

# **Interim Report**

## **H1 2017**

**3 August 2017**

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## Highlights, ratios and key figures - BankNordik Group

Highlights	H1	H1	Index	Q2	Q1	Q4	Q3	Q2
DKK 1,000	2017	2016	17 / 16	2017	2017	2016	2016	2016
Net interest income	194,890	210,111	93	96,950	97,939	100,037	103,055	97,581
Dividends from shares and other investments	5,218	9,354	56	4,482	735	84	30	9,140
Net fee and commission income	104,659	86,380	121	53,246	51,413	51,025	44,798	41,706
Net interest and fee income	304,767	305,846	100	154,679	150,088	151,146	147,883	148,427
Net insurance income	18,356	19,922	92	9,328	9,028	-6,782	13,486	11,496
Interest and fee income and income from insurance activities, net	323,123	325,768	99	164,007	159,116	144,364	161,370	159,922
Market value adjustments	18,710	9,872	190	4,678	14,032	-10,232	11,673	12,585
Other operating income	11,624	18,548	63	5,209	6,416	16,559	4,081	13,379
Staff cost and administrative expenses	231,553	239,495	97	117,291	114,262	111,724	111,242	112,198
Impairment charges on loans and advances etc.	3,422	9,607	36	-1,767	5,189	10,263	-1,642	6,974
Net profit continued operations	88,388	77,187	115	43,152	45,236	37,444	34,541	48,423
Net profit discontinued operations	0	-6,846	0	0	0	0	79,549	1,346
Net profit	88,388	70,341	126	43,152	45,236	20,532	131,002	49,769
Loans and advances	9,427,627	9,394,601	100	9,427,627	9,159,436	9,140,637	9,371,948	9,394,601
Bonds at fair value	4,479,960	4,343,250	103	4,479,960	4,770,380	4,677,230	4,509,844	4,343,250
Assets held for sale	10,034	32,755	31	10,034	10,283	11,974	32,266	32,755
Total assets	16,117,793	16,419,074	98	16,117,793	15,578,746	15,552,094	15,936,796	16,419,074
Due to credit institutions and central banks	326,367	615,761	53	326,367	297,019	341,676	494,502	615,761
Deposits and other debt	13,472,482	12,949,228	104	13,472,482	12,678,890	12,668,697	12,804,917	12,949,228
Total shareholders' equity	1,718,381	1,811,544	95	1,718,381	1,674,667	1,922,035	1,910,554	1,811,544

## Ratios and key figures

	June 30	June 30	June 30	March 31	Dec. 31	Sept. 30	June 30
	2017	2016	2017	2017	2016	2016	2016
<b>Solvency</b>							
Solvency ratio, %	17.9	17.1	17.9	18.4	18.3	19.0	17.1
Core capital ratio, %	15.7	15.1	15.7	16.1	16.0	17.0	15.1
Core capital ratio excl. hybrid core capital, end of period, %	15.7	15.1	15.7	16.1	16.0	17.0	15.1
Risk-weighted items, DKK mill	10,071	10,577	10,071	9,810	9,790	10,500	10,577
<b>Profitability</b>							
Return on equity after tax, %	4.9	3.9	2.5	2.5	1.1	7.0	2.8
Cost / income, %	68.2	73.0	68.2	68.1	81.7	63.7	67.3
Cost / income, % (excl. value adjustm. and impairments)	70.9	72.3	71.2	70.7	70.1	69.2	68.1
Return on assets	0.5	0.4	0.3	0.3	0.1	0.8	0.3
<b>Market risk</b>							
Interest rate risk, %	2.0	1.7	2.0	1.7	1.1	1.3	1.7
Foreign exchange position, %	1.0	9.6	1.0	1.3	4.8	13.6	9.6
<b>Liquidity</b>							
Excess cover relative to statutory liquidity requirements, %	245.5	254.3	245.5	239.1	241.7	227.6	254.3
<b>Credit risk</b>							
Growth on loans and advances, %	3.1	-12.0	2.9	0.2	-2.5	-0.2	-5.7
Gearing of loans and advances	5.5	5.2	5.5	5.5	4.8	4.9	5.2
Impairment and provisioning ratio, end of period, %	5.1	5.4	5.1	5.4	5.5	5.4	5.4
Write-off and provisioning ratio, %	0.0	0.1	0.0	0.0	0.1	0.1	0.1
Share of amounts due on which interest rates have been reduced, end of period, %	0.6	0.9	0.6	0.6	0.7	0.8	0.9
<b>Shares</b>							
Earnings per share after tax (nom. DKK 20), DKK	9.1	7.1	4.4	4.7	2.1	13.3	5.1
Market price per share (nom. DKK 20), DKK	123.0	113.5	123.0	139.5	135.5	127.0	113.5
Book value per share (nom. DKK 20), DKK	177	185	177	172	198	195	185
<b>Other</b>							
Number of full-time employees, end of period	407	464	407	416	415	416	464

Financial figures of discontinued operations have been left out of the highlights table. Ratios and key figures are calculated on the basis of total results, i.e. both continuing and discontinued operations.

# Financial review

## Highlights H1 2017

- Net interest income was down by DKK 15m year-on-year, primarily due to the controlled run-off of corporate lending in Denmark but also due to a tighter interest margin.
- Net fees, commission income and dividends increased to DKK 110m in H1 2017 from DKK 95m in H1 2016, mostly due to higher income from asset management activity during the period. Asset management income is expected to normalize at a lower level in upcoming quarters.
- Net insurance income was down DKK 3m to DKK 18m in H1 2017 from DKK 21m in H1 2016.
- Operating costs increased by DKK 4m to DKK 236m in H1 2017 from DKK 232m in H1 2016, owing to increased IT expenditures.
- Net impairment charges on loans were a reversal of DKK 5m in H1 2017 compared to a reversal of DKK 4m in H1 2016.
- Operating profit fell to DKK 94m in H1 2017 from DKK 101m in H1 2016.
- There were no non-recurring items in H1 2017 compared to an expense of DKK 12m in H1 2016.
- Value adjustments were a gain of DKK 18m in H1 2017 compared to a gain of DKK 7m in H1 2016.
- There were no discontinued activities related to Vörður in H1 2017 compared to a loss before tax of DKK 9m in H1 2016.
- Profit before tax was DKK 112m in H1 2017 compared to DKK 86m in H1 2016.

As announced on 30 September 2016, BankNordik has sold the Icelandic insurance company Vörður. Accordingly, Vörður is presented separately in the income statement. See note 10 for further information.

## Income statement

The summary income statement has been adjusted for non-recurring items in each relevant quarter:

### Income statement, Group

DKKm	Index			Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
	H1 2017	H1 2016	17/16					
Net interest income	195	210	93	97	98	100	103	98
Net fees, commission income & dividends	110	95	116	58	52	51	46	50
Net insurance income	18	21		9	9	-7	12	12
Other operating income (less reclassification)	3	5	65	2	1	2	2	3
<b>Operating income</b>	<b>326</b>	<b>331</b>	<b>99</b>	<b>166</b>	<b>160</b>	<b>146</b>	<b>163</b>	<b>163</b>
Operating costs*	-236	-232	102	-120	-116	-114	-113	-115
Sector costs	-1	-2	53	-1	-1	1	-1	-1
<b>Profit before impairment charges</b>	<b>89</b>	<b>97</b>	<b>92</b>	<b>46</b>	<b>43</b>	<b>33</b>	<b>49</b>	<b>47</b>
Impairment charges	-3	-12	28	2	-5	-10	4	-10
Reversals of acquired OEL impairments (Reclassified from Other operating income)	8	17	50	3	5	15	-1	14
Impairment charges, net	5	4		5	0	4	4	3
<b>Operating profit</b>	<b>94</b>	<b>101</b>	<b>94</b>	<b>51</b>	<b>43</b>	<b>38</b>	<b>53</b>	<b>50</b>
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items (Reclassified from Staff costs and administrative expenses)	0	-12		0	0	0	0	0
<b>Profit before value adjustments and tax</b>	<b>94</b>	<b>88</b>	<b>107</b>	<b>51</b>	<b>43</b>	<b>38</b>	<b>53</b>	<b>50</b>
Market value adjustments**	18	7		4	14	-10	12	9
<b>Profit before tax, continuing operations</b>	<b>112</b>	<b>95</b>	<b>119</b>	<b>55</b>	<b>57</b>	<b>28</b>	<b>64</b>	<b>60</b>
<b>Profit before tax, discontinued operations (Vörður)</b>	<b>0</b>	<b>-9</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>1</b>
<b>Profit before tax, total</b>	<b>112</b>	<b>86</b>	<b>131</b>	<b>55</b>	<b>57</b>	<b>28</b>	<b>164</b>	<b>61</b>
Operating cost/income, %	72	70		72	73	78	69	70
Number of FTE, end of period	407	464	88	407	416	415	416	464

\* Comprises Staff costs and administrative expenses and Amortisation, depreciation and impairment charges (less reclassification to non-recurring items)

\*\* Incl. Net income from investments accounted for under the equity method

The following comments relate to the adjusted figures and are generally stated relative to Q1 2017. Due to seasonal variations, comments on the insurance segment are made relative to Q2 2016.

**Operating income**

The BankNordik Group generated operating income of DKK 166m in Q2 2017, up DKK 6m from DKK 160m in Q1 2017.

**Net interest income**

Net interest income was down by DKK 1m in Q2 2017 compared to Q1 2017, due to pressure on interest margins.

**Net fee and commission income and dividends**

Net fee and commission income and dividends amounted to DKK 58m in Q2 2017 compared to DKK 52m in Q1 2017, as income from asset management activity increased during the quarter. Asset management income is expected to normalise at a lower level in upcoming quarters.

**Net insurance income**

Net insurance income was DKK 9m in Q2 2017, flat compared to Q1 2017 and down DKK 3m compared to Q2 2016 (DKK 12m).

**Operating and sector costs**

Operating and sector costs were DKK 121m in Q2 2017, DKK 4m higher than in Q1 2017, driven by higher IT costs.

**Profit before impairment charges**

Profit before impairment charges was up from DKK 43m in Q1 2017 to DKK 46m in Q2 2017.

**Impairment charges**

Net impairment charges were a reversal of DKK 5m in Q2 2017 compared to zero in Q1 2017.

**Operating profit**

Operating profit was up by DKK 8m from DKK 43m in Q1 2017 to DKK 51m in Q2 2017.

**Balance sheet**

BankNordik's total assets at 30 June 2017 amounted to DKK 16.1bn. Loans and advances were DKK 9.4bn, i.e. up DKK 268m compared to 31 March 2017. Deposits were DKK 13.5bn, an increase of DKK 794m compared to 31 March 2017. The increase in deposits was partially due to a transitional period, where a part of the Group's assets under management were undergoing a transfer to deposits under pooled schemes.

Liquidity invested in bonds, primarily in Danish mortgage bonds and Danish government bonds, amounted to DKK 4.5bn, a decrease of DKK 290m compared to 31 March 2017. Liquidity invested in shares amounted to DKK 245m, down by DKK 5m relative to 31 March 2017. The surplus liquidity at 30 June 2017 was 246% higher than the statutory requirement. The Group's equity at 30 June 2017 amounted to DKK 1,718m, up DKK 44m compared to 31 March 2017.

## Capital ratios

The Group's CET1 capital ratio fell by 0.4 percentage point quarter-on-quarter to stand at 15.7% at 30 June 2017. Likewise, the solvency ratio decreased to 17.9% at 30 June 2017 from 18.4% at 31 March 2017.

In conjunction with an increase in risk weighted assets, the fall in capital adequacy was attributable to changes in accounting guidelines for interim financial reporting. As such, net profit within a given year is not recognised in shareholders' equity in the capital and solvency statements until the annual report is released in audited form.

In May 2017, the government announced a systemic risk buffer of 1% of all Faroese exposures based on recommendations from the Systemic Risk Council. The requirement will take effect from January 2018. In addition to the systemic risk buffer, the impending MREL capital requirements are expected to be announced by the end of 2017. BankNordik is continuously monitoring the regulatory environment to anticipate and adapt to the upcoming requirements.

## Compliance with the Danish FSA Supervisory Diamond

	BankNordik H1 2017	FSA Limit
Large exposures	23.7%	<125%
Liquidity coverage	245.5%	>50%
Lending growth	0.4%	<20%
Funding ratio	0.60	<1.00
Lending to property sector	5.7%	<25%

At 30 June 2017, the Group was in compliance with all Supervisory Diamond requirements set by the Danish FSA.

## Events after the balance sheet date

No events have occurred since 30 June 2017 that are deemed to have a significant impact on the Group's financial position.

## Outlook

Management reconfirms the FY2017 guidance of profit before impairment charges, value adjustments and tax in the range of DKK 150-190m (H1 2017: DKK 89m).

Impairment charges on loans for 2017 are expected to be less than DKK 20m (H1 2017: Reversal of DKK 5m).

This guidance is generally subject to uncertainty and will depend on economic conditions, including possible central bank monetary policy measures.

# BankNordik Group by segment

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

## Income statement, Banking

DKKmn			<i>Index</i>					
	H1 2017	H1 2016	17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	194	210	93	96	97	99	103	97
Net fees, commission income & dividends	114	98	116	60	54	55	48	52
Other operating income	2	2	68	1	1	1	1	2
<b>Operating income</b>	<b>310</b>	<b>310</b>	<b>100</b>	<b>157</b>	<b>152</b>	<b>155</b>	<b>151</b>	<b>151</b>
Operating cost	-224	-223	100	-112	-112	-108	-108	-110
Sector costs	-1	-2	53	-1	-1	1	-1	-1
<b>Profit before impairment charges</b>	<b>84</b>	<b>85</b>	<b>100</b>	<b>45</b>	<b>40</b>	<b>49</b>	<b>42</b>	<b>40</b>
Impairment charges	-3	-10	36	2	-5	-10	2	-7
Reversals of acquired OEI impairments	8	14	62	3	5	15	2	10
Impairment charges, net	5	4		5	0	4	4	3
<b>Operating profit</b>	<b>89</b>	<b>88</b>	<b>101</b>	<b>50</b>	<b>40</b>	<b>53</b>	<b>46</b>	<b>43</b>
Impairment charges, intangible assets	0	0		0	0	0	0	0
Non-recurring items	0	-12		0	0	0	0	0
<b>Profit before value adjustments and tax</b>	<b>89</b>	<b>76</b>	<b>117</b>	<b>50</b>	<b>40</b>	<b>53</b>	<b>46</b>	<b>43</b>
Market value adjustments	20	10		5	14	-9	12	12
<b>Profit before tax</b>	<b>109</b>	<b>86</b>	<b>127</b>	<b>55</b>	<b>54</b>	<b>44</b>	<b>58</b>	<b>55</b>
Loans and advances	9,428	9,395	100	9,428	9,159	9,141	9,372	9,395
Deposits and other debt	13,498	13,006	104	13,498	12,696	12,691	12,829	13,006
Operating cost/income, %	72	72		71	74	69	71	73
Number of FTE, end of period	376	370	102	376	384	385	386	370

## Personal Banking

The Personal Banking segment reported operating profit of DKK 63m in Q2 2017 compared to DKK 66m in Q1 2017. Net interest income was up by DKK 1m as a result of increased lending. Net fees, commission income and dividends fell by DKK 2m in Q2 2017 compared to Q1 2017. On a YoY basis, fee and commission income was up by DKK 3m from DKK 38m in Q2 2016 to DKK 41m in Q2 2017.

Operating costs were DKK 45m in Q2 2017, flat compared to Q1 2017, while net impairment charges were a reversal of DKK 1m in Q2 2017 compared to a reversal of DKK 3m in Q1 2017.

Loans and advances increased by DKK 106m to DKK 6,123m at 30 June 2017 while deposits increased by DKK 752m, both compared to 31 March 2017.

### Income statement, Personal banking

DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	130	138	94	65	64	67	70	68
Net fees, commission income & dividends	84	76	112	41	43	51	44	38
Other operating income	1	1		0	0	1	1	0
<b>Operating income</b>	<b>214</b>	<b>215</b>	<b>100</b>	<b>107</b>	<b>108</b>	<b>119</b>	<b>115</b>	<b>107</b>
Operating cost	-89	-83	108	-45	-45	-45	-42	-45
Sector costs	-1	-2	54	0	0	1	-1	-1
<b>Profit before impairment charges</b>	<b>124</b>	<b>130</b>	<b>96</b>	<b>62</b>	<b>63</b>	<b>75</b>	<b>72</b>	<b>61</b>
Impairment charges, net	4	12		1	3	-2	8	12
<b>Operating profit</b>	<b>128</b>	<b>142</b>	<b>90</b>	<b>63</b>	<b>66</b>	<b>73</b>	<b>80</b>	<b>73</b>
Non-recurring items	0	-2		0	0	0	0	0
<b>Profit before value adjustments and tax</b>	<b>128</b>	<b>141</b>	<b>91</b>	<b>63</b>	<b>66</b>	<b>73</b>	<b>80</b>	<b>73</b>
Market value adjustments	0	0		0	0	0	0	0
<b>Profit before tax</b>	<b>128</b>	<b>141</b>	<b>91</b>	<b>63</b>	<b>66</b>	<b>73</b>	<b>80</b>	<b>73</b>
Loans and advances	6,123	5,716	107	6,123	6,017	5,960	5,852	5,716
Deposits and other debt	10,282	9,742	106	10,282	9,530	9,538	9,722	9,742
Operating cost/income, %	42	39		42	41	38	34	44
Number of FTE, end of period	214	203		214	211	215	207	203



## Corporate Banking

The Corporate Banking activities reported operating profit of DKK 35m in Q2 2017 compared to DKK 29m in Q1 2017. Operating income was down by DKK 2m to DKK 34m mainly due to pressure on interest margins. Operating costs were DKK 3m, flat compared to Q1 2017. Net impairment charges were a reversal of DKK 4m in Q2 2017 compared to net impairment charges of DKK 3m in Q1 2017.

Corporate lending picked up during the quarter increasing by DKK 163m in Q2 2017, while deposits increased by DKK 50m.

### Income statement, Corporate Banking

DKKm				<i>Index</i>				
	H1 2017	H1 2016	17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	62	81	76	30	31	32	34	36
Net fees, commission income & dividends	8	8	102	4	4	5	4	4
Other operating income	0	0		0	0	0	0	0
<b>Operating income</b>	<b>70</b>	<b>89</b>	<b>78</b>	<b>34</b>	<b>36</b>	<b>38</b>	<b>38</b>	<b>40</b>
Operating cost	-7	-10	63	-3	-3	-4	-3	-4
Sector costs	0	-1	50	0	0	0	0	0
<b>Profit before impairment charges</b>	<b>63</b>	<b>78</b>	<b>81</b>	<b>31</b>	<b>32</b>	<b>34</b>	<b>35</b>	<b>36</b>
Impairment charges, net	1	-10		4	-3	6	-2	-11
<b>Operating profit</b>	<b>64</b>	<b>68</b>	<b>95</b>	<b>35</b>	<b>29</b>	<b>40</b>	<b>32</b>	<b>24</b>
Non-recurring items	0	0		0	0	0	0	0
<b>Profit before value adjustments and tax</b>	<b>64</b>	<b>68</b>	<b>95</b>	<b>35</b>	<b>29</b>	<b>40</b>	<b>32</b>	<b>24</b>
Market value adjustments	0	0		0	0	0	0	0
<b>Profit before tax</b>	<b>64</b>	<b>68</b>	<b>95</b>	<b>35</b>	<b>29</b>	<b>40</b>	<b>32</b>	<b>24</b>
Loans and advances	3,305	3,678	90	3,305	3,142	3,181	3,520	3,678
Deposits and other debt	3,216	3,264	99	3,216	3,166	3,153	3,107	3,264
Operating cost/income, %	9	12		9	9	10	8	10
Number of FTE, end of period	17	22		17	17	17	18	22

## Insurance: Trygd

Premium income was DKK 23m in Q2 2017 compared to DKK 21m in Q2 2016, while claims were up by DKK 4m to DKK 14m from DKK 10m in Q2 2016. Operating costs were DKK 6m in Q2 2017, up DKK 1m compared to Q2 2016. Profit before tax was DKK 3m in Q2 2017, down DKK 4m compared to the same period of last year.

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

### Income statement, Trygd

DKKm	Index			Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
	H1 2017	H1 2016	17/16					
Premium income, net of reinsurance	46	42	109	23	23	21	22	21
Claims, net of reinsurance	-29	-22	136	-14	-15	-30	-12	-10
<b>Net insurance income</b>	<b>17</b>	<b>21</b>		<b>9</b>	<b>7</b>	<b>-8</b>	<b>9</b>	<b>12</b>
Net income from investment activities	0	1		0	0	0	0	1
<b>Operating income</b>	<b>17</b>	<b>21</b>		<b>9</b>	<b>8</b>	<b>-8</b>	<b>9</b>	<b>12</b>
Operating cost	-12	-10	113	-6	-5	-6	-6	-5
<b>Profit before tax</b>	<b>5</b>	<b>11</b>		<b>3</b>	<b>2</b>	<b>-15</b>	<b>4</b>	<b>7</b>
Combined ratio	89	76		88	90	168	77	64
Claims ratio	64	51		60	68	139	57	46
Number of FTE, end of period	26	23	114	26	26	24	24	23

## Income statement

Note	DKK 1,000	Group		BankNordik	
		H1 2017	H1 2016	H1 2017	H1 2016
3	Interest income	207,017	243,772	206,031	243,251
4	Interest expenses	12,127	33,661	12,127	33,663
	<b>Net interest income</b>	<b>194,890</b>	<b>210,111</b>	<b>193,904</b>	<b>209,588</b>
	Dividends from shares and other investments	5,218	9,354	5,218	9,354
5	Fee and commission income	111,267	92,245	115,585	94,731
5	Fee and commissions paid	6,608	5,865	6,608	5,865
	<b>Net dividend, fee and commission income</b>	<b>109,877</b>	<b>95,734</b>	<b>114,195</b>	<b>98,220</b>
	<b>Net interest and fee income</b>	<b>304,767</b>	<b>305,846</b>	<b>308,098</b>	<b>307,809</b>
	Premium income, net of reinsurance	51,719	41,656		
	Claims, net of reinsurance	33,363	21,734		
	<b>Interest and fee income and income from insurance activities, net</b>	<b>323,123</b>	<b>325,768</b>	<b>308,098</b>	<b>307,809</b>
6	Market value adjustments	18,710	9,872	19,728	9,625
7	Other operating income	11,624	18,548	9,923	15,852
8	Staff costs and administrative expenses	231,553	239,495	220,168	231,080
9	Amortisation, depreciation and impairment charges	3,970	4,788	3,715	4,591
	Other operating expenses	1,605	2,185	1,605	2,185
	Impairment charges on loans and advances etc.	3,422	9,607	3,422	9,607
	Income from investments accounted for under the equity method	-501	-3,266	2,835	-34
	<b>Profit before tax</b>	<b>112,407</b>	<b>94,847</b>	<b>111,674</b>	<b>85,789</b>
	Tax	24,019	17,660	23,286	15,448
	<b>Net profit from continuing operations</b>	<b>88,388</b>	<b>77,187</b>	<b>88,388</b>	<b>70,341</b>
10	Profit on discontinued operations, net of tax	0	-6,846	0	0
	<b>Net profit</b>	<b>88,388</b>	<b>70,341</b>	<b>88,388</b>	<b>70,341</b>
	Portion attributable to				
	Shareholders of BankNordik P/F	88,388	70,341	88,388	70,341
	<b>Net profit</b>	<b>88,388</b>	<b>70,341</b>	<b>88,388</b>	<b>70,341</b>
	EPS Basic for the period, discontinuing operations, DKK*	0.00	-0.69	0.00	-0.69
	EPS Diluted for the period, discontinuing operations, DKK*	0.00	-0.69	0.00	-0.69
	EPS Basic for the period, continuing operations, DKK*	9.09	7.83	9.09	7.83
	EPS Diluted for the period, continuing operations, DKK*	9.09	7.83	9.09	7.83
	EPS Basic for the period, total, DKK*	9.09	7.13	9.09	7.13
	EPS Diluted for the period, total, DKK*	9.09	7.13	9.09	7.13

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

## Balance Sheet

Note	DKK 1,000	Group		BankNordik	
		June 30 2017	Dec. 31 2016	June 30 2017	Dec. 31 2016
<b>Assets</b>					
	Cash in hand and demand deposits with central banks	265,116	216,915	264,994	216,820
11	Due from credit institutions and central banks	1,275,737	816,872	1,275,737	816,872
	Loans and advances at fair value	535,240	527,019	535,240	527,019
	Loans and advances at amortised cost	8,892,387	8,613,618	8,892,387	8,613,618
	Bonds at fair value	4,479,960	4,677,230	4,320,805	4,509,287
	Shares, etc.	244,984	241,105	244,984	241,105
	Assets under insurance contracts	22,288	27,267	0	0
	Holdings in associates	5,898	6,399	5,898	6,399
	Holdings in subsidiaries	0	0	105,944	106,108
	Total land and buildings	191,773	190,148	189,799	188,163
	investment property	23,229	23,229	23,229	23,229
	domicile property	168,544	166,918	166,570	164,934
	Other property, plant and equipment	24,427	23,648	23,843	23,107
	Current tax assets	6,361	6,015	6,361	6,015
	Deferred tax assets	46,425	55,648	46,355	55,587
12	Assets held for sale	10,034	11,974	10,034	11,974
	Other assets	97,068	99,984	94,173	96,159
	Prepayments	20,095	38,252	18,578	36,954
	<b>Total assets</b>	<b>16,117,793</b>	<b>15,552,094</b>	<b>16,035,133</b>	<b>15,455,187</b>

## Balance Sheet

Note	Group		BankNordik	
	June 30 2017	Dec. 31 2016	June 30 2017	Dec. 31 2016
DKK 1,000				
<b>Shareholders' equity and liabilities</b>				
<b>Liabilities other than provisions</b>				
Due to credit institutions and central banks	326,367	341,676	326,367	341,676
Deposits and other debt	13,472,482	12,668,697	13,497,889	12,691,224
Liabilities under insurance contracts	95,523	105,673	0	0
Current tax liabilities	52,824	46,265	51,626	45,807
Other liabilities	190,675	200,995	179,950	189,663
Deferred income	3,270	3,921	3,044	2,886
<b>Total liabilities other than provisions</b>	<b>14,141,141</b>	<b>13,367,227</b>	<b>14,058,876</b>	<b>13,271,256</b>
<b>Provisions for liabilities</b>				
Provisions for losses on guarantees	29,322	33,910	29,322	33,910
Provisions for other liabilities	6,385	6,663	5,990	5,727
<b>Total provisions for liabilities</b>	<b>35,707</b>	<b>40,573</b>	<b>35,312</b>	<b>39,638</b>
<b>Subordinated debt</b>				
Subordinated debt	222,564	222,259	222,564	222,259
<b>Total liabilities</b>	<b>14,399,412</b>	<b>13,630,060</b>	<b>14,316,752</b>	<b>13,533,153</b>
<b>Shareholders' equity</b>				
<b>Share capital</b>	200,000	200,000	200,000	200,000
Retained earnings	1,518,381	1,422,035	1,518,381	1,422,035
Proposed dividends	0	300,000	0	300,000
<b>Total shareholders' equity</b>	<b>1,718,381</b>	<b>1,922,035</b>	<b>1,718,381</b>	<b>1,922,035</b>
<b>Total liabilities and equity</b>	<b>16,117,793</b>	<b>15,552,094</b>	<b>16,035,133</b>	<b>15,455,187</b>

## Statement of capital - BankNordik Group

## Changes in shareholders' equity:

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

DKK 1,000	Share capital	Foreign currency translation reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2016	200,000	22,642	20,000	1,523,694	1,766,335
Translation of foreign units		-22,642		0	-22,642
Other comprehensive income			0	-7,107	-7,107
Net profit			300,000	-78,126	221,874
<b>Total comprehensive income</b>		<b>-22,642</b>	<b>300,000</b>	<b>-85,232</b>	<b>192,126</b>
Acquisition of own shares				-31,373	-31,373
Sale of own shares				14,671	14,671
Dividends payed			-20,000	274	-19,726
<b>Shareholders' equity at December 31, 2016</b>	<b>200,000</b>	<b>0</b>	<b>300,000</b>	<b>1,422,035</b>	<b>1,922,035</b>

DKK 1,000	Share capital	Foreign currency translation reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at Jan. 1, 2016	200,000	22,642	20,000	1,523,694	1,766,335
Translation of foreign units		775			775
Net profit			0	70,341	70,341
<b>Total comprehensive income</b>		<b>775</b>	<b>0</b>	<b>70,341</b>	<b>71,115</b>
Acquisition of own shares				-19,227	-19,227
Sale of own shares				13,046	13,046
Dividends payed			-20,000	274	-19,726
<b>Shareholders' equity at June 30, 2016</b>	<b>200,000</b>	<b>23,416</b>	<b>0</b>	<b>1,588,128</b>	<b>1,811,544</b>

## Statement of capital - BankNordik P/F

## Changes in shareholders' equity:

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

DKK 1,000	Share capital	Foreign currency translation reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at January 1, 2016	200,000	22,988	115,548	20,000	1,401,038	1,759,575
Translation of foreign units		-22,988				-22,988
Net profit			4,500	300,000	-82,626	221,874
<b>Total comprehensive income</b>		<b>-22,988</b>	<b>4,500</b>	<b>300,000</b>	<b>-82,626</b>	<b>198,887</b>
Acquisition of own shares					-31,373	-31,373
Sale of own shares					14,671	14,671
Share-based remuneration-programme					0	0
Dividends paid				-20,000	274	-19,726
Dividends received			-79,603		79,603	0
Dissolution of revaluation reserves in group enterprises			-40,445		40,445	0
<b>Shareholders' equity at December 31, 2016</b>	<b>200,000</b>	<b>0</b>	<b>0</b>	<b>300,000</b>	<b>1,422,035</b>	<b>1,922,035</b>

DKK 1,000	Share capital	Foreign currency translation reserve	Equity method reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at January 1, 2016	200,000	22,988	115,548	20,000	1,401,038	1,759,575
Translation of foreign units		775				775
Net profit			-34		70,375	70,341
<b>Total comprehensive income</b>		<b>775</b>	<b>-34</b>	<b>0</b>	<b>70,375</b>	<b>71,115</b>
Acquisition of own shares					-19,227	-19,227
Sale of own shares					13,046	13,046
Dividends paid				-20,000	274	-19,726
Dividends received			-20,577		-2,000	0
<b>Shareholders' equity at June 30, 2016</b>	<b>200,000</b>	<b>23,763</b>	<b>94,938</b>	<b>0</b>	<b>1,486,084</b>	<b>1,804,784</b>

## Capital and Solvency - BankNordik

DKK 1,000	June 30 2017	Dec. 31 2016
Core capital	1,583,638	1,566,448
Total capital	1,806,201	1,788,707
Risk-weighted items not included in the trading portfolio	7,577,513	7,305,193
Risk-weighted items with market risk etc.	1,195,905	1,065,709
Risk-weighted items with operational risk	1,298,065	1,419,571
<b>Total risk-weighted items</b>	<b>10,071,484</b>	<b>9,790,474</b>
<b>Core capital ratio, excl. hybrid core capital</b>	<b>15.7%</b>	<b>16.0%</b>
<b>Core capital ratio</b>	<b>15.7%</b>	<b>16.0%</b>
<b>Solvency ratio</b>	<b>17.9%</b>	<b>18.3%</b>
<b>Core Capital and Shareholders' equity</b>		
Share capital	200,000	200,000
Net profit	88,388	221,874
Retained earnings, previous years	1,429,993	1,500,160
<b>Shareholders' equity</b>	<b>1,718,381</b>	<b>1,922,035</b>
Deduction of dividend	0	300,000
Deduction of net profit	88,388	0
Deduction of deferred tax assets	46,355	55,587
<b>Core capital exclusive of hybrid core capital</b>	<b>1,583,638</b>	<b>1,566,448</b>
Hybrid core capital before deductions	0	0
<b>Core capital</b>	<b>1,583,638</b>	<b>1,566,448</b>
<b>Total capital</b>		
Core capital	1,583,638	1,566,448
Subordinated loan capital, before deductions	222,564	222,259
<b>Total capital</b>	<b>1,806,201</b>	<b>1,788,707</b>



## Cash flow statement - BankNordik Group

	Group H1 2017	Group Full year 2016
<b>DKK 1,000</b>		
<b>Cash flow from operations</b>		
Profit before tax	112,407	186,830
Depreciation and impairment charges of tangible assets	3,970	8,906
Impairment of loans and advances/guarantees	7,202	13,955
Paid tax	-5,078	-21,323
Other non-cash operating items	-24,628	-21,151
<b>Total</b>	<b>93,873</b>	<b>167,216</b>
<b>Changes in operating capital</b>		
Change in loans at fair value	-14,917	128,060
Change in loans at amortised cost	-285,971	1,376,671
Change in holding of bonds	202,758	-1,269,817
Change in holding of shares	5,414	-2,324
Change in deposits	801,785	-27,169
Due to credit institutions and central banks	-15,309	-233,115
Change in other assets / liabilities	5,851	92,283
Assets/liabilities under insurance contracts	-5,172	10,500
Prepayments	16,966	-3,612
<b>Cash flow from operations</b>	<b>805,277</b>	<b>238,695</b>
<b>Cash flow from investing activities</b>		
Capital increase in associates	0	-4,120
Dividends received	5,218	9,469
Sale of group undertakings	0	192,742
Acquisition of tangible assets	-6,296	-12,757
Sale of tangible assets	0	8,382
<b>Cash flow from investing activities</b>	<b>-1,079</b>	<b>193,715</b>
<b>Cash flow from financing activities</b>		
Change in subordinated debt	2,304	-229,917
Acquisition of own shares	-1,662	-31,373
Sale of own shares	2,224	14,671
Payment of dividends	-300,000	-20,000
<b>Cash flow from financing activities</b>	<b>-297,134</b>	<b>-266,618</b>
<b>Cash flow</b>	<b>507,065</b>	<b>165,792</b>
Cash in hand and demand deposits with central banks, and due from credit institutions, etc. at the beginning of the year	1,033,788	867,996
Cash flow	507,065	165,792
<b>Cash and due etc.</b>	<b>1,540,853</b>	<b>1,033,788</b>
<b>Cash and due etc.</b>		
Cash in hand and demand deposits with central banks	265,116	216,915
Due from credit institutions, etc.	1,275,737	816,872
<b>Total</b>	<b>1,540,853</b>	<b>1,033,788</b>

### **Note 1 Significant accounting policies**

The consolidated financial statements for the first half year of 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of the Nasdaq exchange in Copenhagen. The financial statements of the Parent Company, P/F BankNordik, have been prepared in accordance with the Faroese Financial Business Act and with the executive order on financial reports of credit institutions etc. of the Danish FSA as applied in the Faroe Islands.

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

The Group's significant accounting policies are consistent with those applied in the Annual Report 2016. The Annual Report 2016 provides a full description of the Group's significant accounting policies.

### **Future financial reporting standards and interpretations**

The International Accounting Standards Board (IASB) has issued a number of new accounting standards (IAS and IFRS) and interpretations (IFRIC) that have not yet entered into force. As mentioned in the Annual Report 2016 the bank currently is carrying out the necessary development work in the areas affected by IFRS 9, particularly in respect of loan impairment, in collaboration with the bank's data centre. At this stage the development work has not resulted in reliable information regarding the effect of IFRS 9, i.e. the effect on impairments on loans. Please refer to the Annual Report 2016 for further information.

### **Accounting estimates**

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

The most significant estimates that management makes in applying the Group's accounting policies and the most important uncertainty affecting estimates made when preparing the condensed interim report are unchanged from the estimates made in connection with the preparation of the Annual Report 2016 and the uncertainties prevailing at that time.

### **Determination of fair value**

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

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

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

## Notes - BankNordik Group

Note	Operating segments H1 2017				Non-life Insurance	Elimination	Continuing operations	Discontinued operations	Group
	Banking			Total					
	Private	Corporate	Other	Total	Faroe Islands		Total	Iceland	Total
2	DKK 1,000								
	External interest income, Net	124,308	62,418	7,522	194,248	642	194,890	0	194,890
	Internal interest	5,374	-676	-4,697	0	0	0	0	0
	<b>Net interest income</b>	<b>129,682</b>	<b>61,741</b>	<b>2,825</b>	<b>194,248</b>	<b>642</b>	<b>194,890</b>	<b>0</b>	<b>194,890</b>
	<b>Net Fee and dividends income</b>	<b>84,254</b>	<b>8,036</b>	<b>20,462</b>	<b>112,752</b>	<b>-2,876</b>	<b>109,876</b>	<b>0</b>	<b>109,876</b>
	Premium income, net of reinsurance	0	0	6,192	6,192	46,133	51,719	0	51,719
	<b>Net premium income of reinsurance and cl</b>	<b>0</b>	<b>0</b>	<b>2,327</b>	<b>2,327</b>	<b>16,636</b>	<b>18,356</b>	<b>0</b>	<b>18,356</b>
	Other income	507	0	22,196	22,703	-612	21,459	0	21,459
	<b>Total income</b>	<b>214,443</b>	<b>69,777</b>	<b>47,810</b>	<b>332,029</b>	<b>13,790</b>	<b>344,581</b>	<b>0</b>	<b>344,581</b>
	<b>Total operating expenses</b>	<b>90,245</b>	<b>6,780</b>	<b>132,607</b>	<b>229,632</b>	<b>8,734</b>	<b>237,128</b>	<b>0</b>	<b>237,128</b>
	<b>Profit before impairment charges on loans</b>	<b>124,198</b>	<b>62,996</b>	<b>-84,797</b>	<b>102,397</b>	<b>5,057</b>	<b>107,453</b>	<b>0</b>	<b>107,453</b>
	Impairment charges, incl. reversals of acquired OBI impairments	-4,004	-949	0	-4,953	0	-4,953	0	-4,953
	<b>Profit before tax</b>	<b>128,202</b>	<b>63,945</b>	<b>-84,797</b>	<b>107,350</b>	<b>5,057</b>	<b>112,406</b>	<b>0</b>	<b>112,406</b>
	<b>Total assets</b>	<b>6,313,742</b>	<b>3,535,044</b>	<b>6,094,922</b>	<b>15,943,707</b>	<b>174,085</b>	<b>16,117,793</b>	<b>0</b>	<b>16,117,793</b>
	of which Loans and advances	6,122,724	3,304,903	0	9,427,627	0	9,427,627	0	9,427,627
	<b>Total liabilities and equity</b>	<b>9,543,099</b>	<b>3,152,558</b>	<b>3,248,051</b>	<b>15,943,707</b>	<b>174,085</b>	<b>16,117,793</b>	<b>0</b>	<b>16,117,793</b>
	of which Deposits	10,282,267	3,215,623	0	13,497,889		13,470,482	0	13,470,482
	of which Insurance liabilities					95,523	95,523	0	95,523
	<b>Operating segments H1 2016</b>								
	DKK 1,000								
	External interest income, Net	129,057	84,151	-3,619	209,588	523	210,111	6,571	216,682
	Internal interest	9,340	-3,089	-6,251	0	0	0	0	0
	<b>Net interest income</b>	<b>138,397</b>	<b>81,063</b>	<b>-9,871</b>	<b>209,588</b>	<b>523</b>	<b>210,111</b>	<b>6,571</b>	<b>216,682</b>
	<b>Net Fee and dividends income</b>	<b>72,111</b>	<b>7,894</b>	<b>18,216</b>	<b>98,221</b>	<b>-2,486</b>	<b>95,735</b>	<b>-9,156</b>	<b>86,579</b>
	Premium income, net of reinsurance	0	0	0	0	42,297	41,656	164,077	205,733
	<b>Net premium income of reinsurance and cl</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,564</b>	<b>19,922</b>	<b>14,245</b>	<b>34,167</b>
	Other income	-1,374	0	13,320	11,946	216	11,594	6,832	18,426
	<b>Total income</b>	<b>209,134</b>	<b>88,957</b>	<b>21,665</b>	<b>319,755</b>	<b>18,816</b>	<b>337,362</b>	<b>18,493</b>	<b>355,854</b>
	<b>Total operating expenses</b>	<b>86,080</b>	<b>10,879</b>	<b>143,023</b>	<b>239,981</b>	<b>7,697</b>	<b>246,468</b>	<b>27,641</b>	<b>274,109</b>
	<b>Profit before impairment charges on loans</b>	<b>123,054</b>	<b>78,077</b>	<b>-121,357</b>	<b>79,774</b>	<b>11,120</b>	<b>90,893</b>	<b>-9,149</b>	<b>81,745</b>
	Impairment charges, incl. reversals of acquired OBI impairments	-14,451	10,498	0	-3,954	0	-3,954	0	-3,954
	<b>Profit before tax</b>	<b>137,505</b>	<b>67,580</b>	<b>-121,357</b>	<b>83,727</b>	<b>11,120</b>	<b>94,847</b>	<b>-9,149</b>	<b>85,698</b>
	<b>Total assets</b>	<b>6,087,591</b>	<b>3,759,154</b>	<b>5,840,835</b>	<b>15,687,580</b>	<b>165,394</b>	<b>15,852,974</b>	<b>566,100</b>	<b>16,419,074</b>
	of which Loans and advances	5,716,124	3,678,477	0	9,394,601	0	9,394,601	0	9,394,601
	<b>Total liabilities and equity</b>	<b>10,916,386</b>	<b>3,171,778</b>	<b>1,599,415</b>	<b>15,687,580</b>	<b>165,394</b>	<b>15,852,974</b>	<b>566,100</b>	<b>16,419,074</b>
	of which Deposits	9,742,143	3,264,011	0	13,006,153		12,949,228	0	12,949,228
	of which Insurance liabilities					72,856	72,856	414,724	487,580

## BankNordik Group - Geographical revenue information

Continuing operations	Total income		Non-current assets		Additions to tangible assets		Additions to intangible assets	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Faroe Islands	168,967	159,394	120,972	125,637	-524	2,499		
Denmark	149,129	155,302	52,001	52,403	2,328	-2,388		
Greenland	26,485	22,665	45,878	46,581	0	-3		
<b>Total</b>	<b>344,581</b>	<b>337,362</b>	<b>218,851</b>	<b>224,622</b>	<b>1,803</b>	<b>107</b>	<b>0</b>	<b>0</b>

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

Continuing operations	Total income		Profit before tax		Tax		FTE	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Faroe Islands, Banking, Other	155,176	140,578	50,908	51,033	9,053	7,516	184	243
Faroe Islands, Insurance	13,790	18,816	5,057	11,120	910	2,001	26	23
Denmark, Banking	149,129	155,302	43,282	23,003	9,870	5,061	181	182
Greenland, Banking	26,485	22,665	13,160	9,691	4,185	3,082	17	16
<b>Total</b>	<b>344,581</b>	<b>337,362</b>	<b>112,407</b>	<b>94,847</b>	<b>24,019</b>	<b>17,660</b>	<b>407</b>	<b>464</b>

Notes		Group		BankNordik	
		H1 2017	H1 2016	H1 2017	H1 2016
<b>Note</b>	<b>DKK 1,000</b>				
<b>3</b>	<b>Interest income</b>				
	Credit institutions and central banks	1,401	1,198	1,398	1,198
	Loans and advances	193,515	226,226	193,515	226,226
	Bonds	19,029	20,473	18,047	19,952
	Total derivatives of which:	-6,929	-4,679	-6,929	-4,679
	<i>Interest rate contracts</i>	-10,241	-6,480	-10,241	-6,480
	<i>Other transactions</i>	-2,307	1,801	-2,307	1,801
	Other interest income	0	555	0	555
	<b>Total interest income</b>	<b>207,017</b>	<b>243,772</b>	<b>206,031</b>	<b>243,251</b>
<b>4</b>	<b>Interest expenses</b>				
	Credit institutions and central banks	836	1,219	836	1,219
	Deposits	5,333	9,698	5,333	9,700
	Subordinated debt	6,050	22,707	6,050	22,707
	Other interest expenses	-91	38	-91	38
	<b>Total interest expenses</b>	<b>12,127</b>	<b>33,661</b>	<b>12,127</b>	<b>33,663</b>
<b>5</b>	<b>Net fee and commission income</b>				
	Fee and commission income				
	Securities trading and custody accounts	38,672	18,348	38,672	18,348
	Credit transfers	11,135	10,566	11,135	10,566
	Loan commissions	3,639	4,838	3,639	4,838
	Guarantee commissions	8,737	9,302	8,737	9,302
	Other fees and commissions	49,084	49,191	53,402	51,677
	<b>Total fee and commission income</b>	<b>111,267</b>	<b>92,245</b>	<b>115,585</b>	<b>94,731</b>
	Fee and commissions paid				
	Securities trading and custody accounts	6,608	5,865	6,608	5,865
	<b>Net fee and commission income</b>	<b>104,659</b>	<b>86,380</b>	<b>108,977</b>	<b>88,866</b>
<b>6</b>	<b>Market value adjustments</b>				
	Loans and advances	-6,696	7,335	-6,696	7,335
	Bonds	4,373	10,687	5,391	10,440
	Shares	9,293	1,225	9,293	1,225
	Foreign exchange	18,911	-10,032	18,911	-10,032
	Total derivatives of which:	-7,171	-3,614	-7,171	-3,614
	<i>Currency Swaps</i>	6,086	15,952	6,086	15,952
	<i>Interest Swaps</i>	9,053	-16,287	9,053	-16,287
	<i>Other contracts</i>	-2	-3,279	-2	-3,279
	Other obligations	0	4,272	0	4,272
	<b>Total market value adjustments</b>	<b>18,710</b>	<b>9,872</b>	<b>19,728</b>	<b>9,625</b>

Note	DKK 1,000	Group		BankNordik	
		H1 2017	H1 2016	H1 2017	H1 2016
7	<b>Other operating income</b>				
	Profit on sale of properties	0	199	0	199
	- of which assets held for sale	0	199	0	199
	Profit on sale of operating equipment	135	670	135	670
	Reversals of acquired OEl impairments	8,375	13,855	8,375	13,855
	Other income	3,114	3,823	1,413	1,128
	<b>Total other operating income</b>	<b>11,624</b>	<b>18,548</b>	<b>9,923</b>	<b>15,852</b>
8	<b>Staff costs and administrative expenses</b>				
	Staff costs:				
	Salaries	105,868	119,720	97,298	112,905
	Pensions	13,564	12,943	12,486	12,064
	Social security expenses	16,284	14,558	15,242	13,688
	<b>Total staff costs</b>	<b>135,716</b>	<b>147,220</b>	<b>125,026</b>	<b>138,657</b>
	Administrative expenses:				
	IT	51,684	46,674	50,032	44,947
	Marketing etc	9,057	9,623	8,417	8,839
	Education etc	2,138	1,572	1,363	1,406
	Advisory services	937	2,295	933	2,295
	Other expenses	36,133	36,192	34,463	34,937
	<b>Total administrative expenses</b>	<b>99,950</b>	<b>96,355</b>	<b>95,209</b>	<b>92,423</b>
	Total staff costs	135,716	147,220	125,026	138,657
	Employee costs included under the item "Claims, net of reinsurance"	-4,047	-4,080	0	0
	Total administrative expenses	99,950	96,355	95,209	92,423
	<b>Total staff costs and administrative expenses</b>	<b>231,620</b>	<b>239,495</b>	<b>220,235</b>	<b>231,080</b>
	<b>Number of employees</b>				
	Average number of full-time employees in the period	412	407	380	378
	<b>Executive remuneration:</b>				
	Board of Directors	950	900	950	900
	Executive Board:				
	Salaries	1,104	1,138	1,104	1,138
	Pension	165	168	165	168
	<b>Total executive board</b>	<b>1,269</b>	<b>1,454</b>	<b>1,269</b>	<b>1,454</b>
	<b>Total executive remuneration</b>	<b>2,219</b>	<b>2,354</b>	<b>2,219</b>	<b>2,354</b>

Note	DKK 1,000	Group		BankNordik	
		H1 2017	H1 2016	H1 2017	H1 2016
9		<b>Impairment charges on loans and advances and provisions for guarantees etc.</b>			
		678,636	671,000	678,636	671,000
		Individual impairment charges and provisions at 1 January			
		61,898	92,384	61,898	92,384
		New and increased impairment charges and provisions			
		45,235	56,580	45,235	56,580
		Reversals of impairment charges and provisions			
		53,709	31,257	53,709	31,257
		Written-off, previously impaired			
		10,676	12,082	10,676	12,082
		<i>Interest income on impaired loans</i>			
		<b>641,591</b>	<b>675,548</b>	<b>641,591</b>	<b>675,548</b>
		<b>Total individual impairment charges and provisions</b>			
		<b>Impairment charges and provisions recognised in the income statement</b>			
		8,109	11,808	8,109	11,808
		Loans and advances at amortised cost			
		-98	-16,796	-98	-16,796
		Loans and advances at fair value			
		-4,588	14,595	-4,588	14,595
		Guarantees and loan commitments			
		<b>3,422</b>	<b>9,607</b>	<b>3,422</b>	<b>9,607</b>
		<b>Total individual impairment charges and provisions</b>			
		<b>Individual impairment charges etc.</b>			
		592,106	577,447	592,106	577,447
		Individual impairment charges etc. at 1 January			
		45,954	70,479	45,954	70,479
		New and increased impairment charges			
		39,594	48,517	39,594	48,517
		Reversals of impairment charges			
		53,709	31,257	53,709	31,257
		Written-off, previously impaired			
		1,215	-11,562	1,215	-11,562
		<i>Write-offs charged directly to the income statement</i>			
		3,780	2,554	3,780	2,554
		<i>Received on claims previously written off</i>			
		10,676	12,082	10,676	12,082
		<i>Interest income on impaired loans</i>			
		<b>544,757</b>	<b>568,152</b>	<b>544,757</b>	<b>568,152</b>
		<b>Individual impairment charges etc. at 31 March</b>			
		-6,880	-4,236	-6,880	-4,236
		<i>Total net impact recognised in the income statement</i>			
		<b>Collective impairment charges</b>			
		52,620	53,669	52,620	53,669
		Collective impairment charges at 1 January			
		14,891	4,804	14,891	4,804
		New and increased impairment charges			
		0	5,556	0	5,556
		Reversals of impairment charges			
		<b>67,511</b>	<b>52,916</b>	<b>67,511</b>	<b>52,916</b>
		<b>Collective impairment charges at 31 March</b>			
		14,891	-753	14,891	-753
		<i>Total net impact recognised in the income statement</i>			
		<b>Individual provisions on guarantees</b>			
		33,910	39,884	33,910	39,884
		Individual provisions at 1 January			
		1,053	17,102	1,053	17,102
		New and increased provisions			
		5,641	2,507	5,641	2,507
		Reversals of provisions			
		<b>29,322</b>	<b>54,480</b>	<b>29,322</b>	<b>54,480</b>
		<b>Individual provisions on guarantees at 31 March</b>			
		-4,588	14,595	-4,588	14,595
		<i>Total net impact recognised in the income statement</i>			

Note	DKK 1,000	Group H1 2017	H1 2016	BankNordik H1 2017	H1 2016
10	<b>Discontinued operations</b>				
	As previously announced, Vørður was sold on 30 Sept. 2016				
	<b>Income statement</b>				
	Net interest income	0	6,571		
	Fee and commission income	0	-9,156		
	<b>Net interest, dividend, fee and commission income</b>	<b>0</b>	<b>-2,585</b>		
	Premium income, net of reinsurance	0	164,077		
	Claims, net of reinsurance	0	149,832		
	<b>Income and income from insurance activities, net</b>	<b>0</b>	<b>14,245</b>		
	Market value adjustments	0	6,832		
	Staff costs and administrative expenses	0	27,641		
	<b>Profit before tax</b>	<b>0</b>	<b>-9,149</b>		
	Tax	0	-2,302		
	<b>Net profit on discontinued operations</b>	<b>0</b>	<b>-6,846</b>		

Note	DKK 1,000	Group		BankNordik	
		June 30 2017	Dec. 31 2016	June 30 2017	Dec. 31 2016
11	<b>Due from credit institutions etc. specified by maturity</b>				
	On demand	358,691	366,540	358,691	366,540
	3 months and below	717,030	250,304	717,030	250,304
	Over 1 year to 5 years	200,016	200,029	200,016	200,029
	<b>Total due from credit institutions etc.</b>	<b>1,275,737</b>	<b>816,872</b>	<b>1,275,737</b>	<b>816,872</b>
12	<b>Assets held for sale</b>				
	Total purchase price, at 1 January	17,095	41,020	17,095	41,020
	Additions	360	6,922	360	6,922
	Reclassification from investment properties	0	3,247	0	3,247
	Disposals	2,822	34,094	2,822	34,094
	<b>Total purchase price</b>	<b>14,633</b>	<b>17,095</b>	<b>14,633</b>	<b>17,095</b>
	Depreciation and impairment, at 1 January	5,121	5,617	5,121	5,617
	Impairment charges for the year	0	613	0	613
	Reversal of impairment on revaluations during the year	522		522	0
	Reversal of impairment on disposals during the year	0	1,109	0	1,109
	<b>Total depreciation and impairment</b>	<b>4,599</b>	<b>5,121</b>	<b>4,599</b>	<b>5,121</b>
	<b>Total assets held for sale</b>	<b>10,034</b>	<b>11,974</b>	<b>10,034</b>	<b>11,974</b>
13	<b>Contingent liabilities</b>				
	<b>Guarantees</b>				
	Financial guarantees	307,592	366,671	307,592	366,671
	Mortgage finance guarantees	1,229,991	1,221,379	1,229,991	1,221,379
	Registration and remortgaging guarantees	590,968	643,841	590,968	643,841
	Other guarantees	310,507	262,987	310,507	262,987
	<b>Total guarantees</b>	<b>2,439,059</b>	<b>2,494,879</b>	<b>2,439,059</b>	<b>2,494,879</b>

#### 14 Assets deposited as collateral

At June 30 2017 the Group had deposited bonds at a total market value of DKK 39m (H1 2016: 35m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing.  
Deposits of bonds to others in total have a market value of DKK 48m (H1 2016: 65m).



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

We have today considered and approved P/F BankNordik's interim report for the first half year of 2017.

The consolidated financial statements for the first half year of 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of Nasdaq Copenhagen.

The interim financial statements have not been audited or reviewed.

We consider the accounting policies applied to be appropriate, such that the Interim Financial Report gives a true and fair view of the Group's and the Parent Company's assets, shareholders' equity and liabilities and financial position at 30 June 2017, and of the results of the Group's and the Parent Company's operations and the Group's and Parent Company's cash flows for the half year ended 30 June 2017.

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

Tórshavn, 3 August 2017

### *Executive Board*

Árni Ellefsen  
CEO

### *Board of Directors*

Stine Bosse  
Chairman

Rúni Vang Poulsen  
Vice chairman

Jógvan Jespersen

Barbara Pállsdóttir Vang

Kim Jacobsen

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BankNordik is a limited liability  
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domiciled in the Faroe Islands.

The company is listed on  
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