maintenance, quality, etc. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the amount which would be determined using fair value at the balance sheet date.

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

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

8.2) Leased domicile property

A right of use asset and a lease liability is recognised in the balance sheet upon commencement of a lease.

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability, adjusted for prepaid lease payments, plus any initial direct costs and estimated costs for dismantling, removing and restoring, or similar.

On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the asset. Depreciation charges are recognised in the income statement on a straight-line basis. The lease asset is presented in the balance sheet under the item Domicile property.

9) Other property, plant and equipment

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

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

10) Assets held for sale

Assets held for sale include property and plant and equipment. Assets held for sale also include assets taken over under non-performing loan agreements. Assets are classified as held for sale when the carrying amount is expected to be recovered principally through a sale transaction within 12 months in accordance with a formal plan rather than through continuing use. Assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. An asset is not depreciated or amortised from the time when it is classified as held for sale. Assets held for sale not expected to be sold within 12 months on an active marked are reclassified to other items.

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Impairment losses arising immediately before the initial classification of the asset as held for sale are recognised as impairment losses. Impairment losses arising at initial classification of the asset as held for sale and gains or losses at subsequent measurement at the lower of carrying amount and fair value less costs to sell are recognised in the income statement under the items they concern.

11) Other assets

Other assets include interest and commissions due, derivatives with positive value and other amounts due.

3. Balance sheet — Liabilities, provisions and equity

1) Financial instruments — General

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

2) Classification

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

- Due to credit institutions and central banks, issued bonds and deposits measured at amortised cost

- Trading portfolio measured at fair value
- Other financial liabilities measured at cost

3) Due to credit institutions and central banks, issued bonds and deposits measured at amortised cost
Initial recognition of amounts due to credit institutions and central banks, issued bonds and deposits is at fair value net of transaction costs.

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

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

4) Trading portfolio measured at fair value
Liabilities in the trading portfolio comprise derivatives with negative fair value held by the Group's trading departments. At initial recognition, the trading portfolio is measured at fair value, excluding transaction costs. Subsequently, the portfolio is measured at fair value and the value adjustments are recognised under market value adjustments in the Income Statement within market value adjustments.

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

6) Liabilities under insurance contracts
Liabilities under insurance contracts consist of provisions for unearned premiums and claims provisions reduced with receivables from insurance contracts from premiums and claims provisions.

The Group measures liabilities under insurance contracts using the Premium Allocation Approach (PAA).

Premium provisions are calculated according to a best estimate of the sum of expected payments, as a result of insurance events arising after the balance sheet date, that are covered by agreed insurance contracts. Premium provisions include future direct and indirect expenses for administration and claims processing of agreed insurance contracts. A premium provision represents at least the part of the gross premium that corresponds to the part of the coverage period that comes after the balance sheet date.

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

Claims provisions are discounted according to the expected settlement of the provisions on the basis of the discount rate issued by EIOPA (European Insurance and Occupational Pensions Authority). The discount rate is 3.35%.

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

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

On initial recognition, lease liabilities are measured at the present value of future lease payments discounted using an incremental borrowing rate. On subsequent recognition, a lease liability is measured at amortised cost. Lease payments include payments during the minimum lease period plus lease payments during extension periods when it is reasonably certain that the option will be exercised. The lease liability is recognised under the item Other liabilities.

8) Provisions

Provisions include provisions for deferred tax, financial guarantees and other provisions for liabilities. Initial recognition of financial guarantees is at fair value which is often equal to the guarantee premium received. Subsequent measurement of financial guarantees is at the higher of the guarantee premium received amortised over the guarantee period and any provisions made for credit losses. Such provisions are determined applying the same approach as for loans issued.

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

Provisions for financial guarantees are made according to the requirements from IFRS 9.

9) Subordinated debt

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

On the date of borrowing Subordinated debt is recognised at the proceeds received less directly attributable transaction cost. Subsequently the subordinated debt is measured at amortised cost.

10) Hybrid Capital (AT1 capital)

Additional Tier 1 (AT1) capital issued with a perpetual term and without a contractual obligation to make repayments of principal and pay interest (additional tier 1 capital under CRR) does not fulfil the conditions for being classified as a financial liability according to IAS 32. Therefore, any such issue of Additional Tier 1 (AT1) capital is classified as equity.

The net amount at the time of issue is recognised as an increase in equity. The payment of interest is treated as dividend and recognised directly in equity at the time when the liability arises. Such interest payments are tax deductible and are claimed in the Group's tax statement.

Upon voluntary redemption or buyback of the instruments, shareholders' equity will be reduced by the redemption amount at the time of redemption. Cost and selling prices on the purchase and sale of Additional Tier 1 (AT1) capital under CRR are recognised directly in equity in the same way as the buying or selling of treasury shares.

11) Own shares

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

12) Dividends

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

4. Cash flow statement

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

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

3. Accounting Policies — P/F BankNordik

The financial statements of the Parent Company, P/F BankNordik, are prepared in accordance with the Faroese Financial Business Act and with the executive order on financial reports of credit institutions etc. of the Danish FSA as applied in the Faroe Islands. The valuation principles are identical to the Group's valuation principles under the IFRS Acounting Standards. Investments in subsidiaries are recognised using the equity method.

Note 2

Operating segments

The Group consists of two business units and support functions. The Group’s activities are segmented into business units according to legislative requirements and product and service characteristics. The Group’s business units are Banking and Non-life insurance.

Banking comprises Personal Banking and Corporate Banking. Personal Banking comprises private customers in the Faroe Islands and Greenland. Corporate Banking comprises corporate customers mainly in the Faroe Islands and in Greenland. The corporate segment also comprises a few remaining corporate customers from Denmark.

Non-life insurance comprises the insurance company P/F TRYGD based The Faroe Islands. TRYGD is responsible for the Group’s non-life insurance products. TRYGD target personal and corporate customers with a full range of property and casualty products. TRYGD’s operations are handled by its own sales team and distributed through Group’s banking units.

Other covers expenses for the Group’s support functions and the real estate agency P/F Skyn and the life insurance company NordikLív. These companies are very small and immaterial in an overall Group context. Overhead Costs are allocated according to resource requirements. Liquidity balances are posted between the segments using an internal required rate of return. Other costs are allocated according to deposit balances in each segment. Other comprises assets not allocated to the business segments i. e. the Groups portfolio of bonds, shares and other assets.

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

Note	Operating segments 2023	Banking				Non-life Insurance	Elimination	Group
2	**DKK 1,000**	**Personal**	**Corporate**	**Other**	**Total**	**Faroe Islands**		**Total**
	External interest income, Net	155,163	200,794	63,504	419,461	0		419,461
	Internal interest	52,581	-55,860	3,279	0			0
	Net interest income	**207,744**	**144,934**	**66,783**	**419,461**	**0**		**419,461**
	Net dividends and fee income	**73,176**	**24,382**	**739**	**98,297**	**0**	**-10,501**	**87,796**
	Net insurance result	**0**	**0**	**5,964**	5,964	**26,659**	**13,303**	45,925
	Other income	18,644	3,200	48,180	70,024	0	-1,014	69,010
	Total income	**299,563**	**172,517**	**121,666**	**593,746**	**26,659**	**1,788**	**622,192**
	Total operating expenses	**77,474**	**19,492**	**153,398**	**250,364**	**0**	**2,541**	**252,905**
	of which depreciation and amortisation	*6,627*	*1,055*	*-255*	*7,428*	*0*		*7,428*
	Profit before impairment charges on loans	**222,090**	**153,025**	**-31,733**	**343,382**	**26,659**	**-753**	**369,287**
	Impairment charges	2,015	-248	-11,809	-10,043	0		-10,043
	Profit before tax	**220,075**	**153,273**	**-19,924**	**353,424**	**26,659**	-753	**379,330**
	Total assets	**3,979,746**	**4,961,560**	**3,765,506**	**12,706,813**	**238,022**		**12,944,835**
	of which Loans and advances	*4,067,529*	*4,815,326*		*8,882,855*			*8,882,855*
	Total liabilities	**5,761,137**	**2,948,449**	**2,084,267**	**10,793,853**	**148,840**		**10,942,693**
	of which Deposits	*5,761,137*	*2,948,449*		*8,709,586*		*-7,394*	*8,702,192*
	of which Insurance liabilities			*4,218*		*135,460*		*139,679*

Operating segments 2022	Banking				Non-life Insurance	Elimination	Group
DKK 1,000	**Personal**	**Corporate**	**Other**	**Total**	**Faroe Islands**		**Total**
External interest income, Net	135,875	131,739	6,721	274,334			274,334
Internal interest	0	0	0	0			0
Net interest income	**135,875**	**131,739**	**6,721**	**274,334**	**0**		**274,334**
Net dividends and fee income	**79,461**	**29,051**	**-4,417**	**104,096**	**0**	**-9,508**	**94,588**
Net insurance result	**0**	**0**	**2,129**	2,129	**15,200**	**16,804**	34,133
Other income	21,057	972	-31,344	-9,316	0	-3,433	-12,749
Total income	**236,393**	**161,761**	**-26,911**	**371,243**	**15,200**	**3,863**	**390,307**
Total operating expenses	**72,208**	**18,028**	**144,519**	**234,755**		**-4,399**	**230,356**
of which depreciation and amortisation	*6,242*	*974*	*-3,762*	*3,454*			*3,454*
Profit before impairment charges on loans	**164,184**	**143,734**	**-171,430**	**136,488**	**15,200**	**8,262**	**159,950**
Impairment charges	-10,281	-37,121	772	-46,629	0		-46,629
Profit before tax	**174,465**	**180,854**	**-172,202**	**183,117**	**15,200**		**206,579**
Total assets	**3,566,062**	**4,516,736**	**3,889,878**	**11,972,675**	**194,398**		**12,167,073**
of which Loans and advances	*3,638,938*	*4,444,406*		*8,083,343*			*8,083,343*
Total liabilities	**5,411,800**	**2,939,265**	**1,745,034**	**10,096,099**	**126,143**		**10,222,242**
of which Deposits	*5,411,800*	*2,939,265*		*8,351,065*		*-15,403*	*8,335,662*
of which Insurance liabilities			*5,800*		*115,064*		*120,864*

BankNordik Group - Geografical revenue information

Note 2 (cont'd)

DKK 1,000	Total income		Non current assets		Additions to tangible assets		Additions to intangible assets	
Geografical segments	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Faroe Islands	492,739	323,975	115,360	110,394	9,445	-8,880	-701	-282
Denmark	4,190	-188	0	0	0	0	0	0
Greenland	125,264	66,520	37,345	37,649	113	-3,544	0	0
Total	**622,192**	**390,307**	**152,706**	**148,042**	**9,558**	**-12,424**	**-701**	**-282**

	Impairments		Investment portfolio earnings	
Geografical segments	**2023**	**2022**	**2023**	**2022**
Faroe Islands	20,278	9,486	59,716	-26,398
Denmark	10,399	19,894	0	0
Greenland	-20,634	17,249	0	0
Total	**10,043**	**46,629**	**59,716**	**-26,398**

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.

	Total income		Profit before tax		Tax		FTE	
Operational segments	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Faroe Islands, Banking, Other	446,813	289,839	280,854	107,372	57,361	26,061	166	160
Faroe Islands, Insurance	45,925	34,133	45,925	34,133	4,847	2,748	23	23
Denmark, Banking	4,190	-188	15,004	19,339	315	1,455	0	0
Greenland, Banking	125,264	66,520	37,547	45,734	9,273	11,908	18	17
Total	**622,192**	**390,307**	**379,330**	**206,579**	**71,796**	**42,172**	**207**	**200**

Note	DKK 1,000	Interest income[2]	Interest expenses	Net interest	Market value adjustment	Dividend	Total
3	**Net income, financial instruments 2023[1]**						
	Financial instruments at amortised cost	**482,451**	**101,362**	**381,089**			**381,089**
	Financial instruments at fair value:						
	Held for trading	12,863	0	12,863	61,816	6,115	80,795
	Loans and Advances Designated[3,5]	10,299	0	10,299	16,326	0	26,626
	Derivatives[4]				-8,318		-8,318
	Financial instruments at fair value total	**23,163**	**0**	**23,163**	**69,824**	**6,115**	**99,101**
	Total net income from financial instruments	**505,614**	**101,362**	**404,252**	**69,824**	**6,115**	**480,191**
	Net income, financial instruments 2022						
	Financial instruments at amortised cost	**290,559**	**34,483**	**256,076**			**256,076**
	Financial instruments at fair value:						
	Held for trading	10,993	0	10,993	-64,366	6,475	-46,898
	Loans and Advances Designated[3,5]	9,201	0	9,201	-61,930	0	-52,729
	Derivatives[4]				98,749		98,749
	Financial instruments at fair value Total	**20,194**	**0**	**20,194**	**-27,547**	**6,475**	**-878**
	Total net income from financial instruments	**310,753**	**34,483**	**276,270**	**-27,547**	**6,475**	**255,198**

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

2 Interest income recognised on impaired financial assets amounts to DKK 2.9m (2022: DKK 1.3m)

3 Net gain/loss recognised on loans and advances designated amount to DKK 26.6m (2022 DKK -52.7m). Of w hich DKK10.3m relate to interest income (2022 DKK 9.2m), and DKK 16.3m relate to Value adjustments (2022 DKK -61.9m).

4 Total value adjustments according to IFRS 7 on derivatives, amount to DKK -8.3m (2022 DKK 98.7m)

5 Value adjustments due to change in credit risk amount to DKK -0.4m (2022 DKK -0.3m)

Note	DKK 1,000	Group		BankNordik	
		2023	**2022**	**2023**	**2022**
4	**Interest income and premiums on forwards**				
	Credit institutions and central banks	44,791	6,439	44,791	6,439
	Loans and advances	442,286	262,630	442,287	262,937
	Deposits	1,610	33,032	1,610	33,032
	Bonds	12,863	9,061	12,863	9,061
	Total derivatives of which:	15,210	-1,936	15,210	-1,936
	Interest rate contracts	*14,520*	*-1,936*	*14,520*	*-1,936*
	Other interest income	4,064	-409	4,064	-411
	Total interest income	**520,824**	**308,817**	**520,824**	**309,122**
5	**Interest expenses**				
	Credit institutions and central banks	30,303	15,716	30,303	15,716
	Deposits	38,335	3,465	38,335	3,465
	Issued bonds	28,230	8,958	28,230	8,958
	Subordinated debt	3,167	4,598	3,167	4,598
	Lease liabilities	2,050	2,138	2,050	2,138
	Other interest expenses	-722	-393	-722	-393
	Total interest expenses	**101,362**	**34,483**	**101,362**	**34,483**
6	**Net fee and commission income**				
	Fee and commission income				
	Securities trading and custody accounts	11,169	15,191	11,169	15,191
	Credit transfers	21,786	22,126	21,786	22,126
	Loan commissions	4,785	5,134	4,785	5,134
	Guarantee commissions	26,447	31,328	26,447	31,328
	Other fees and commissions	23,379	21,055	33,880	34,717
	Total fee and commission income	**87,567**	**94,834**	**98,068**	**108,496**
	Fee and commissions paid				
	Securities trading and custody accounts	5,886	6,721	5,886	6,721
	Net fee and commission income	**81,680**	**88,113**	**92,181**	**101,775**
7	**Net insurance result**				
	Net insurance result, non-life insurance				
	Insurance revenue	163,158	154,529		
	Insurance service expenses	123,985	114,228		
	Net return on investments backing insurance liabilities	7,117	-3,473		
	Net finanse income or expense from insurance	-883	411		
	Other expenses	5,952	5,236		
	Net insurance result, non-life insurance	**39,455**	**32,004**		

Note	DKK 1,000	Group		BankNordik	
7		**2023**	**2022**	**2023**	**2022**
(cont'd)	Net insurance result, life insurance	21,648	17,306		
	Insurance revenue	17,104	13,860		
	Insurance service expenses	1,926	-1,317		
	Net insurance result, life insurance	**6,471**	**2,129**		
	Net insurance result	**45,925**	**34,133**		
8	**Market value adjustments**				
	Loans and advances	16,326	-61,930	16,326	-61,930
	Bonds	42,990	-64,650	42,990	-64,650
	Shares	9,792	-917	9,792	-917
	Foreign exchange	9,033	7,378	9,033	7,378
	Total derivatives of w hich:	-23,528	94,508	-23,528	94,508
	Currency contracts	3,147	3,780	3,147	3,780
	Interest Swaps	-26,675	90,728	-26,675	90,728
	Other Obligations	0	0	0	0
	Assets linked to pooled schemes	3,273	-2,371	3,273	-2,371
	Deposits in pooled schemes	-3,273	2,371	-3,273	2,371
	Total market value adjustments	**54,614**	**-25,611**	**54,614**	**-25,611**
9	**Other operating income**				
	Profit on sale of operating equipment	117	28	117	28
	Other income	8,172	5,865	65	0
	Operation of properties:				
	Rental income	1,005	1,579	2,019	2,425
	Operating expenses	0	0	0	0
	- of which assets held for sale	0	*0*	0	*0*
	Total other operating income	**9,294**	**7,472**	**2,201**	**2,452**

Note	DKK 1,000	Group		BankNordik	
		2023	2022	2023	2022
10	**Staff costs and administrative expenses**				
	Staff costs:				
	Salaries	127,691	116,299	111,085	100,274
	Pensions	17,808	17,236	15,426	14,894
	Social security expenses	18,934	18,452	16,764	16,377
	Total staff costs	**164,433**	**151,987**	**143,276**	**131,545**
	Administrative expenses:				
	IT	60,049	54,423	54,479	49,570
	Marketing etc	8,838	8,102	7,231	6,810
	Education etc	2,832	2,576	2,213	2,134
	Other expenses	39,179	29,435	27,758	28,745
	Total administrative expenses	**110,897**	**94,536**	**91,681**	**87,805**
	Total staff costs	164,433	151,987	143,276	131,545
	Total administrative expenses	110,897	94,536	91,681	87,805
	Staff and administrative costs incl. under the item "Insurance service expenses"	-31,660	-20,881	0	0
	Total employee costs and administrative expenses	**243,670**	**225,642**	**234,956**	**219,350**

Staff costs and administrative expenses for Trygd and NordikLív, are included in the accounting item "Insurance service expenses".

	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
Number of employees				
Average number of full-time employees in the period	205	200	174	169
Executive remuneration:				
Board of Directors	**2,220**	**2,050**	**2,220**	**2,050**
Executive board	**9,092**	**6,098**	**9,092**	**6,098**
Total executive remuneration	**11,312**	**8,148**	**11,312**	**8,148**

The number of shares in P/F BankNordik held by the Board of Directors and the Executive Board at the end of 2023 totalled 6,853 and 6,135 respectively (end of 2022: 3,054 and 19,321).

Remuneration of the Board of Directors and the Executive board consists of a fixed monthly salary. Remuneration to the Executive board includes severance pay in 2023 to two members of the executive board.

The Board of Directors totals 15 persons during 2023 (2022: 19 persons).

The Executive board totals 3 persons during 2023 (2022: 3 persons)

	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
Other executives	**7,849**	**2,445**	**7,849**	**2,445**

Other executives totals 11 persons during 2023 (2022: 2 persons)

Remuneration of Other executives consists of a fixed monthly salary.

Detailed information of the remuneration of The Board of Directors, The Executive board and Other executives can be found on the Bank's website www.banknordik.com/er

Note		Group		BankNordik	
	Audit fees				
11	Fees to audit firms elected at the general meeting	1,595	2,001	1,159	1,477
	Total audit fees	**1,595**	**2,001**	**1,159**	**1,477**
	Total fees to the audit firms elected at the general meeting break down as follows:				
	Statutory audit	1,320	1,445	916	980
	- of which PricewaterhouseCoopers	*900*	*1,112*	653	*831*
	- of which Januar	*420*	*333*	262	*148*
	Other assurance engagements	114	354	85	301
	- of which PricewaterhouseCoopers	*85*	*136*	85	*136*
	- of which Januar	*28*	*218*	0	*165*
	Tax and VAT advice	158	196	158	196
	- of which PricewaterhouseCoopers	*119*	*166*	119	*166*
	- of which Januar	*39*	*30*	39	*30*
	Other services	4	5	0	0
	- of which PricewaterhouseCoopers	*0*	*5*	0	*0*
	- of which Januar	*4*	*0*	0	*0*
	Total fees to the audit firms elected at the general meeting	**1,595**	**2,001**	**1,159**	**1,477**

Other assurance engagements are performed by PricewaterhouseCoopers and Januar. These engagements comprise other statements required by law such as Mifid and MitID.

Tax and VAT advice are performed by PricewaterhouseCoopers. The advice refers to payroll tax and income tax report.

Note		Group		BankNordik	
	Other operating expenses				
12	The Guarantee Fund for Depositors and Investors	1,807	1,261	1,807	1,261
	Total operating expenses	**1,807**	**1,261**	**1,807**	**1,261**

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
	Impairment charges on loans and advances and provisions for guarantees etc.				
13	Impairment charges and provisions at 1 January	185,981	237,705	185,981	237,705
	New and increased impairment charges and provisions	107,069	89,474	107,069	89,474
	Reversals of impairment charges and provisions	108,941	131,855	108,941	131,855
	Written-off, previously impaired	1,358	9,343	1,358	9,343
	Interest income on impaired loans	2,861	*2,749*	2,861	*2,749*
	Total impairment charges and provisions at 31 December	**182,751**	**185,981**	**182,751**	**185,981**
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-10,282	-39,098	-10,282	-39,098
	Loans and advances at fair value	389	302	389	302
	Guarantiees and loan commitments	-149	-7,833	-149	-7,833
	Assets held for sale	0	0	0	0
	Total individual impairment charges and provisions	**-10,043**	**-46,629**	**-10,043**	**-46,629**
	Stage 1 impairment charges				
	Stage 1 impairment charges etc. at 1 January	43,128	45,089	43,128	45,089
	New and increased Stage 1 impairment charges	53,082	32,374	53,082	32,374
	Reversals, net of Stage 1 impairment charges	19,991	34,334	19,991	34,334
	Stage 1 impairment charges at 31 December	**76,219**	**43,128**	**76,219**	**43,128**
	Total net impact recognised in the income statement	*33,091*	*-1,961*	*33,091*	*-1,961*
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 1 January	32,535	18,468	32,535	18,468
	New and increased impairment charges	32,629	27,907	32,629	27,907
	Reversals, net of impairment charges	26,968	13,839	26,968	13,839
	Stage 2 impairment charges at 31 December	**38,196**	**32,535**	**38,196**	**32,535**
	Total net impact recognised in the income statement	*5,661*	*14,068*	*5,661*	*14,068*
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 1 January	25,792	33,720	25,792	33,720
	New and increased impairment charges	4,384	20,241	4,384	20,241
	Reversals, net of impairment charges	22,898	28,169	22,898	28,169
	Weak Stage 2 impairment charges at 31 December	**7,278**	**25,792**	**7,278**	**25,792**
	Total net impact recognised in the income statement	*-18,515*	*-7,928*	*-18,515*	*-7,928*

		Group		BankNordik	
	DKK 1,000	2023	2022	2023	2022
Note	**Stage 3 impairment charges**				
13	Stage 3 impairment charges etc. at 1 January	80,172	128,243	80,172	128,243
(cont'd)	New and increased impairment charges	13,408	6,177	13,408	6,177
	Reversals of impairment charges	35,368	44,904	35,368	44,904
	Written-off, previously impaired	1,358	9,343	1,358	9,343
	Write-offs charged directly to the income statement	36	1,191	36	1,191
	Received on claims previously written off	5,347	2,689	5,347	2,689
	Interest income on impaired loans	2,861	2,749	2,861	2,749
	Stage 3 impairment charges at 31 December	**56,854**	**80,172**	**56,854**	**80,172**
	Total net impact recognised in the income statement	*-30,131*	*-42,975*	*-30,131*	*-42,975*
	Purchased credit-impaired assets included in stage 3 above				
	Purchased credit-impaired assets at 1 January	10,722	22,751	10,722	22,751
	Reversals of impairment charges	9,381	12,029	9,381	12,029
	Purchased credit-impaired assets at 31 December	**1,341**	**10,722**	**1,341**	**10,722**
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 1 January	4,353	12,186	4,353	12,186
	New and increased provisions	3,566	2,776	3,566	2,776
	Reversals of provisions	3,715	10,608	3,715	10,608
	Provisions for guarantees etc at 31 December	**4,204**	**4,353**	**4,204**	**4,353**
	Total net impact recognised in the income statement	*-149*	*-7,833*	*-149*	*-7,833*
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	692	2,054	692	2,054
	Stage 2 provisions	2,632	1,247	2,632	1,247
	Weak Stage 2 provisions	0	0	0	0
	Stage 3 provisions	880	1,053	880	1,053
	Provisions for guarantees etc at 31 December	**4,204**	**4,353**	**4,204**	**4,353**

Note 13, (cont'd)

Credit risk management
The Bank manages credit risk in connection with the establishment of new exposures by making certain requirements in respect of the customer's ability to service loans, its general credit quality and by securing collateral in the asset(s) for which a customer seeks financing. In addition, the Bank has defined specific geographical areas in which it wishes to provide financing and a maximum proportion of its aggregate exposures to be allocated to corporate customers. As for exposures to corporate customers, the Bank has established maximum limits for the size of the aggregate exposure to each individual industry.

Credit risk movements are measured on the basis of the Bank's behavioural credit score model for private and small corporate customers and, as regards larger corporate customers, its accounting-based credit score model, both of which gauge and indicate the probability of default of each individual exposure in the next 12-month period.

The behavioural credit score model for private and small corporate customers primarily use the following parameters, which are updated on a monthly basis:

- Gearing (total debt over total assets)
- Developments in the size and duration of overdrafts and arrears
- Average balances and credit transactions in transaction accounts, typically payroll and operating accounts
- Developments in debt
- Average liquid assets
- Changes in publicly available cyclical indicators

The accounting-based credit score model for larger corporate customers primarily use the following parameters, which are updated on a yearly or monthly basis:

- Development in certain predefined key numbers and metrics calculated on the basis of the customer's most recent public available annual accounts
- Developments in the size and duration of overdrafts and arrears
- Changes in publicly available cyclical indicators

New customers, both personal and corporate, are categorised in accordance with the risk classification system provided by the Danish FSA. The system is based on traditional credit assessment indicators such as wealth, income, disposable income, etc. for personal customers and leverage, liquidity, solvency, etc. for corporate customers. The customers' risk classification is then converted into a probability of default. After a period of 6-12 months, the credit scoring model described above will start assessing the customer's credit worthiness. As per the Group's risk classification system, customers are assigned a credit score on a scale from 1-11. A score of 1 is given to customers with the lowest PD values and a score of 11 is given to customers in default.

As regards retail customers and small business customers, developments in credit risks for existing exposures are monitored based on a behavioural credit scoring model that, on a monthly basis, calculates and assigns to each exposure a behavioural score expressing the probability of default of each relevant customer within the next 12-month period. See the section "Changes to credit risks" below. Based on developments in the behavioural credit score, a number of signals are generated to the relationship manager, the credit department and the credit controllers. In case an adverse development is identified, the relationship manager must take action vis-à-vis the customer concerned. For large corporate customers, an accounting-based credit score is calculated monthly, however primarily based on developments in the corporate customer's financial situation, as reported in the customer's annual financial statements, adjusted for monthly developments in the customer's overdrafts and arrears, if any, as well as publicly available cyclical indicators. Based on the calculated accounting-based credit score and information otherwise available regarding large corporate customers, the Bank reviews the exposure at least once a year to establish whether or not to continue or discontinue the exposure, including the terms for continuing or discontinuing the exposure.

Note 13, (cont'd)

In order to support the credit management effort, default signals are generated on a daily basis to the customer adviser and, based on certain thresholds, also to the credit controllers. Furthermore, various reports on developments in credit risks, at both customer and portfolio level, are prepared and distributed on a monthly and quarterly basis.

Further, and as part of the quarterly impairment test all large exposures, existing exposures increased more than certain thresholds amounts and other exposures chosen against other predefined criteria are reviewed not only to determine the need for impairment, but also to determine whether the assigned risk classification is correct and whether risk mitigating actions have to be taken. The bank also aims to obtain and review periodic accounts from its corporate customers as part of its ongoing credit risk management.

To ensure compliance with the Bank's defined requirements in respect of a customer's ability to service a loan and its general credit quality as well as the requirement for collateral for security, the Bank uses a credit granting hierarchy according to which only customers deemed highly able to service their loans and demonstrating a high credit quality may be granted loans in the Bank's retail and commercial banking departments, whereas all other exposures, including exposures to all new corporate customers, must be recommended and granted either by the Bank's credit department, the credit committee or, as regards the largest exposures, by the Bank's Board of Directors.

In order to strike a reasonable balance between future earnings and the credit risks assumed that ensures the Bank's defined profitability targets are met, an expected, risk-adjusted return is calculated for each customer relationship when an exposure is established. Any departure from the Bank's pre-defined profitability targets must be approved by a member of the Bank's Executive Management.

Changes to credit risks

To ensure that sufficient and timely impairment charges and provisions are recognised to cover expected credit losses on all of the Bank's exposures which, on initial recognition, are measured at amortised cost or fair value and on financial guarantees and loan commitments, movements in the credit risk relating to all these exposures are monitored on a monthly and quarterly basis.

Credit risk movements are measured on the basis of the Bank's behavioural credit score model and, as regards large corporate customers, its accounting-based credit score model, both of which gauge and indicate the probability of default of each individual exposure in the next 12-month period. The models primarily use the following parameters, which are updated on a monthly basis:

- Gearing (total debt over total assets)
- Developments in the size and duration of overdrafts and arrears
- Average balances and credit transactions in transaction accounts, typically payroll and operating accounts
- Developments in debt
- Average liquid assets
- Changes in publicly available cyclical indicators

Based on the estimated probability of default in the next 12-month period, each exposure is placed in one of three stages: Stage 1 reflects that no significant increase in credit risk has been identified, stage 2 reflects a significant increase in credit risk and stage 3 reflects impairment of the exposure in question. Exposures are placed in either stage 1 or stage 2 on the basis of their estimated probability of default, meaning that all exposures are initially placed in stage 1, while the following scenarios require a stage 2 classification as a minimum:

- A 100% increase in the probability of default for the expected remaining term to maturity and a 0.5 percentage point increase when the probability of default was below 1% on initial recognition.
- A 100% increase in the probability of default for the expected term to maturity or a 2.0 percentage point increase when the probability of default was 1% or higher on initial recognition.

Note 13, (cont'd)

Stage 3 classifications are for pre-selected exposures for which an individual review has revealed indications of an increased risk of impairment. In such reviews, the following events are generally deemed to reflect impairment of an exposure:

- Significant financial difficulty of the borrower
- Breach of contract by the borrower, such as a default or past due event
- The Bank or other lenders granting concessions to the borrower for reasons relating to the borrower's financial difficulty that the Bank or lenders would not otherwise consider
- The borrower is likely to enter bankruptcy or become subject to other financial reconstruction
- Disappearance of an active market for that financial asset because of financial difficulties
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Calculation of the expected credit loss (need for impairment write-down or provisioning)
For exposures categorised as stage 1 or stage 2, the expected credit loss (ECL) is calculated as a function of the probability of default (PD) * the expected exposure at default (EAD) * the expected loss given default (LGD). Where the PD for exposures in stage 1 reflects the probability of default in the next 12-month period (PD12), the probability of default over the entire life of the exposure is applied to exposures placed in stage 2 (PDLife).

As regards the portion of stage 2 exposures consisting of the weakest exposures, the largest of these are reviewed individually, and the average impairment ratio calculated for them is used to calculate the expected credit loss for the weakest of the stage 2 exposures not individually reviewed.

As regards exposures in stage 3, the expected credit loss is calculated individually.

PD12 is calculated based on the Bank's behavioural credit score methodology for exposures to retail customers and small business customers, whereas the Bank's accounting-based credit score model is applied to the Bank's exposures to large corporate customers.

PDLife is calculated based on PD12, but is adjusted for any identified annual migrations between various fixed PD12 stages. Furthermore, the calculated PDLife is adjusted for changes in a number of forward-looking factors, which as regards the Bank's Danish and Greenlandic exposures are based on information from, e.g., the Danish central Bank and the Danish Economic Council, whereas factors of relevance to Faroese exposures are based on the current impairment ratio relative to a historical average impairment ratio.

EAD is calculated as the actual amount of exposure with due consideration for non-executed loan commitments and unutilised, executed loan commitments as well as any guarantees provided, which factors are calculated as a function of predetermined coefficients.

LGD is calculated as the ratio between the historically identified loss rate for the portion of the exposures that are not secured.

The expected useful life of an exposure is calculated as the expected maturity of the exposure in question.

All significant variables and calculations made are validated at least annually, primarily based on sample testing and, for model-based variables, supplemented by back-testing and the use of statistical targets for explanatory values.

As the expected credit loss, especially for exposures categorised as stage 1 or 2, primarily are based on historical information, the Executive Management and the Board of Directors may add a discretionary increase in impairments to cover credit losses expected not to be covered by the calculations described above, e.g. due to an expected or emerging economic crises in one or more sectors and/or in one or more geographic locations.

Since calculations and discretionary management estimates are made in all stages of an expected credit loss, i.e. expectations as to the future, all statements and calculations reflect the Bank's best estimates and assessments as to

Note 13, (cont'd)

future events. These estimates and assessments may therefore result in the calculation of a higher or lower credit loss than the credit losses actually incurred.

Management applied judgements

Management applies judgement when determining the need for post-model adjustments. At the end of 2023, the post-model adjustments amounted to DKK 100m (2022: DKK 56m). The post-model adjustments fall into two categories.

Category 1 relates to expected losses, which are difficult to calculate due to a changing world. The reasoning behind the post-model adjustments in this category in 2023 were based the following factors. Firstly, the war in Ukraine has increased the level of economic risk in a general sense and for the Faroe Islands due to the country's economic relationship with Russia, where some large companies rely on exports continuing and the fisheries agreement between the two countries to remain in place. Secondly, although inflation has come down from the highs in early 2023, price increases have outpaced pay increases over the past two years and as such place a strain on the bank's customers personal finances and may also have a dampening effect on house prices. Thirdly, the bank has cosen to increase its management provision to account for risks associated with climate change in acknowledgement of the likelihood that climate risks may have a financial effect on both corporate and personal customers in the longer term. For each of the three factors, the bank's assessment is that the forward-looking risks associated with each are not covered by the model output. The management provision for category 1 is DKK 85m.

Category 2 includes management provision due to errors and omissions in the calculation of expected losses. The bank acknowledges that factors such as insufficient registration of defaults, lack of follow-up on customers in financial difficulty, errors in impairment methodology or calculations as well as errors in the registration of collateral values can result in the bank's calculated impairments being underestimated. The management provision for category 2 is DKK 15m.

In determining the need and extent of a management judgement related to the factors laid out above, the Bank has, as both the Faroese and Greenlandic economies are small and open, based its judgement on a general detoriation of the credit quality through out all sectors and segments with additional add ons on property and tourism related segments.

In note 49 (Risk Management) information on the split of the management judgement of DKK 100m between the stages and between Corporate and Private is included.

Note 13 (cont'd)

DKKm

31 Dec. 2023	Gross Exposure[1]			Expected Credit Loss			Net Exposure			Net Exposure Deducted Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Public authorities	**1,128**			**1**			**1,127**			**1,136**		
Corporate sector:												
Fisheries, agriculture, hunting and forestry	945	154	25	12	1	11	933	153	14	164	4	3
Industry and raw material extraction	203	39	28	2	1	0	201	39	28	47	2	12
Energy supply	474	0		11	0		463	0		403	0	
Building and construction	451	84	25	5	11	6	446	73	19	216	28	7
Trade	447	64	2	6	1	0	441	63	2	100	3	1
Transport, hotels and restaurants	352	405	39	2	5	0	350	400	39	59	92	14
Information and communications	5	2	3	0	0	1	5	2	1	1	0	1
Financing and insurance	83	21	1	1	0	1	82	21	0	41	1	0
Real property	1,537	71	100	26	3	9	1,510	69	91	176	0	10
Other industries	208	193	12	0	6	9	208	187	4	119	114	1
Total corporate sector	**4,705**	**1,034**	**235**	**65**	**27**	**36**	**4,640**	**1,007**	**199**	**1,326**	**243**	**47**
Retail customers	**4,004**	**660**	**238**	**9**	**21**	**21**	**3,995**	**639**	**216**	**477**	**80**	**15**
Total	**9,837**	**1,694**	**473**	**75**	**48**	**58**	**9,762**	**1,646**	**415**	**2,939**	**323**	**63**
Credit institutions and central banks	2,092	0		1	0		2,090	0		2,150	0	
Total	**11,929**	**1,694**	**473**	**77**	**48**	**58**	**11,852**	**1,646**	**415**	**5,089**	**323**	**63**
Denmark	4	0	1	0	0	2	4	0	-1	4	0	0
Faroe Islands	9,786	1,248	282	57	24	23	9,729	1,223	260	4,198	65	15
Greenland	2,140	446	190	20	24	33	2,120	423	156	887	258	47
Total	**11,929**	**1,694**	**473**	**77**	**48**	**58**	**11,852**	**1,646**	**415**	**5,089**	**323**	**63**

Purchased credit-impaired assets included in stage 3 above												
Denmark			1			1			0			0
Total			**1**			**1**			**0**			**0**

1) Gross exposure comprises of loans and advances, guarantees and drawing rights.

Net exposure 2023 vs. balance sheet	
Credit institutions and central banks	2,056
Loans and advances	8,883
Guarantees	1,020
Unused credit facilities	1,954
Net exposure, total	**13,913**

Note DKKm

13 (cont'd)

31 Dec. 2022	Gross Exposure[1]			Expected Credit Loss			Net Exposure			Net Exposure Deducted Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Public authorities	**794**			**0**			**793**			**818**		
Corporate sector:												
Fisheries, agriculture, hunting and forestry	938	190	27	10	5	13	927	185	14	180	29	2
Industry and raw material extraction	226	78	21	1	3	2	225	75	19	84	29	2
Energy supply	541	0		6	0		535	0		470	0	
Building and construction	701	91	14	4	4	2	696	87	12	232	35	2
Trade	437	124	4	2	3	0	435	121	4	124	38	1
Transport, hotels and restaurants	503	151	25	3	13	0	500	138	25	232	40	2
Information and communications	6	1	3	0	0	2	6	1	0	1	0	0
Financing and insurance	56	45	2	0	0	1	56	45	1	19	6	0
Real property	1,443	66	116	10	8	18	1,432	58	98	387	6	11
Other industries	137	171	22	0	6	20	136	165	2	43	96	0
Total corporate sector	**4,987**	**917**	**233**	**38**	**42**	**58**	**4,949**	**875**	**175**	**1,772**	**280**	**20**
Retail customers	**3,978**	**610**	**183**	**6**	**18**	**23**	**3,972**	**592**	**160**	**600**	**115**	**10**
Total	**9,758**	**1,527**	**416**	**44**	**59**	**81**	**9,714**	**1,467**	**335**	**3,190**	**394**	**30**
Credit institutions and central banks	**1,873**	**150**		**1**	**0**		**1,872**	**150**		**1,872**	**150**	
Total	**11,631**	**1,677**	**416**	**45**	**60**	**81**	**11,586**	**1,617**	**335**	**5,062**	**544**	**30**
Denmark	6	0	23	0	0	21	6	0	1	6	0	1
Faroe Islands	9,535	1,325	251	36	42	43	9,498	1,283	208	4,234	381	11
Greenland	2,090	351	143	9	17	17	2,082	334	126	823	163	18
Total	**11,631**	**1,677**	**416**	**45**	**60**	**81**	**11,586**	**1,617**	**335**	**5,062**	**544**	**30**
Purchased credit-impaired assets included in stage 3 above												
Denmark			4			4			0			0
Total			**4**			**4**			**0**			**0**

1) Gross exposure comprises of loans and advances, guarantees and drawing rights.

Net exposure 2022 vs. balance sheet	
Credit institutions and central banks	1,833
Loans and advances	8,083
Guarantees	1,625
Unused credit facilities	1,998
Net exposure	**13,538**

Note DKKm

13 (cont'd)

31 Dec. 2023	Gross Exposure[1]			Expected Credit Loss			Net Exposure			Net Exposure Deducted Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Rating category												
1	3,741			3			3,738			3,294		
2	1,808	0		6	0		1,803	0		455	0	
3	1,576	83		11	1		1,566	82		339	4	
4	1,558	3		8	0		1,550	3		176	2	
5	1,355	163		18	0		1,336	163		185	8	
6	1,389	266		23	5		1,366	261		603	119	
7	292	333		1	7		291	326		24	41	
8	182	563		6	22		176	541		12	135	
9	15	108		0	5		15	104		1	8	
10	13	174		1	8		12	166		0	6	
11			473			58			415			63
Total	**11,929**	**1,694**	**473**	**77**	**48**	**58**	**11,852**	**1,646**	**415**	**5,089**	**323**	**63**

1) Gross exposure comprises of loans and advances, guarantees and drawing rights.

31 Dec. 2022	Gross Exposure[1]			Expected Credit Loss			Net Exposure			Net Exposure Deducted Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Rating category												
1	3,259	0		3	0		3,257	0		2,869	0	
2	1,686	0		2	0		1,685	0		300	0	
3	1,924	158		4	0		1,920	158		625	151	
4	1,275	107		6	1		1,269	106		366	20	
5	1,165	289		7	4		1,158	285		198	47	
6	1,705	276		11	1		1,694	274		596	99	
7	380	345		2	12		379	333		76	69	
8	120	167		6	6		114	160		11	48	
9	9	71		0	2		9	69		0	21	
10	106	264		3	32		103	232		20	90	
11	0	0	416	0	0	81	0	0	335	0	0	30
Total	**11,631**	**1,677**	**416**	**45**	**60**	**81**	**11,586**	**1,617**	**335**	**5,062**	**544**	**30**

1) Gross exposure comprises of loans and advances, guarantees and drawing rights.

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Note 13 (cont'd)

DKKm	Stage 1	Stage 2	Stage 3	Total
Impairment charges at 1. January 2023	**45**	**60**	**81**	**186**
Transferred to stage 1 during the period	20	-19	-1	0
Transferred to stage 2 during the period	-3	3	0	0
Transferred to stage 3 during the period	-1	-6	7	0
ECL on new assets	12	11	0	23
ECL on assets derecognised	-5	-3	-25	-33
Impact of net remeasurement of ECL	9	3	-4	8
Write offs	0	0	-1	-1
Impairment charges at 31. December 2023	**77**	**48**	**58**	**183**

DKKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1. January 2023	**11,663**	**1,733**	**416**	**13,812**
Transferred to stage 1 during the period	626	-612	-14	0
Transferred to stage 2 during the period	-544	548	-4	0
Transferred to stage 3 during the period	-84	-60	144	0
New assets	2,098	275	11	2,384
Assets derecognised	-1,826	-150	-42	-2,017
Other changes	-4	-39	-39	-83
Gross carrying amount at 31. December 2023	**11,929**	**1,694**	**473**	**14,096**

DKKm	Stage 1	Stage 2	Stage 3	Total
Impairment charges at 1. January 2022	48	54	136	238
Transferred to stage 1 during the period	16	-10	-7	0
Transferred to stage 2 during the period	-7	8	0	0
Transferred to stage 3 during the period	0	-1	2	0
ECL on new assets	14	13	1	28
ECL on assets derecognised	-10	-19	-28	-57
Impact of net remeasurement of ECL	-15	16	-13	-11
Write offs	0	-1	-9	-11
Impairment charges at 31. December 2022	**45**	**60**	**81**	**186**

DKKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1. January 2022	11,495	1,553	544	13,592
Transferred to stage 1 during the period	585	-525	-60	0
Transferred to stage 2 during the period	-981	996	-15	0
Transferred to stage 3 during the period	-31	-31	61	0
New assets	4,025	124	9	4,157
Assets derecognised	-3,100	-344	-79	-3,522
Other changes	-336	-123	-43	-502
Gross carrying amount at 31. December 2022	**11,657**	**1,651**	**416**	**13,724**

Note	DKK 1,000	Group		BankNordik	
		2023	2022	2023	2022
	Tax				
14	Tax on profit for the year	71,797	42,171	65,698	38,762
	Total tax	**71,797**	**42,171**	**65,698**	**38,762**
	Tax on profit for the year				
	Profit before tax	379,330	206,579	373,232	203,170
	Current tax charge	71,785	40,837	65,745	37,764
	Change in deferred tax	-823	-496	-881	-832
	Adjustment of prior-year tax charges	834	1,831	834	1,831
	Total	**71,797**	**42,171**	**65,698**	**38,762**
	Effective tax rate				
	Faroese tax rate	18.0%	18.0%	18.0%	18.0%
	Deviation in foreign entities tax compared to Faroese tax rate	0.8%	3.9%	0.8%	3.9%
	Non-taxable income and non-deductible expenses	-0.1%	-2.3%	-1.5%	-3.8%
	Tax on profit for the year	18.7%	19.5%	17.4%	18.2%
	Adjustment on prior-year tax charges	0.2%	0.9%	0.2%	0.9%
	Effective tax rate	**18.9%**	**20.4%**	**17.6%**	**19.1%**

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
15	**Cash in hand and demand deposits with central banks**				
	Cash in hand	70,013	70,788	68,034	70,663
	Demand deposits w ith central banks	1,725,705	1,371,980	1,725,705	1,371,980
	Total	**1,795,718**	**1,442,769**	**1,793,739**	**1,442,643**
16	**Due from credit institutions and central banks specified by institution**				
	Credit instistutions	260,050	389,894	260,050	389,894
	Central banks	0	0	0	0
	Total	**260,050**	**389,894**	**260,050**	**389,894**
17	**Due from credit institutions and central banks specified by maturity**				
	On demand	260,050	389,894	260,050	389,894
	Total	**260,050**	**389,894**	**260,050**	**389,894**
18	**Loans and advances specified by sectors**				
	Public authorities	4%	6%	4%	6%
	Corporate sector:				
	Fisheries, agriculture, hunting and forestry	6%	9%	6%	9%
	Industry and raw material extraction	3%	3%	3%	3%
	Energy supply	1%	5%	1%	5%
	Building and construction	3%	5%	3%	5%
	Trade	4%	5%	4%	5%
	Transport, hotels and restaurants	9%	6%	9%	6%
	Information and communications	1%	0%	1%	0%
	Financing and insurance	4%	1%	4%	1%
	Real property	2%	13%	2%	13%
	Other industries	7%	2%	7%	2%
	Total corporate sector	**40%**	**49%**	**40%**	**49%**
	Retail customers	55%	45%	55%	45%
	Total	**100%**	**100%**	**100%**	**100%**
19	**Loans and advances specified by maturity**				
	On demand	317,288	1,032,384	317,288	1,032,384
	3 months and below	445,683	216,732	445,683	216,732
	3 months to 1 year	1,114,856	841,510	1,114,856	841,510
	Over 1 year to 5 years	2,157,033	1,891,561	2,157,033	1,891,561
	Over 5 years	4,847,995	4,101,157	4,847,995	4,101,157
	Total loans and advances	**8,882,855**	**8,083,343**	**8,882,855**	**8,083,343**
20	**Bonds at fair value**				
	Mortgage credit bonds	763,428	828,066	598,398	702,765
	Government bonds	633,089	763,387	619,244	746,948
	Bonds at fair value	**1,396,516**	**1,591,453**	**1,217,642**	**1,449,713**
	All bonds form part of the Group's trading portfolio				
21	**Shares etc.**				
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	90,283	123,236	715	53,331
	Shares/unit trust certificates listed on other stock exchanges	78	126	78	126
	Other shares at fair value	189,595	175,116	189,595	175,116
	Total shares etc.	**279,957**	**298,478**	**190,388**	**228,573**
22	**Assets under insurance contracts**				
	Non-life insurance				
	Reinsurers' share of claims provisions	3,275	2,631		
	Receivables from insurance contracts and reinsurers	3,849	4,834		
	Debt related to reinsurance and receivables from policyholders move to liabilities	-5,467	-5,984		
	Total non-life insurance	**1,658**	**1,481**		
	Maturity within 12 months	**1,658**	**1,481**		

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
23	**Holdings in associates**				
	Cost at 1 January	8,845	8,845	8,845	8,845
	Cost at 31 December	**8,845**	**8,845**	**8,845**	**8,845**
	Revaluations at 1 January	2,994	-1,023	2,994	-1,023
	Share of profit	5,102	5,390	5,102	5,390
	Dividends	2,060	1,373	2,060	1,373
	Revaluations at 31 December	**6,036**	**2,994**	**6,036**	**2,994**
	Carrying amount at 31 December	**14,881**	**11,839**	**14,881**	**11,839**

Holdings in associates 2023	**Income**	**Net profit**	**Total assets**	**Total liabilities**	**Total equity**	**Ownership %**	**The Groups share of equity**
P/F Elektron	62,451	14,861	68,498	24,907	43,347	34%	14,881
Holdings in associates 2022							
P/F Elektron	60,584	15,702	57,301	22,447	34,486	34%	11,839

The information disclosed is extracted from the companies' most recent annual report (2022).

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
24	**Holdings in subsidiaries**				
	Cost at 1 January			144,000	144,000
	Cost at 31 December			**144,000**	**144,000**
	Revaluations at 1 January			-34,574	-44,936
	Revaluation of domicile property			615	0
	Share of profit			27,512	15,362
	Dividends			5,000	5,000
	Revaluations at 31 December			**-11,446**	**-34,574**
	Carrying amount at 31 December			**132,554**	**109,426**

Holdings in subsidiaries 2023	Ownership %	Share capital end of year	Shareholders' equity for the year	Profit/loss for the year
P/F Trygd	100%	40,000	89,182	21,812
P/F Skyn	100%	1,000	5,996	811
P/F NordikLív	100%	30,000	37,375	4,890

The information disclosed is extracted from the companies' annual reports 2023.

Holdings in subsidiaries 2022	Ownership %	Share capital end of year	Shareholders' equity for the	Profit/loss for the year
P/F Trygd	100%	40,000	68,255	12,452
P/F Skyn	100%	1,000	6,686	1,164
P/F NordikLív	100%	30,000	34,485	1,746

The information disclosed is extracted from the companies' annual reports 2022.

Note		Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
25	**Assets under pooled schemes and unit-linked investment contracts**				
	Assets:				
	Cash deposits	274	178	274	178
	Bonds	11,457	9,726	10,521	8,795
	Shares	20,642	16,749	18,582	14,992
	Other assets	629	112	629	112
	Total assets	**33,003**	**26,766**	**30,006**	**24,078**
	Total liabilities	**33,003**	**26,766**	**30,006**	**24,078**

Group; Assets under pooled schemes and unit-linked investment contracts consist of Assets under pooled schemes DKK 30m (2022 DKK 24m) and Unit-Linked investment contracts DKK 3m (2022 DKK 2.7m)

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
26	**Intangible assets**				
	Cost at 1 January	3,319	3,238	3,319	3,238
	Additions	0	82	0	82
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Cost at 31 December	**3,319**	**3,319**	**3,319**	**3,319**
	Depreciation and impairment charges at 1 January	917	553	917	553
	Depreciation charges during the year	701	364	701	364
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Fair value at 31 December	**1,618**	**917**	**1,618**	**917**
	Carrying amount at 31 December	**1,702**	**2,402**	**1,702**	**2,402**

Depreciation period is 4 years. Additions to the intangible assets refer to acquired IT systems during the year

	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
27	**Domicile property**				
	Cost at 1 January	62,906	78,130	60,860	76,085
	Additions	353	0	353	0
	Reclassification to held for sale	0	15,225	0	15,225
	Disposals	0	0	0	0
	Cost at 31 December	**63,259**	**62,906**	**61,214**	**60,860**
	Adjustments at 1 January	-1,384	-5,565	-1,928	-6,137
	Depreciation charges during the year	476	617	448	589
	Reversal of depreciation charges on disposals classified as held for sale	0	1,108	0	1,108
	Revaluations recognised in other comprehensive income	750	10,083	0	10,083
	Reversal of revaluations on disposals during the year	0	3,691	0	3,691
	Reclassification to held for sale	0	-10,083	0	-10,083
	Adjustments at 31 December	**-1,110**	**-1,384**	**-2,375**	**-1,928**
	Carrying amount at 31 December	**62,149**	**61,522**	**58,838**	**58,933**
	Lease assets				
	Cost at 1 January	79,403	79,403	79,403	79,403
	Additions	2,139	0	2,139	0
	Cost at 31 December	**81,542**	**79,403**	**81,542**	**79,403**
	Adjustments at 1 January	-15,950	-11,949	-15,950	-11,949
	Depreciation charges during the year	4,000	4,001	4,000	4,001
	Adjustments at 31 December	**-19,949**	**-15,950**	**-19,949**	**-15,950**
	Carrying amount at 31 December	**61,593**	**63,453**	**61,593**	**63,453**
	Total land and buildings	**123,742**	**124,975**	**120,431**	**122,386**

Domicile property

Tangible assets include domicile property of DKK 62.1m (2022: DKK 61.5m). Carrying amount at 31 December if the property had not been revalued is DKK 60m (2022: DKK 60m).

The fair value is assessed by the group's internal valuers at least once a year on 31th December on the basis of an income based approach. Valuations rely substantially on non-observable input, i.e. level 3 measures. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition. At the end of 2023, the fair value of domicile property was DKK 62.1m (2022: DKK 66.4m). The required rate of return is ranged between 7.0%-10.8% (2022: 6.4-10.3%). The depreciation period is 50 years. A decrease in rental rates of DKK 100 pr m2 would reduce fair value at end of 2023 by DKK 3.3m. An increase in the required rate of return of 1.0 percentage point, would reduce fair value at the end of 2023 by DKK 5.4 m.

Leases

Leasing agreements comprise the Bank's domicile property, including the Bank's headquarter in Tórshavn and branches in the Faroe Islands. The notice period for terminating the lease agreements ranges from three months to 15 years. The leasing agreement regarding the Bank's headquarter includes an option for the lessee to extend the lease period by five years. Property where the Bank holds short term leases but intends and has the option to extend the contract is included in the calculation of Bank's leasing assets and obligations.

Leasing liabilities amounting DKK 67.6m are recognised within the balance sheet item Other liabilities. In the 2022 annual report the leasing liabilities were reported to be DKK 68.5m. The Group has included the option to extend the lease period of the headquarter with 5 years thus added DKK 17.0m to the leasing assets and leasing liabilities. Interests amounting DKK 2.1m due to leasing obligations are charged to the income statement as Interest expense. Depreciation of leasing assets amounting DKK 4.0m are recognised under the item Depreciation and impairment charges in the income statement. The annual payment in respect of the leasingliabilities is DKK 5.2m. The banks estimated borrowing rate used in the caluculation of the leasing assets and leasing liabilities is 3%.

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
28	**Other property, plant and equipment**				
	Cost at 1 January	38,168	37,044	31,167	30,103
	Additions	6,234	1,825	4,171	1,499
	Disposals	2,027	700	843	435
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Cost at 31 December	**42,375**	**38,168**	**34,496**	**31,167**
	Depreciation and impairment charges at 1 January	29,342	27,507	23,346	21,692
	Depreciation charges during the year	2,469	2,432	2,088	2,068
	Reversals of depreciation and impairment charges	1,817	597	801	414
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Depreciation and impairment charges at 31 December	**29,994**	**29,342**	**24,634**	**23,346**
	Carrying amount at 31 December	**12,381**	**8,826**	**9,862**	**7,821**

The depreciation period is 3-10 years.

	DKK 1,000	Group 2023	Group 2022
29	**Deferred tax**		
	Deferred tax assets	21,855	21,296
	Deferred tax liabilities	12,443	14,408
	Deferred tax, net	**9,412**	**6,888**

Change in deferred tax 2023	At 1 Jan.	Included in profit for the year	Included in sharholders' equity	At 31 Dec.
Intangible assets	-425	119	0	-306
Tangible assets	-13,983	31	1,815	-12,137
Other	21,296	559	0	21,855
Total	6,888	709	**1,815**	**9,412**

Adjustment of prior-year tax charges included in preceding item

2022				
Intangible assets	-483	58	0	-425
Tangible assets	-12,149	-19	-1,815	-13,983
Other	20,839	457	0	21,296
Total	8,207	496	**-1,815**	**6,888**

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

	DKK 1,000	BankNordik 2023	BankNordik 2022
29	**Deferred tax**		
	Deferred tax assets	21,872	21,313
	Deferred tax liabilities	12,510	14,647
	Deferred tax, net	**9,362**	**6,666**

Change in deferred tax 2023	At 1 Jan.	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
Intangible assets	-425	119		-306
Tangible assets	-14,222	2,019	0	-12,204
Other	21,313	559		21,872
Total	**6,666**	**2,696**	**0**	**9,362**

Adjustment of prior-year tax charges included in preceding item

2022				
Intangible assets	-483	58		-425
Tangible assets	-12,389	-19	-1,815	-14,222
Other	20,520	793		21,313
Total	**7,648**	**832**	**-1,815**	**6,666**

Note	DKK 1,000	Group		BankNordik	
		2023	2022	2023	2022
30	**Assets held for sale**				
	Total purchase price at 1 January	24,200	0	24,200	0
	Additions	0	0	0	0
	Reclassification from domicile properties	0	24,200	0	24,200
	Disposals	24,200	0	24,200	0
	Total purchase price at 31 December	**0**	**24,200**	**0**	**24,200**
	Impairment at 1 January	0	0	0	0
	Impairment charges for the year	0	0	0	0
	Reversal of impairment on disposals and write offs during the year	0	0	0	0
	Impairment at 31 December	**0**	**0**	**0**	**0**
	Total assets held for sale at 31 December	**0**	**24,200**	**0**	**24,200**
	Specification of assets held for sale				
	Real property taken over in connection with non-performing loans	0	0	0	0
	Domicile property for sale	0	24,200	0	24,200
	Total	**0**	**24,200**	**0**	**24,200**

The item "Assets held for sale" comprises assets taken over in connection with non-performing loans. Furthermore the Group has reclassified domicile property to this item.

The Group's policy is to dispose off the assets as quickly as possible.

Profit on the sale of real property and tangible assets taken over in connection with non-performing loansis recognised under the item "Other operating income". The Group's real estate agency is responsible for selling the real property.

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
31	**Other assets**				
	Interest and commission due	40,660	37,672	39,312	36,561
	Derivatives with positive fair value	38,889	72,520	38,889	72,520
	Other amounts due	9,495	5,788	11,866	8,386
	Total	**89,044**	**115,979**	**90,068**	**117,466**
32	**Due to credit institutions and central banks specified by institution**				
	Due to central banks	41,975	38,975	41,975	38,975
	Due to credit institutions	677,130	823,572	677,130	823,572
	Total	**719,105**	**858,172**	**719,105**	**858,172**
33	**Due to credit institutions and central banks specified by maturity**				
	On demand	58,391	58,665	58,391	58,665
	3 months to 1 year	125,000	125,000	125,000	125,000
	Over 1 year to 5 years	535,714	375,000	535,714	375,000
	Over 5 years	0	299,507	0	299,507
	Total	**719,105**	**858,172**	**719,105**	**858,172**
34	**Deposits specified by type**				
	On demand	6,790,359	7,312,481	6,797,754	7,327,884
	At notice	747,662	340,589	747,662	340,589
	Time deposits	592,325	181,173	592,325	181,173
	Special deposits	571,845	501,419	571,845	501,419
	Total deposits	**8,702,192**	**8,335,662**	**8,709,586**	**8,351,065**
35	**Deposits specified by maturity**				
	On demand	6,820,051	7,397,017	6,827,446	7,412,420
	3 months and below	559,007	232,888	559,007	232,888
	3 months to 1 year	838,107	331,378	838,107	331,378
	Over 1 year to 5 years	54,977	41,595	54,977	41,595
	Over 5 years	430,049	332,784	430,049	332,784
	Total deposits	**8,702,192**	**8,335,662**	**8,709,586**	**8,351,065**
36	**Liabilities under insurance contracts**				
	Non-life insurance				
	Liability for remaining coverage	54,169	49,944		
	Liability for incurred claims	81,292	62,082		
	Total	**135,460**	**112,026**		
	The confidence level used to determine the risk adjustment is 99.5%.				
	Guarantees				
	Registration and remortgaging guarantees	37,518	70,985		
	Other guarantees	131,646	167,120		
	Total	**169,164**	**238,105**		
	Life insurance				
	Life insurance provisions	4,218	3,112		
	Total provisions for insurance contracts	4,218	3,112		
	Total	**139,679**	**115,138**		
37	**Other liabilities**				
	Sundry creditors	30,649	32,084	25,264	27,931
	Accrued interest and commission	23,434	11,665	23,434	11,665
	Derivatives with negative value	22,178	43,085	22,178	43,085
	Accrued staff expenses	22,467	18,068	22,467	18,068
	Lease liabilities	67,565	68,532	67,565	68,532
	Other obligations	14,661	7,962	14,661	7,962
	Total	**180,955**	**181,397**	**175,570**	**177,244**

Note DKK 1,000

38 **Issued bonds**

	Currency	Principal	Interest rate	Remarks	Recieved	Maturity	2023	2022
Issued bond DK0030495312	DKK	200,000	CIBOR3 + 0,3%		24-09-2021	24-03-2023	0	199,922
Issued bond DK0030523469	DKK	190,000	CIBOR3 + 1,5%		10-03-2023	10-03-2025	189,743	0
Issued bond DK0030529664	DKK	200,000	CIBOR3 + 2,25%		22-11-2023	22-11-2028	198,809	0
Issued bond DK0030529151	DKK	250,000	CIBOR12 + 3,09%		02-12-2023	02-12-2030	248,184	0
Issued bond DK0030490271	DKK	150,000	2.345%	Tier 3 capital	18-06-2021	18-06-2026	149,578	149,482
Issued bond DK0030506530	SEK	300,000	STIBOR3 + 1,80%	Tier 3 capital / Hedged	31-03-2022	31-03-2027	199,820	198,180
At 31 December							**986,134**	**547,584**

Total repayment of principal and interest amounts to approximately DKK 1,227m.

39 **Additional Tier 1 capital**

	Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2023	2022
Additional Tier 1 capital	DKK	P/F BankNordik	150,000	4.500%	2019	Perpetual	Yes	100	151,532	151,324
At 31 December			**150,000**						**151,532**	**151,324**

Interest rate:	Principal (not hedged)	Until 30.9.2024	From 1.10.2024
Additional Tier 1 capital	150m	4.500%	CIBOR 3M + 4,812%

Perpetual Additional Tier 1 Capital issued with no contractual obligation to pay interest or repay the principal amount does not meet the conditions for a financial liability under IAS 32. The issue is therefore classified as equity and the net amount of the issue has been recognised as an increase in equity. Likewise, interest payments are accounted for as dividend payments to be recognised in the Group's equity at the moment the liability arises. Upon redemption of the notes, the Group's equity will be reduced by the redeemed amount. The issue and redemption price for the sale and purchase of AT1 capital under CRR have similar impact on the equity balance as the holding of own shares.

The Notes are perpetual and the coupon is fixed at 4.500%, paid annually until 30 September 2024 (first call date) based on the 5-year Danish swap rate plus the margin of 4.812%. If the Notes are not redeemed on 30 September 2024, the interest rate will be reset based on the prevailing 3-months floating CIBOR rate plus the margin of 4.812%, paid quarterly.

40 **Subordinated capital**

	Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2023	2022
Subordinated capital	DKK	P/F BankNordik	100,000	2.970%	2021	24-06-2031	No	100	99,650	99,510
At 31 December			**100,000**						**99,650**	**99,510**

Interest rate:	Principal (not hedged)	Until 26.6.2026	From 27.6.2026
Subordinated capital	100m	2.970%	CIBOR 3M + 2,97%

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

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

Note	DKK 1,000	2023	2022
41	**BankNordik Shares**		
	Net profit	**307,533**	**164,407**
	Average number of shares outstanding	9,574	9,574
	Number of dilutive shares issued	0	0
	Average number of shares outstanding, including shares diluted	9,574	9,574
	Earnings per share, DKK	32.1	17.2
	Diluted net profit for the period per share, DKK	**32.1**	**17.2**

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

Average number of shares outstanding:		
Issued shares at 1 January, numbers in 1,000	9,600	9,600
Reduction of share capital	0	0
Issued shares at end of period	9,600	9,600
Shares outstanding at end of period	9,574	9,574
Group's average holding of own shares during the period	26	26
Average shares outstanding	**9,574**	**9,574**

Holding of own shares	**Number 2023**	**Number 2022**	**Value 2023**	**Value 2022**
Investment portfolio	26,289	26,289	4,325	3,575
Trading portfolio	0	0	0	0
Total	**26,289**	**26,289**	**4,325**	**3,575**

	Investment portfolio	**Trading portfolio**	**Total 2023**	**Total 2022**
Holding at 1 January	3,575	0	3,575	3,694
Acquisition of own shares	0	0	0	0
Reduction of own shares	0	0	0	0
Sale of own shares	0	0	0	0
Value adjustment	749	0	749	-118
Holding at 31 December	**4,325**	**0**	**4,325**	**3,575**

Note	DKK 1,000	Group 2023	Group 2022	BankNordik 2023	BankNordik 2022
42	**Contingent liabilities**				
	The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan commitments and other credit facilities, guarantees and instruments that are not recognised on the balance sheet.				
	Guarantees				
	Financial guarantees	177,202	265,042	177,202	265,042
	Mortgage finance guarantees	556,151	591,723	556,151	591,723
	Registration and remortgaging guarantees	32,835	95,648	70,353	166,632
	Other guarantees	84,817	433,002	216,463	600,122
	Total guarantees	**851,004**	**1,385,415**	**1,020,169**	**1,623,519**

In addition, the Group has granted credit facilities related to credit cards and overdraft facilities that can be terminated at short notice. At the end of 2023, such unused credit facilities amounted to DKK 1.9bn (2022: DKK 2.0bn). Furthermore the Group has granted irrevocable loan commitments amounting to DKK 80m (2022: DKK 80m).

If the group desides to terminte the agreement with the banks main IT provider SDC, the group is obliged to pay DKK 91m, i.e. the estimated next 2.5 years payment to SDC for IT-services.

43 **Assets deposited as collateral**

At the end of 2023 the Group had deposited bonds at a total market value of DKK 42m (2022: DKK 39m) with Danmarks Nationalbank (the Danish Central Bank) primarily in connection with cash deposits.

At the end of 2023 the Group had deposited cash at a total market value of DKK 5.3m (2022: DKK 12.4m) in connection with negative market value of derivatives.

44	**Related parties**	Parties with significant influence		Associated undertakings		Board of Directors		Excecutive Board	
	DKK 1.000	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	Assets								
	Loans	4,818	6,173	3,412	2,032	65,023	32,897	6,781	366
	Total	**4,818**	**6,173**	**3,412**	**2,032**	**65,023**	**32,897**	**6,781**	**366**
	Liabilities								
	Deposits	179,524	122,008	11,098	20,318	62,060	41,864	2,737	1,648
	Total	**179,524**	**122,008**	**11,098**	**20,318**	**62,060**	**41,864**	**2,737**	**1,648**
	Off-balance sheet items								
	Guarantees issued					3,841	14,100	797	681
	Guarantees and collateral received	3,868	10,341			181,524	55,749	4,068	4,074
	Income Statement								
	Interest income	779	1,158	199	215	1,638	1,104	143	22
	Interest expense	3,582	-695	1	-201	144	-461	30	-1
	Fee income	834	305	30	37	172	153	19	5
	Total	**-1,969**	**2,158**	**228**	**453**	**1,667**	**1,717**	**132**	**28**

Related parties with significant influence are shareholders with holdings exceeding 20% of P/F BankNordiks share capital. The shareholder is the Ministry of Finance of the Faroe Islands and is the only party with significant influence.

In 2023 interest rates on credit facilities granted to associated undertakings were between 6.0%-13.2% (2022: 2.98%-14.5%).

The Board of Directors and Executive Board columns list the personal facilities, deposits, etc., held by members of the Board of Directors and the Executive Board and their deposits, etc., held by members of the Board of Directors and the Executive Board and their dependants and facilities with businesses in which these parties have a controlling or significant interest. Loans and deposits are not comparable with last year due to the election of several new board members at last years annual general meeting in March 2023.

Loans to Board of Directors is increased due to a line of credit given amounting DKK 180 million in 2023. Utilized credit end of December 2023 is approx. DKK 31.6 million. BankNordik has received collateral of DKK 150 million regarding this credit line.

In 2023 interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were between 1.85%-19.25% (2022: 1.0%-14.5%). Note 11 specifies the remuneration and note 47 specifies shareholdings of the management.

P/F BankNordik acts as the bank of a number of its related parties. Payment services, trading in securities and other instruments, investment and placement of surplus liquidity, endowment policies and provision of short-term and long-term financing are the primary services provided by the Bank.

Shares in P/F BankNordik may be registered by name. The management's report lists related parties' holdings of BankNordik shares (5% or more of BankNordiks share capital) on the basis of the most recent reporting of holdingt to the Bank.

Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accouting policy as for similar transactions with unrelated parties.

Note 45 **BankNordik shares held by the Board of Directors and the Executive Board**

Holdings of the Board of Directors and the Executive Board	**Beginning of 2023**	**Additions**	**Disposals**	**End of 2023**
Board of directors				
Birita Sandberg Samuelsen	53			53
Rúni Vang Poulsen	164	96		260
Birger Durhuus	0	2,936		2,936
Marjun Eystberg	75			75
Kristian Reinert Davidsen	107			107
Tom Ahrenst	0			0
Kenneth M. Samuelsen	2,494			2,494
Alexandur Johansen	200			200
Rúna Hentze	793			793
Anja Rein	0			0
Total	**3,886**	**3,032**	**0**	**6,918**
Executive Board				
Árni Ellefsen	13,186		3,186	10,000
Turið F. Arge	6,135			6,135
Total	**19,321**	**0**	**3,186**	**16,135**

Note 46 DKK 1,000

Financial instruments at fair value

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

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

2023 **Financial assets and liabilities at fair value**	Quoted prices	Observable input	Non-observable input	Total
Financial assets held for trading				
Bonds at fair value	1,153,335			1,153,335
Shares, etc.	90,362			90,362
Derivatives with positive fair value		38,889		38,889
Total	**1,243,697**	**38,889**		**1,282,586**
Financial assets designated at fair value				
Loans and advances at fair value			348,500	348,500
Bonds			243,181	243,181
Shares, etc.		188,248	1,347	189,595
Total		**188,248**	**593,028**	**781,276**
Finansial assets at fair value	**1,243,697**	**227,138**	**593,028**	**2,063,863**
Financial liabilities held for trading				
Derivatives with negative fair value		22,178		22,178
Total		**22,178**		**22,178**

2022 **Financial assets and liabilities at fair value**	Quoted prices	Observable input	Non-observable input	Total
Financial assets held for trading				
Bonds at fair value	1,328,548			1,328,548
Shares, etc.	123,362			123,362
Derivatives with positive fair value		72,520		72,520
Total	**1,451,910**	**72,520**		**1,524,429**
Financial assets designated at fair value				
Loans and advances at fair value			357,641	357,641
Bonds			262,905	262,905
Shares, etc.		173,680	1,347	175,027
Total		**173,680**	**621,894**	**795,573**
Finansial assets at fair value	**1,451,910**	**246,199**	**621,894**	**2,320,003**
Financial liabilities held for trading				
Derivatives with negative fair value		43,085		43,085
Total		**43,085**		**43,085**

Note

46 (cont'd)

Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category. Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category. The category covers derivatives valued on the basis of observable yield curves or exchange rates. Furthermore the category covers sector shares with price-fixing-agreements according to the articles of association. Other financial assets are recognised in the Non-observable input. This category covers unlisted shares, loans and advances at fair value and domicile property (se note 27 for further information on Domicile property).

At 31 December 2023 financial assets valued on the basis of non-observable input comprised unlisted shares and loans and advances of DKK 348.9m (2022: DKK 359.0m). In 2023, the Group recognised unrealised value adjustments of unlisted shares and loans and advances valued on the basis of non-observable input in the amount of DKK 16.3m (2022: DKK -61.9m) and realised value adjustments of DKK 0.2m (2022: DKK 0.0m). Unlisted shares had a value adjustment of DKK 0.0m (2022: DKK 0.0m). A 10% increase or decrease in fair value of unlisted shares and loans and advances would amount to DKK 34.9m (2022: DKK 35.9m).

	2023	2022
Financial instruments at fair value valued on the basis of non-observable input		
Fair value at 1 January	358,988	416,517
Value adjustments through profit or loss	16,326	-61,930
Acquisitions	15,000	0
Disposals	40,468	-4,401
Fair value at 31 December	**349,847**	**358,988**

Value adjustments of unlisted shares and loans and advances at fair value are recognised under the item "Market value adjustments" in the income statement.

Financial instruments at amortised cost

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

* for many of the Group's deposits and loans, the interest rate is linked to developments in the market interest rate
* the fair value assessment of loans is assessed based on an informed estimate that the Bank in general regulates the loan terms in accordance with the prevailing market conditions
* the recognised impairment charges are expected to correspond to the day-to-day regulation of the specific credit risk, based on an estimation of the Bank's total individual and collective impairment charges
* the fair value assessment of fixed interest deposits is booked on the basis of the market interest rate on the balance sheet day
* the subordinated equity of the Bank is not listed and is recognised at amortised cost, because there is no real market for this product.

Financial instruments at amortised cost	**Carrying amount 2023**	**Fair value 2023**	**Carrying amount 2022**	**Fair value 2022**
Financial assets				
Cash in hand and demand deposits with central banks	1,795,718	1,795,718	1,442,769	1,442,769
Due from credit institutions and central banks	260,050	260,050	389,894	389,894
Loans and advances at amortised cost	8,534,355	8,534,355	7,725,702	7,725,702
Assets under insurance contracts	1,658	1,658	6,901	6,901
Total	**10,591,782**	**10,591,782**	**9,565,266**	**9,565,266**
Financial liabilities				
Due to credit institutions and central banks	719,105	719,105	858,172	858,172
Deposits and other debt	8,702,192	8,702,192	8,335,662	8,335,662
Deposits under pooled schemes	33,003	33,003	24,078	24,078
Issued bonds at amortised cost	986,134	972,912	547,584	541,055
Liabilities under insurance contracts	139,679	139,679	120,864	120,864
Subordinated debt	99,650	94,264	99,510	95,179
Total	**10,679,762**	**10,661,154**	**9,985,870**	**9,985,870**

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

DKK 1,000

47 **Group holdings and undertakings**	**Share capital**	**Functional currency**	**Net profit**	**Shareholders' equity**	**Share capital %**
P/F BankNordik	192,000	DKK	307,533	1,850,609	100%
Insurance companies					
P/F Trygd	40,000	DKK	21,812	89,182	100%
P/F NordikLív	30,000	DKK	4,890	37,375	100%
Real estate agency					
P/F Skyn	1,000	DKK	811	5,996	100%

Note	DKK 1.000	2023			2022		
		Non-life	Life	Total	Non-life	Life	Total
48	**Reconciliations of changes in insurance liabilities**						
	Unearned premium provisions	55,113	0	55,113	50,703	0	50,703
	Outstanding claims provisions	83,417	4,218	87,636	64,361	3,112	67,473
	Receivables from policyholders and debt related to direct insurance	-3,070	0	-3,070	-3,038	0	-3,038
	Liabilities under insurance contracts, year-end	**135,460**	**4,218**	**139,679**	**112,026**	**3,112**	**115,138**
	Provisions for claims, net of reinsurance are discounted with the risk-free interest rate from EIOPA.						
	The confidence level used to determine the risk adjustment is 99.5%.						
	Unearned premium provisions						
	Beginning of year	50,703	0	50,703	48,410	0	48,410
	Premiums received	168,696	20,521	189,217	157,742	17,306	175,048
	Premiums recognised as income	-164,286	-20,521	-184,807	-155,449	-17,306	-172,756
	Unearned premium provisions, year-end	**55,113**	**0**	**55,113**	**50,703**	**0**	**50,703**
	Outstanding claims provisions						
	Beginning of year	64,361	3,112	67,473	63,944	3,163	69,795
	Claims paid regarding current year	-43,600	-6,643	-50,244	-58,477	-7,445	-65,922
	Claims paid regarding previous years	-29,842	-2,372	-32,214	-30,022	-1,048	-31,070
	Change in claims regarding current year	83,764	10,122	93,885	84,794	8,442	93,236
	Change in claims regarding previous years	8,735	0	8,735	4,123	0	4,123
	Outstanding claims provisions, year-end	**83,417**	**4,218**	**87,636**	**64,361**	**3,112**	**70,162**

	2023			2022		
	Non-life	Life	Total	Non-life	Life	Total
Reconciliations of changes in insurance assets						
Reinsurers' share of premium provisions	0	0	0	0	0	0
Reinsurers' share of claims provisions	3,275	0	3,275	2,631	0	2,631
Receivables from insurance contracts and reinsurers	3,849	0	3,849	4,834	0	4,834
Debt related to reinsurance and receivables from policyholders move to liabilities	-5,467	0	-5,467	-5,984	0	-5,984
Reinsurers' share of insurance contracts, year-end	**1,658**	**0**	**1,658**	**1,481**	**0**	**1,481**
Reinsurers' share of premium provisions						
Beginning of year	0	0	0	0	0	0
Premiums ceded	-16,299	-709	-17,008	-14,036	-614	-14,650
Payments to reinsurers	16,299	709	17,008	14,036	614	14,650
Reinsurers' share of premium provisions, year-end	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share of claims provisions						
Beginning of year	2,631	0	2,631	3,997	0	3,997
Claims ceded	1,701	0	1,701	4,359	0	4,359
Payments received from reinsurers	-1,057	0	-1,057	-5,725	0	-5,725
Reinsurers' share of claims provisions, year-end	**3,275**	**0**	**3,275**	**2,631**	**0**	**2,631**

Note 49 – Risk Management

The BankNordik Group is exposed to a number of risks, which it manages at different organizational levels. The categories of risks are as follows:

- **Credit risk:** Risk of loss as a result of counterparties failing to meet their payment obligations to the Group
- **Market risk:** Risk of loss as a result of changes in the fair value of the Group's assets or liabilities due to changes in market conditions
- **Liquidity risk:** Risk of loss as a result of a disproportionate increase in financing costs, the Group possibly being prevented from entering into new activities due to a lack of financing or in extreme cases being unable to pay its dues as a result of a lack of financing
- **Operational risk:** Risk of loss as a result of inadequate or faulty internal procedures, human errors or system errors, or because of external events, including legal risks
- **Insurance risk:** All types of risk in the non-life insurance company Trygd and the life insurance company NordikLív, including market risk, life insurance risk, business risk and operational risk

The Risk Management Report 2023 contains further information about the Group's approach to risk management.

Capital Management
P/F BankNordik is a licensed financial services provider and must therefore comply with the capital requirements of the Faroese Financial Business Act. Faroese as well as Danish capital adequacy rules are based on the CRD IV requirements stipulated in the regulation (EU) No 575/2013 of the European parliament and of the Council of 26 June 2013.

The capital adequacy rules call for a minimum capital level of 8% of risk-weighted assets plus any additional capital needed. Detailed rules regulate the calculation of capital and risk-weighted assets. Capital comprises core capital, hybrid core capital and subordinated debt. Core capital largely corresponds to the carrying amount of shareholders' equity less proposed dividends, deferred tax assets etc. The solvency presentation in the section Statement of Capital in P/F BankNordik shows the difference between the carrying amount of shareholders' equity and the core capital. Note 39 and note 40 to the financial statements show P/F BankNordik's hybrid core capital and subordinated debt. At year-end 2022, the Bank's CET 1 capital, Core capital and Total capital ratios were 21.4%, 23.5% and 24.8%, respectively. At the end of 2023, the Bank's CET 1 capital, Core capital and Total capital ratio were 25.8%, 28.0% and 29.4%, respectively.

Credit risk
The Group's credit exposure consists of selected on and off-balance sheet items, including loans and advances, credits, unused credits and guarantees. The figures below are before deduction of impairments. Specification of impairments is shown in table 8 and 9.

Credit exposure in relation to lending activities includes items with credit risk that form part of the core banking operations.

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

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

Risk exposure concentrations

Table 1

	2023		2022	
	DKKm	In %	DKKm	In %
Public authorities	1,128	9.4%	794	6.8%
Corporate sector:				
Agriculture and farming, others	66	0.6%	76	0.6%
Aquaculture	179	1.5%	192	1.6%
Fisheries	878	7.3%	887	7.6%
Manufacturing industries, etc.	270	2.3%	324	2.8%
Energy and utilities	474	4.0%	542	4.6%
Building and construction, etc	559	4.7%	806	6.9%
Trade	513	4.3%	564	4.8%
Transport, mail and telecommunications	678	5.6%	519	4.4%
Hotels and restaurants	118	1.0%	159	1.4%
Information and communication	10	0.1%	10	0.1%
Property administration, etc.	1,708	14.2%	1,624	13.9%
Financing and insurance	105	0.9%	102	0.9%
Other industries	339	2.8%	327	2.8%
Total corporate sector	**5,899**	**49.1%**	**6,134**	**52.4%**
Personal customers	4,977	41.5%	4,773	40.8%
Total	**12,004**	**100.0%**	**11,701**	**100.0%**
Credit institutions and central banks	2,092		2,023	
Total incl. credit institutions and central banks	**14,096**		**13,724**	

Credit exposure by geographical area — Table 2

(DKKm)	2023					2022				
	Exposures	in%	Loans / Credits	Guarantees	Unused credits	Exposures	in%	Loans / Credits	Guarantees	Unused credits
Faroe Islands	9,228	77%	7,544	578	1,033	9,093	78%	6,952	1,027	1,114
Denmark	1	0%	1	0	0	23	0%	22	2	0
Greenland	2,776	23%	1,515	410	850	2,585	22%	1,290	508	786
Total	**12,004**	**100%**	**9,060**	**988**	**1,883**	**11,701**	**100%**	**8,264**	**1,537**	**1,900**

Credit exposure

The credit exposure generated by lending activities comprises items subject to credit risk that form part of the Group's core banking business. Credit exposures include loans and advances, unused credits and guarantees. The credit exposure generated by trading and investment activities comprises items subject to credit risk that form part of the Group's trading activities, including derivatives. The following tables list separate information for each of the two portfolios.

Credit exposure relating to lending activities

Table 1 breaks down the Group's credit exposure in its core banking activities by asset class. Exposures include loans and advances, credits, unused credits and guarantees.

Exposures to the fisheries sector were DKK 878m at the end of 2023. This represents 7.3% of total exposures. Property administration DKK 1,708m representing 14.2% of total exposures, and DKK 179m was related to the aquaculture industry. This represents 1.5% of total exposures. No single industry except property administration exceeded 10% of total exposures.

Credit exposure broken down by geographical area

The Bank's loans are mainly granted to domestic customers in the Faroe Islands and Greenland and to a small extent domestic customers in Denmark. Table 2 provides a geographical breakdown of total exposures.

Classification of customers

The Group monitors exposures regularly to identify signs of weakness in customer earnings and liquidity as early as possible. The processes of assigning and updating classifications on the basis of new information about customers form part of the Group's credit procedures.

The classification of customers is performed in connection to the quarterly impairment testing of the loan portfolio. All customers that meet a small number of objective criteria are classified in this exercise. The classification is also used as a means of determining the Bank's solvency requirement. The classification categories are as follows:

- 3 and 2a — Portfolio without weakness
- 2b15 and 2b30 - Portfolio with some weakness
- 2c — Portfolio with significant weakness
- 1 — Portfolio with impairment/provision (OEI)

As shown in table 3, more than 99% of total exposures are individually classified.

For further information on impaired portfolios, see table 8.

Concentration risk

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

Under section 145 of the Faroese Financial Business Act, and according to CRR, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the Total capital. The Group submits quarterly reports to the Danish FSA on its compliance with these rules. In 2023, none of the Group's exposures exceeded these limits.

The Group's overall target is for no industry to make up more than 10% of the Group's total exposure, see table 1, except for the industry group "Trade" and "Property administration, etc." which may be up 15%. In addition, the Group's long-term target is for no single exposure (on a Group basis) to make up more than 10% of the Group's Total capital. In exceptional cases, exposures may be above 10%, but only for customers of a very high credit quality, and where the Group has accepted collateral. The Group has nine customers with exposures exceeding 10% of the total capital all classified 3 or 2a5 exept for three classified 2b15.

Quality of loan portfolio excl. financial institutions 2023 — Table 3

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a)	Exposure in DKKm	4,387	2,779	7,167
Portfolio with some weakness (2b)	Exposure in DKKm	1,586	2,731	4,317
Portfolio with significant weakness (2c)	Exposure in DKKm	92	89	181
	Unsecured	4	8	11
Portfolio with OEI	Exposure in DKKm	91	168	260
	Unsecured	43	37	80
	Impairments/provisions	23	32	55
Portfolio without individual classification	Exposure in DKKm	62	19	81
Total	**Exposure in DKKm**	**6,218**	**5,786**	**12,004**

Quality of loan portfolio excl. financial institutions 2022

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a)	Exposure in DKKm	3,732	1,608	5,340
Portfolio with some weakness (2b)	Exposure in DKKm	2,061	3,746	5,807
Portfolio with significant weakness (2c)	Exposure in DKKm	95	118	213
	Unsecured	19	20	40
Portfolio with OEI	Exposure in DKKm	117	172	290
	Unsecured	54	46	100
	Impairments/provisions	39	42	81
Portfolio without individual classification	Exposure in DKKm	32	19	51
Total	**Exposure in DKKm**	**6,038**	**5,663**	**11,701**

Collateral
The Group applies various instruments available to reducing the risk on individual transactions, including collateral in the form of tangible assets, netting agreements and guarantees. The most important instruments that can be used to reduce risk are charges on tangible and intangible assets, guarantees and netting agreements under derivative master agreements, as further described in the section Liquidity risk.

Collateral provided by the Group.
Table 4 shows collateral for exposures excluding exposures with impairment or past due exposures. Collateral amounts to DKK 8,569m. The types of collateral most frequently provided are real estate (83%), ships/ aircraft (11%) and motor vehicles (2%) (see table 5) in addition to guarantees provided by owners or, in the Faroese market, by floating charge.

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

Table 4 shows the Bank's total credit exposure and the collateral for the loans granted divided into personal, corporate and the public sector. Unsecured exposures accounted for 14% of personal exposures and 28% of corporate exposures at the end of 2023. The majority of the Bank's exposure is granted against collateral in real estate.

Credit exposure and collateral 2023

Table 4

(DKKm)	Personal customers	Corporate sector	Personal & corporate	Public	Total
Exposure	4,977	5,899	10,876	1,128	12,004
Loans, advances & guarantees	4,675	4,602	9,277	771	10,048
Collateral	4,315	4,247	8,562	7	8,569
**Hereof collateral for stage 3 exposures*	*98*	*83*	*181*	*0*	*181*
Impairments	52	128	181	1	181
Unsecured (of exposures)	697	1,668	2,365	1,136	3,501
Unsecured (loans, advances and guarantees)	522	939	1,461	780	2,241
Unsecured ratio	14%	28%	22%	101%	29%
Unsecured ratio, loans and advances	11%	20%	16%	101%	22%

Credit exposure and collateral 2022

(DKKm)	Personal customers	Corporate sector	Personal & corporate	Public	Total
Exposure	4,773	6,134	10,907	794	11,701
Loans, advances & guarantees	4,448	4,876	9,324	478	9,801
Collateral	4,064	4,049	8,113	2	8,115
**Hereof collateral for stage 3 exposures*	*5*	*6*	*11*	*0*	*11*
Impairments	48	137	184	0	185
Unsecured (of exposures)	822	2,111	2,933	822	3,755
Unsecured (loans, advances and guarantees)	515	1,300	1,815	506	2,320
Unsecured ratio	17%	34%	27%	104%	32%
Unsecured ratio, loans and advances	12%	27%	19%	106%	24%

Collateral

Table 5

	2023	2022
Cars	2%	2%
Real Estate	83%	84%
Aircrafts & Ships	11%	9%
Other	5%	5%
Total	**100%**	**100%**

Distribution of past due amount

Table 6

	2023				2022			
(DKKm)	Exposure	Past due total	Past due > 90 days	Total balance with past due	Exposure	Past due total	Past due > 90 days	Total balance with past due
Portfolio without weakness (3, 2a)	7,167	17	0	1,011	5,340	8	0	814
Portfolio with some weakness (2b, 2b)	4,317	19	1	1,325	5,807	22	0	1,650
Portfolio with significant weakness (2c)	181	1	0	107	213	2	0	58
Portfolio with impairment/provision (1)	260	11	7	166	290	7	1	155
Portfolio without individual classification	81	0	0	1	51	0	0	0
Total	**12,004**	**47**	**8**	**2,610**	**11,701**	**39**	**2**	**2,677**
Past due in % of exposure		**0.4%**	**0.1%**			**0.3%**	**0.0%**	

Loans and advances specified by maturity

Table 7

(DKKm)	2023	2022
On demand	317	1,032
3 months and below	446	217
3 months to 1 year	1,115	841
Over 1 year to 5 years	2,157	1,891
Over 5 years	4,848	4,102
Total	**8,883**	**8,083**

As shown in table 6, DKK 8m is more than 90 days past due. The Group tests the entire loan portfolio for impairment four times per year. The Group's impairments reflect the expected credit loss impairment model in IFRS 9 and Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. as valid in the Faroe Islands. The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). All expected credit loss impairments are allocated to individual exposures. For all exposures with objective indication of being subject to an impairment in creditworthiness, stage 3 exposures, the Group determines the expected credit losses individually.

If a loan, advance or amount due is classified to stage 3, the Group determines the individual impairment charge. The charge equals the difference between the carrying amount and the present value of the estimated future cash flow from the asset, including the realisation value of collateral, in three weighted scenarios – the basecase, upside and downside scenario. Loans and advances not classified as stage 3 are classified in stage 1 or stage 2 and the expected credit loss is calculated in accordance with the function described above and then impaired.

As the expected credit loss, especially for exposures categorised as stage 1 or 2, primarily are based on historical information, the Executive Management and the Board of Directors may add a discretionary increase in impairments to cover credit losses expected not to be covered by the calculations described above, e.g. due to an expected or emerging economic crisis in one or more sectors and/or in one or more geographic locations.

Table 8 provides a breakdown of individual impairments, stage 3, and statistical based impairments, stage 1 and 2 including DKK 100m impaired at the Executive Management's discretion. Table 9 shows a breakdown of the mentioned DKK 100m impaired.

In connection with the acquisition of Sparbank (2010) and Amagerbanken (2011), the Group took over some of the exposures that were individually impaired. These impairments are recognised as part of the purchase price for the acquired exposures. In 2023 DKK 1m of the impairments reflected in the table below are individual impairments recognised up to 12 months after the acquisition of the relevant exposure.

A further breakdown by maturity of loans and advances can be found in table 7. There are no aggregated data on the collateral behind matured loans and advances.

Specification of individual and statistic impairments — Table 8

2023 DKKm	Loans gross	Impairments	2022 DKKm	Loans gross	Impairments
Individual impairments:			**Individual impairments:**		
Faroe Islands	127	22	Faroe Islands	151	43
Denmark	1	2	Denmark	22	21
Greenland	112	32	Greenland	87	17
Total	**240**	**55**	**Total**	**259**	**81**
Statistic impairments:			**Statistic impairments:**		
Faroe Islands	7,417	81	Faroe Islands	6,786	79
Denmark	0	0	Denmark	0	0
Greenland	1,403	45	Greenland	1,195	26
Total	**8,820**	**126**	**Total**	**7,981**	**105**

Distribution of impairments at the Executive Management's discretion — Table 9

2023
(DKKm)

Country / Stage	1	2	2w	3	Total
Faroe Islands	51.8	17.8	0.0	0.0	69.7
Greenland	18.1	12.3	0.0	0.0	30.3
Denmark	0.0	0.0	0.0	0.0	0.0
Total	**69.9**	**30.1**	**0.0**	**0.0**	**100.0**

2022
(DKKm)

Country / Stage	1	2	2w	3	Total
Faroe Islands	30.2	11.0	0.2	0.0	41.3
Greenland	6.0	8.7	0.0	0.0	14.7
Denmark	0.0	0.0	0.0	0.0	0.0
Total	**36.2**	**19.6**	**0.2**	**0.0**	**56.0**

Market Risk

Organisation
The Bank has established an Investment Working Group to monitor the financial markets and continuously update its view on the financial markets. The Investment Working Group meets once a month to discuss the outlook for the financial markets and make an update containing a recommendation on tactical asset allocation to the Investment Group. The Investment Working Group refers to the Investment Group. Participants in the Investment Group are the CEO, the CFO, the CIO, the Financial Manager, the Risk Manager and Treasury. Based on the recommendation, the Investment Group decides whether to retain or revise the Bank's official outlook. The Investment Group's decisions are communicated throughout the organization and form the basis for all advice provided to customers and included in the Bank's official Markets Update.

Definition
The Group defines market risk as the risks taken in relation to price fluctuations in the financial markets. Several types of risk may arise and the Bank manages and monitors these risks carefully.

BankNordik's market risks are
- Interest rate risk: risk of loss caused by a upward change in interest rates
- Exchange rate risk: risk of loss from positions in foreign currency when exchange rates change

- Equity market risk: risk of loss from falling equity values

Policy and responsibility
The Group's market risk management relates to the Group's assets, liabilities and off-balance-sheet items. The Board of Directors defines the overall policies / limits for the Group's market risk exposures, including the overall risk limits. The limits on market risks are set with consideration of the risk they imply, and how they match the Group's strategic plans. On behalf of the Executive Board, the Group Risk Committee is responsible for allocating the market risk to the Group's major business areas.

Reporting of Market risk	
	Board of Directors
Monthly	Overview of - Interest risk - Exchange risk - Equity market risk - Liquidity risk - Deposits
	Executive Board
Monthly	Overview of - Interest risk - Exchange risk - Equity market risk - Liquidity risk - Deposits
Daily	Overview of - Funding risk - Deposits - Liquidity risk

The stringent exchange rate risk policies support the Group's investment policy of mainly holding listed Danish government and mortgage bonds. The Finance Department monitors, controls and reports market risk to the Board of Directors and the Executive Board on a daily and on a monthly basis.

Market risk
Table 10 shows the likely after tax effects on the Bank's share capital from likely market changes.
- All equity prices fall by 10%
- All currencies change by 10% (EUR by 2,25%)
- Foreign exchange risk
- Upwards parallel shift of the yield curve of 100 bp

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

Interest rate risk
The Group's policy is to invest most of its excess liquidity in LCR compliant bonds. As a consequence, BankNordik holds a large portfolio of bonds, and most of the Group's interest rate risk stems from this portfolio.

The Group's interest rate risk is calculated according to the requirements of the Danish FSA. The interest rate risk is defined as the effects of a one percentage point parallel shift of the yield curve. BankNordik offers fixed rate loans to corporate customers. The interest rate risk from these loans is hedged with interest rate swaps on a one-to-one basis. Table 11 shows the Group's overall interest rate risk measured as the expected loss on interest rate positions that would result from parallel upward shift of the yield curve.

Control and management

Likely after tax effects from changes in markets value — Table 10

	Change	2023	% of Core Capital	2022	% of Core Capital
Equity risk DKKm (+/-)	10%	23	1.2%	24	1.4%
Exchange risk DKKm (+/-) EUR	2.25%	0	0.0%	0	0.0%
Exchange risk DKKm (+/-) Other currencies	10%	0	0.0%	1	0.0%
Exchange risk, Total		1	0.0%	1	0.0%
Interest rate risk DKKm (parallel shift)	100 bp	12	0.7%	14	0.8%

Market Risk Management

Level	Board of Directors	Executive Board	CFO	Financial Manager	Markets	Treasury
Strategic	Defines the overall market risk					
Tactical		Delegating risk authorities to relevant divisions		Managing the Bank's market risk		Implementing
Operational			Controlling & Reporting	Monitoring	Trading	

Exchange rate risk

BankNordik's base currency is DKK and assets and liabilities in other currencies therefore imply an extra risk as they may vary in value over time relative to DKK. BankNordik's core business as a commercial bank makes it necessary to have access to foreign currencies and to hold positions in the most common currencies. Given the uncertainty of currency fluctuations, BankNordik´s policy is to maintain a low currency risk. The Group's exchange rate risk mainly stems from customer loans / deposits in foreign currency. The exchange rate risk on the issued bonds of SEK 300m are effectively hedged using a matching cross currency swap.

Interest rate risk broken down by currency — Table 11

(DKKm)	2023	2022
DKK	15	17
SEK	0	0
EUR	0	0
Total	**15**	**17**

Foreign exchange position — Table 12

(DKKm)	2023	2022
Assets in foreign currency	12	13
Liabilities and equity in foreign currency	0	0
Exchange rate indicator 1	12	13
Exchange rate indicator 2	0	0

Equity risk — Table 13

(DKKm)	2023	2022
Share/unit trust certificates listed on the Copenhagen Stock Exchange	90	123
Other shares at fair value based on the fair-value option	190	175
Total	**280**	**298**

Equity market risk

BankNordik's stringent risk policy restricts equity positions to listed and liquid shares and shares related to the Danish banking sector. The Group occasionally holds unlisted shares, for example in connection with taking over and reselling collateral from defaulted loans. The Group has acquired holdings in a number of unlisted banking related companies. These are mainly investments in companies providing financial infrastructure and financial services to the Bank. For some of these investments, BankNordik's holding is rebalanced yearly according to the business volume generated by the Bank to the company in question.

Liquidity Risk

Definition

- Liquidity risk is defined as the risk of loss resulting from
- Increased funding costs
- A lack of funding of new activities
- A lack of funding to meet the Group's commitments

The Board of Directors has defined the Bank's liquidity limits for the daily operational level and for budgeting plans. The Danish FSA has designated BankNordik as a systematically important financial institution (SIFI). With a liquidity coverage ratio (LCR) of 228.2 % at 31. December 2023 BankNordik's liquidity position remains robust.

Control and management

Liquidity risk is a fundamental part of the Group's business strategy. The Group's liquidity is monitored and managed by the Finance Department on a daily basis in accordance with the limits set by the Board of Directors and reported to the Executive Board by the Finance Department. A liquidity report with stress tests is submitted to the Executive Board and the Group Risk Committee on a monthly basis. Markets has the operational responsibility for investment of the liquidity, while Finance Department is responsible for monitoring, controlling and reporting on liquidity. The Group has implemented contingency plans to ensure that it is ready to respond to unfavorable liquidity conditions.

Exposures related to trading and investment activities — Table 14

(DKKm)	2023	2022
Bonds at fair value	1,397	1,591
Derivatives with positive fair value	39	73
Equity	280	298
Total	**1,715**	**1,963**

Operational liquidity risk

The objective of the Group's operational liquidity risk management is to ensure that the Group has sufficient liquidity at all times to handle customer transactions and changes in liquidity. BankNordik complies with LCR requirements and therefore closely monitors the bond portfolio with regards to holding sufficient LCR compliable bonds.

Liquidity stress testing
BankNordik has incorporated a liquidity stress testing model based on LCR. This model is used at least monthly to forecast developments in the Bank's liquidity on a 1-12-month horizon. The test is based on the business-as-usual situation and in a stressed version with outflows from undrawn committed facilities and other stress measures. If the target is not met, the Executive Board must implement a contingency plan.

Twelve-month liquidity
The Bank's 12-month funding requirements are based on projections for 2024 and takes the market outlook into account.

Structural liquidity risk
Deposits are generally considered a secure source of funding. Deposits are generally short term but their historical stability enables BankNordik to grant customer loans with much longer terms e.g. 25 years to fund residential housing. It is crucial for any bank to handle such maturity mismatch and associated risk, and therefore it is essential to have a reputation as a safe bank for deposits. Table 15 shows assets and liabilities by a maturity structure. In order to minimize liquidity risk, BankNordiks policy is to have strong liquidity from different funding sources.

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

Collateral provided by the Group
As customarily used by financial market participants BankNordik has entered into standard CSA agreements with other banks. These agreements commit both parties to provide and daily adjust collateral for negative market values. The bank with negative value exposure receives collateral. Thereby reducing counterparty risk to daily market fluctuations of derivatives and pledged amount. As a consequence of these agreements BankNordik at yearend 2023 had pledged bonds and cash deposits valued at DKK 5.3m under these agreements. BankNordik also provides collateral to the Danish central bank to give the Bank access to the intraday draft facility with the central bank as part of the Danish clearing services for securities. At yearend 2023, this collateral amounted to DKK 42m.

Liquidity Management

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

Remaining maturity						Table 15
(DKK 1,000)						
2023	0-1 months	1-3 months	3-12 months	More than 1 year	Without fixed maturity	Total
Cash in hand and demand deposits with central banks	1,795,718					**1,795,718**
Due from Credit institution	260,050					**260,050**
Loans and advances	317,288	449,953	1,154,915	10,099,874		**12,022,031**
Bonds			265,100	978,404		**1,243,503**
Shares					190,388	**190,388**
Derivatives	44,697					**44,697**
Other Assets	45,371	15,298	27,413	9,362		**97,444**
Total assets	**2,463,124**	**465,251**	**1,447,428**	**11,087,640**	**190,388**	**15,653,832**
2023						
Due to credit institutions and central banks	58,391		129,829	569,453		**757,673**
Deposits	6,820,051	559,718	842,103	510,682		**8,732,555**
Issued bonds				1,227,429		**1,227,429**
Other liabilities	36,839	48,698	88,263			**173,801**
Lease liabilities	277	554	2,494	64,239		**67,565**
Provisions for liabilities				1,869		**1,869**
Subordinated debt				121,880		**121,880**
Equity					2,035,891	**2,035,891**
Total	**6,915,559**	**608,971**	**1,062,689**	**2,495,552**	**2,035,891**	**13,118,663**
Off-balance sheet items						
Financial Guarantees	177,202					**177,202**
Other commitments	842,967					**842,967**
Total	**1,020,169**					**1,020,169**

Remaining maturity						
(DKK 1,000)						
2022	0-1 months	1-3 months	3-12 months	More than 1 year	Without fixed maturity	Total
Cash in hand and demand deposits with central banks	1,442,643					**1,442,643**
Due from Credit institution	389,894					**389,894**
Loans and advances	1,032,384	218,166	862,394	7,809,024		**9,921,969**
Bonds	144,000		93,784	1,240,688		**1,478,471**
Shares					228,572	**228,572**
Derivatives	72,458					**72,458**
Other Assets	78,645	70,182	1,728		148	**150,702**
Total assets	**3,160,025**	**288,348**	**957,906**	**9,049,712**	**228,721**	**13,684,711**
2022						
Due to credit institutions and central banks	58,665		139,220	429,387	299,507	**926,779**
Deposits	7,397,017	232,896	331,419	374,898		**8,336,230**
Issued bonds		200,000		421,952		**621,952**
Other liabilities	14,406	43,191	2,504	69,230	47,914	**177,244**
Lease liabilities	244	488	2,198	68,524		**71,455**
Provisions for liabilities				7,052		**7,052**
Subordinated debt				124,755		**124,755**
Equity					2,001,741	**2,001,741**
Total	**7,470,332**	**476,575**	**475,342**	**1,495,798**	**2,349,162**	**12,267,208**
Off-balance sheet items						
Financial Guarantees	265,042					**265,042**
Other commitments	1,358,477					**1,358,477**
Total	**1,623,519**					**1,623,519**

Insurance Risk

Insurance risk in the Group consists of non-life and life risks. The Group has a non-life insurance company, Trygd and a life insurance company, NordikLív.

Risk exposure for an insurance company can be defined as a contingency event, chain of events or bad management which can by itself, or by accumulation, seriously affect the annual results of the insurer and in extreme cases make it unable to meet its liabilities. Risks for an insurance operation are typically categorized as insurance risk and market risk. Among other risks are currency exchange risk, liquidity risk, counterparty and concentration risk and operational risk.

Careful and prudent risk management forms an integral part of any insurance operations. The nature of insurance is to deal with unknown future incidents resulting in a payment obligation. An important part of managing insurance risk is reinsurance. The Group must protect itself against dramatic fluctuations in technical results by entering into agreements on reinsurance so that the risk of the Group having to pay claims from its own funds is reasonable in relation to the risks assumed, their composition and the company's equity. This is done with statistical spread of risks and accumulation of funds, quantified by statistical methods, to meet these obligations.

Likely effects from changes in markets value			Table 16
(DKKm)	**Change**	**2023**	**2022**
Equity risk (+/-)	10%		
Exchange risk (+/-) in euro	2.25%		
Exchange risk (+/-) other currency	10%		
Interest rate risk (parallel shift) - Trygd	100 bp	3.9	1.9
Interest rate risk (parallel shift) Total	**100 bp**	**5.4**	**2.6**

Distrubution of Trygd's portfolio		Table 17
	2023	**2022**
Commercial lines	35.7%	37.3%
Personal lines	64.3%	62.7%

The Group has defined internal procedures to minimise the possible loss regarding insurance liabilities. The insurance companies evaluate their insurance risk on a regular basis for the purpose of optimising the risk profile. Risk management also involves holding a well diversified insurance portfolio. The insurance portfolio of Trygd is well diversified in personal and commercial lines (see table 17).

Insurance risk

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

The insurance companies have invested in investment securities and cash and cash equivalents in the effort to balance the exposure to market and currency risk (see table 18).

Capital requirements

The effects on BankNordiks solvency, due to the ownership of the insurance companies Trygd and NordikLív, are considered low. According to CRR the risk weighted assets has increased DKK 316m. The negative effect on the Total capital ratio thus is 1.3% points.

Financial assets linked to insurance risk in Trygd		Table 18
(DKK 1,000)	**2023**	**2022**
Listed securities on stock exchange	227,865	175,578
Accounts receivable (total technical provisions)	3,275	2,634
Cash and cash equivalents	1,695	6,304
Total	**232,836**	**184,516**

Run-off gains/losses in Trygd					Table 19
(DKKm)					
Sector	**2023**	**2022**	**2021**	**2020**	**2019**
Industry	-1.15	3.31	-0.01	0.67	1.04
Private	0.19	-0.42	-0.06	0.34	-0.14
Accidents	3.17	-3.55	-10.62	-5.55	-0.17
Automobile	-4.49	-2.79	1.45	3.31	3.56
Total	**-2.27**	**-3.46**	**-9.24**	**-1.23**	**4.28**

Contractual maturity for the insurance segment

Table 20

(DKK 1,000)

2023	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	227,865					227,865
Reinsurance assets		3,275				3,275
Accounts receivables		3,980				3,980
Restricted cash						
Cash and cash equivalents	1,695					1,695
Total financial assets	**229,560**	**7,255**				**236,816**
Liabilities						
Technical provision		138,635				138,635
Account payable		15,837				15,837
Total financial liabilities		**154,472**				**154,472**
Assets - liabilities	**229,560**	**-147,216**				**82,344**

Contractual maturity for the insurance segment

(DKK 1,000)

2022	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	175,578					175,578
Reinsurance assets		2,634				2,634
Accounts receivables		4,267				4,267
Restricted cash						
Cash and cash equivalents	6,304					6,304
Total financial assets	**181,882**	**6,901**				**188,783**
Liabilities						
Technical provision		115,064				115,064
Account payable		10,533				10,533
Total financial liabilities		**125,597**				**125,597**
Assets - liabilities	**181,882**	**-118,696**				**63,186**

Trygd non-life insurance

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

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

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

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

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

Trygd has organized a reinsurance program which ensures that e.g. large natural disasters and significant individual claims do not compromise Trygd´s ability to meet its obligations. For large natural disasters, the total cost to Trygd in 2023 would amount to a maximum of DKK 6m plus 10 % of the amount exceeding DKK 6m up 10m. The 10 % were added to Trygd's share for layer 1 of the Property reinsurance programme 2023 as it was not possible to cover 100 % of that layer.

The reinsurance program is reviewed once a year and approved by the Board of Directors.

Trygd uses reputable reinsurance companies with strong ratings (A-class ratings at least on S&P or equivalent) and financial positions.

Trygd's Claims Department is responsible for handling all claims and only claims employees deal with claims matters or advise claimants in specific claim cases. Technical provisions to cover future payments for claims arising are calculated using appropriate and generally recognised methods. Insurance provisions are made to cover the future risk based on experience from previous and similar claims. These are updated on a yearly basis taking realized costs of claims into account and the Claims Department is continuously updating and monitoring the claim provisions. These methods and analyses are subject to the natural uncertainty inherent in estimating future payments, both in terms of size and date of payment.

Trygd's investment policy is restrictive and Trygd holds mainly government bonds and Danish mortgaged backed bonds limiting the primary financial risk to interest rate risk. However, during 2022 there was a change in the risk appetite, and therefore a small portion of the funds can be placed in shares through equity funds. This line was continued in 2023. There is no exchange rate risk, as all investments are based in DKK. Trygd has invested in investment securities and cash and cash equivalents in the effort to balance the exposure to market and currency risk.

NordikLív — Life insurance
NordikLív issues regular life, disability and critical illness insurance covers in the Faroese market.

The primary risks of NordikLív are financial risks, insurance risks, operational risks and commercial risks.

NordikLív's investment policy is restrictive and at present NordikLív holds mainly government bonds and Danish mortgaged backed bonds limiting the primary financial risk to interest rate risk. During 2022 there was a change in the risk appetite, and therefore a small portion of the funds can be placed in shares through equity funds. This line was continued in 2023. There is no exchange rate risk, as all investments are based in DKK.

In respect of insurance risks these are, due to the company's limited product portfolio, mainly related to death, disability, costs and the occurrence of a catastrophe. To mitigate these risks NordikLív's underwriting policy is aimed at securing that only risks that can be characterized as normal for the relevant area of insurance are accepted.

Further, together with the sister company Trygd, NordikLív is reinsured against larger claims, e.g. occurrence of a catastrophe in a Group reinsurance life policy. The combined deductible is DKK 3m with regards to reinsurance.

Operational risks are the risks of suffering an economic loss due insufficient or the complete lack of internal procedures, human or system-based errors or due to external events, including a change in legislation.

Commercial risks are related to the uncertainty of the development of the Faroese life insurance market, change in customer behaviour and demands, a shift in technology and reputational risk.

In order to mitigate operational and commercial risks NordikLív has entered into cooperation agreements with Forenede Gruppeliv, Trygd and BankNordik providing the company with expert resources within production, administration, internal audit, risk management and compliance.

BANKNORDIK

Highlights, ratios and key figures, five year summary - BankNordik Group

Note 50 **Highlights**[1]

DKK 1,000	2023	2022	Index 23 / 22	2021	2020	2019
Net interest income	419,461	274,334	153	268,580	278,220	258,853
Net fee and commision income	81,680	88,113	93	79,360	59,892	55,765
Net interest and fee income	507,257	368,922	137	351,370	341,384	318,307
Net insurance result	45,925	34,133	135	33,895	45,152	52,327
Interest and fee income and income from insurance activities, net	550,975	403,056	137	385,264	386,535	370,634
Market value adjustments	54,614	-25,611	-213	4,391	-16,968	1,370
Other operating income	9,294	7,472	124	11,009	7,086	12,470
Staff cost and administrative expenses	243,670	225,642	108	232,567	244,335	262,513
Impairment charges on loans and advances etc.	-10,043	-46,629	22	-76,561	-4,962	-68,962
Net profit continuing operations	307,533	164,407	187	193,356	103,150	144,159
Net profit discontinued operations	0	0		78,983	63,035	62,471
Net profit	307,533	164,407	187	272,340	166,186	206,631
Loans and advances	8,882,855	8,083,343	110	7,624,093	7,607,901	9,908,886
Bonds at fair value	1,396,516	1,591,453	88	1,880,565	4,472,621	5,599,529
Intangible assets	1,702	2,402	71	2,684	2,432	9,957
Assets held for sale	0	24,200		0	4,466	1,500
Assets in disposals groups classified as held for sale	0	0		0	3,217,940	0
Total assets	12,944,835	12,167,073	106	11,789,746	17,290,303	18,173,399
Amounts due to credit institutions and central banks	719,105	858,172	84	838,608	27,954	54,922
Issued bonds at amortised cost	986,134	547,584	180	348,938	0	0
Deposits and other debt	8,702,192	8,335,662	104	7,899,659	7,733,408	14,367,685
Liabilities directly associated with assets in disposal groups classified	0	0		0	6,520,004	0
Total shareholders' equity	1,850,609	1,798,857	103	2,035,853	2,271,024	2,112,335

Ratios and key figures	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Solvency	2023	2022	2021	2020	2019
Total capital ratio, incl. MREL capital, %	41.1	29.7	29.6	26.4	22.3
Total capital ratio, %	29.4	24.8	27.5	26.4	22.3
Core capital ratio, %	28.0	23.5	26.0	24.1	20.2
CET 1 capital	25.8	21.4	23.8	22.6	18.8
RWA, DKK mill	6,819	7,195	6,841	9,774	10,764
Profitability					
Return on shareholders' equity before tax, %	20.7	10.8	11.1	9.4	12.7
Return on shareholders' equity after tax, %	16.9	8.6	12.6	7.6	10.1
Income / Cost ratio	2.6	2.0	2.5	1.5	1.9
Cost / income, % (excl. value adjustm. and impairments)	44.7	56.0	60.4	64.1	70.5
Return on assets	2.4	1.4	2.3	1.0	1.1
Market risk					
Interest rate risk, %	0.8	1.0	-0.4	0.5	1.8
Foreign exchange position, %	0.6	0.7	0.8	1.0	1.4
Foreign exchange risk, %	0.0	0.0	0.0	0.0	0.1
Liquidity					
Loans and advances plus impairment charges as % of deposits	104.1	99.2	99.5	104.4	72.3
Liquidity Coverage Ratio (LCR), %	228.2	225.2	191.4	231.1	229.5
Credit risk					
Large exposures as % of capital base	22.0	26.1	25.9	20.5	10.0
Impairment and provisioning ratio, %	1.8	1.9	2.6	5.1	3.7
Write-off and impairments ratio, %	-0.1	-0.5	-0.8	-0.1	-0.5
Share of amounts due on which interest rates have been reduced, %	0.3	0.2	0.3	0.7	0.8
Growth on loans and advances, %	9.9	6.0	0.2	-23.2	-0.5
Gearing of loans and advances, %	4.8	4.5	3.7	3.3	4.7
Shares					
Earnings per share after tax, DKK	32.1	17.2	28.5	17.4	21.8
Book value per share, DKK	193.3	187.7	212.7	237.3	221.6
Proposed dividend per share DKK	8.3	26.0	40.2	5.0	7.0
Market price per share, DKK	164.5	136.0	140.5	152.0	109.0
Market price / earnings per share DKK	5.1	7.9	4.9	8.7	5.0
Market price / book value per share DKK	0.9	0.7	0.7	0.6	0.5
Other					
Number of full-time employees, end of period	207	200	195	352	377

1) The highlights in 2019 are not comparable due to reclassificaton of discontinued operations in 2020. Regarding the implementation of IFRS 17 the highlights in 2019-2021 have not been corrected.

Highlights, ratios and key figures, five year summary - P/F Bank Nordik

Note 50 **Highlights**[1]

(cont'd)

DKK 1,000	2023	2022	Index 23 / 22	2021	2020	2019
Net interest income	419,462	274,639	153	267,718	276,691	257,186
Net fee and commision income	92,181	101,775	91	91,754	71,406	66,652
Net interest and fee income	517,759	382,889	135	362,900	351,369	327,527
Market value adjustments	54,614	-25,611	-213	6,813	-13,923	6,943
Other operating income	2,201	2,452	90	4,968	2,978	6,679
Staff cost and administrative expenses	234,956	219,350	107	211,855	225,740	240,146
Depreciation and impairment of property, plant and equipment	7,236	3,331	217	6,088	6,941	6,971
Impairment charges on loans and advances etc.	-10,043	-46,629	22	-76,561	-4,962	-68,962
Income from associated and subsidiary undertakings	32,614	20,752	157	5,094	14,285	19,501
Net profit continuing operations	307,533	164,407	187	193,356	103,150	144,159
Net profit discontinued operations	0	0		78,983	63,035	62,471
Net profit	307,533	164,407	187	272,340	166,186	206,631
Loans and advances	8,882,855	8,083,343	110	7,624,093	7,607,901	9,908,886
Bonds at fair value	1,217,642	1,449,713	84	1,683,517	4,255,519	5,404,445
Intangible assets	1,702	2,402	71	2,684	2,432	9,957
Assets held for sale	0	24,200		0	4,466	1,500
Assets in disposals groups classified as held for sale	0	0		0	3,217,940	0
Total assets	12,796,250	12,056,877	106	11,674,564	17,199,646	18,095,281
Amounts due to credit institutions and central banks	719,105	858,172	84	838,608	27,954	54,922
Issued bonds at amortised cost	986,134	547,584	180	348,938	0	0
Deposits and other debt	8,709,586	8,351,065	104	7,914,185	7,755,724	14,399,292
Liabilities directly associated with assets in Disposal groups classified	0	0		0	6,520,004	0
Total shareholders' equity	1,850,609	1,798,857	103	2,035,853	2,271,024	2,112,335

Ratios and key figures

	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019
Solvency					
Total capital ratio, incl. MREL capital, %	41.1	29.7	29.6	26.4	22.3
Total capital ratio, %	29.4	24.8	27.5	26.4	22.3
Core capital ratio, %	28.0	23.5	26.0	24.1	20.2
CET 1 capital	25.8	21.4	23.8	22.6	18.8
RWA, DKK mill	6,819	7,195	6,841	9,774	10,764
Profitability					
Return on shareholders' equity before tax, %	20.5	10.6	11.0	9.3	12.5
Return on shareholders' equity after tax, %	16.9	8.6	12.6	7.6	10.1
Income / Cost ratio	2.6	2.1	2.7	1.6	2.0
Cost / income, % (excl. value adjustm. and impairments)	44.2	55.1	58.7	63.3	70.0
Return on assets	2.4	1.4	2.3	1.0	1.2
Market risk					
Interest rate risk, %	0.5	0.9	0.5	0.4	1.8
Foreign exchange position, %	0.6	0.7	0.8	1.0	1.4
Foreign exchange risk, %	0.0	0.0	0.0	0.0	0.1
Liquidity					
Loans and advances plus impairment charges as % of deposits	104.0	99.0	99.3	104.1	72.1
Liquidity Coverage Ratio (LCR), %	228.2	225.2	191.4	231.1	229.5
Credit risk					
Large exposures as % of capital base	22.0	26.1	25.9	20.5	10.0
Impairment and provisioning ratio, %	1.8	1.9	2.6	4.9	3.7
Write-off and impairments ratio, %	-0.1	-0.5	-0.8	-0.1	-0.5
Share of amounts due on which interest rates have been reduced, %	0.3	0.2	0.3	0.7	0.8
Growth on loans and advances, %	9.9	6.0	0.2	-23.2	-0.5
Gearing of loans and advances	4.8	4.5	3.7	3.3	4.7
Shares					
Earnings per share after tax, DKK	32.1	17.2	28.5	17.4	22.1
Book value per share, DKK	193.3	187.7	212.7	237.3	221.6
Proposed dividend per share DKK	8.3	26.0	40.2	5.0	7.0
Market price per share, DKK	164.5	136.0	140.5	152.0	109.0
Market price / earnings per share DKK	5.1	7.9	4.9	8.7	4.9
Market price / book value per share DKK	0.9	0.7	0.7	0.6	0.5
Other					
Number of full-time employees, end of period	169	169	164	320	345

1) The highlights in 2019 are not comparable due to reclassificaton of discontinued operations in 2020.

Definitions of key financial ratios

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

Contact details

Head Office

P/F BankNordik
Oknarvegur 5
P.O. Box 3048
FO-110 Tórshavn
Faroe Islands
Phone: +298 330 330
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 Copnhagen.

IR contact

Arnhold Olsen
E-mail: ao@banknordik.fo
Tel. +298 330 330

Branches

Faroe Islands

Tórshavn
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Miðvágur
Jatnavegur 26
370 Miðvágur
Phone: +298 330 330

Klaksvík
Við Sandin 12
700 Klaksvík
Phone: +298 330 330

Saltangará
Heiðavegur 54
600 Saltangará
Phone: +298 330 330

Tvøroyri
Sjógøta 2
800 Tvøroyri
Phone: +298 330 330

Customer Service
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Corporate Banking
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Markets
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Ungdómsbankin
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Greenland

Personal Banking
Qullilerfik 2
3900 Nuuk
Phone: +299 34 79 00

Corporate Banking
Qullilerfik 2
3900 Nuuk
Phone: +299 34 79 00