

# Interim Report H1 2020

**BANKNORDIK**





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# **Interim Report H1 2020**

# Contents

Overview of the Group..... 3  
 Financial highlights and ratios..... 4

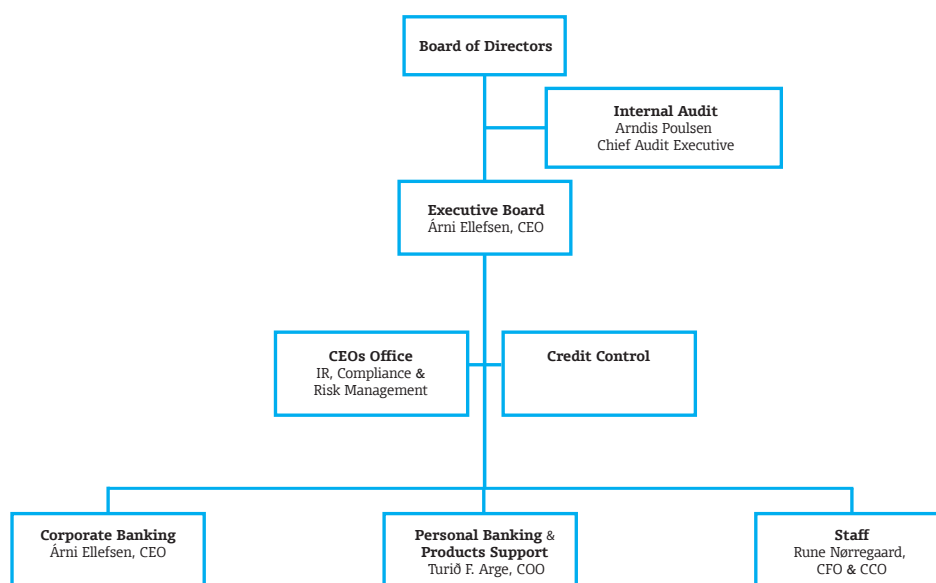
**Financial Review**  
 Income statement..... 6  
 Supervisory Diamond..... 7  
 Balance sheet..... 7  
 Capital Ratios..... 7  
 Events after the balance sheet date..... 7  
 Outlook 2020..... 7  
 Adjusted results..... 8

**Segments**  
 Banking.....10  
 Personal Banking..... 11  
 Corporate Banking..... 12  
 Insurance..... 13

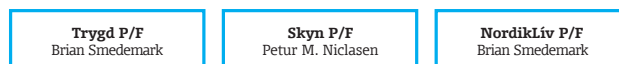
**Financial statement**  
 Income statement.....15  
 Balance sheet..... 17  
 Statement of capital..... 19  
 Cash flow..... 22  
 Notes to the financial statement..... 23

**Statement by the management**..... 31  
**Contact details**..... 32

## BankNordik Organisation



## Subsidiaries



# Overview of the Group

**BANKNORDIK**

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

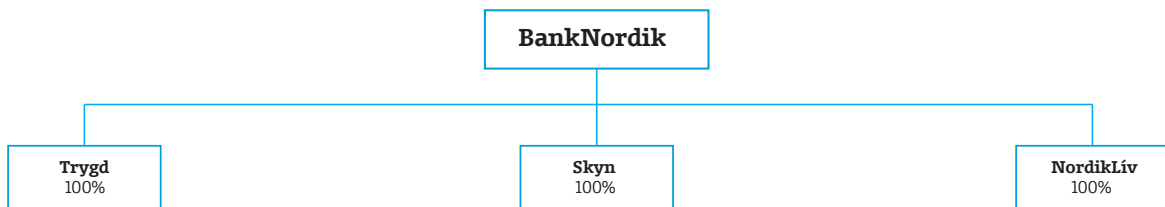
**BANKNORDIK**

**17**  
Branches across  
3 countries

**363**  
Full-time  
employees

**23**  
DKKbn in lending  
and mortgage  
lending

**4.0**  
DKKbn in asset  
management



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

Other activities include Skyn, a Faroese estate agency.

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

<b>Highlights</b> DKK 1,000	H1 2020	H1 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	190,821	181,493	105	96,078	94,743	94,785	90,413	90,459
Dividends from shares and other investments	12,554	13,984	90	11,699	855	0	0	13,743
Net fee and commission income	99,215	93,355	106	44,897	54,319	48,993	47,126	45,479
Net interest and fee income	302,590	288,832	105	152,673	149,917	143,778	137,539	149,681
Net insurance income	15,244	23,822	64	11,693	3,551	13,630	14,875	15,305
Interest and fee income and income from insurance activities, net	317,835	312,654	102	164,366	153,468	157,408	152,414	164,987
Market value adjustments	-30,439	474	-1	20,695	-51,134	3,172	749	-15,075
Other operating income	3,092	5,713	54	2,324	768	3,172	5,612	2,922
Staff costs and administrative expenses	205,788	232,492	89	101,696	104,092	124,754	113,734	115,784
Impairment charges on loans and advances etc.	2,073	-71,789	-1	-21,583	23,656	-24,573	-8,566	-52,732
Net profit	58,046	118,365	49	82,318	-24,272	48,418	39,847	65,946
Loans and advances	9,879,592	10,052,620	98	9,879,592	9,970,611	9,908,886	9,982,999	10,052,620
Bonds at fair value	4,461,308	5,159,449	86	4,461,308	4,952,913	5,599,529	5,024,465	5,159,449
Intangible assets	11,326	8,122	139	11,326	10,818	9,957	9,043	8,122
Assets held for sale	4,510	19,795	23	4,510	946	1,500	3,865	19,795
Total assets	16,868,303	17,715,177	95	16,868,303	16,940,493	18,173,399	17,618,509	17,715,177
Amounts due to credit institutions and central banks	51,963	150,905	34	51,963	482,266	54,922	368,008	150,905
Deposits and other debt	13,048,214	14,131,224	92	13,048,214	12,870,849	14,367,685	13,528,109	14,131,224
Total shareholders' equity	2,167,057	2,031,275	107	2,167,057	2,086,980	2,112,335	2,064,175	2,031,275
<b>Ratios and key figures</b>	<b>June 30 2020</b>	<b>June 30 2019</b>		<b>June 30 2020</b>	<b>March 31 2020</b>	<b>Dec. 31 2019</b>	<b>Sept. 30 2019</b>	<b>June 30 2019</b>
<b>Solvency</b>								
Total capital ratio, %	24.0	19.6		24.0	23.4	22.3	21.0	19.6
Core capital ratio, %	21.8	17.5		21.8	21.3	20.2	18.9	17.5
CET 1 capital	20.3	17.5		20.3	19.8	18.8	17.5	17.5
Risk-weighted Items, DKK mill	10,286	10,720		10,286	10,405	10,764	10,664	10,720
<b>Profitability</b>								
Return on shareholders' equity after tax, %	2.7	5.9		3.9	-1.2	2.3	1.9	3.3
Cost / income, %	74.7	52.7		45.0	128.8	63.9	68.6	43.7
Cost / income, % (excl. value adjustm. and impairments)	67.0	75.4		63.5	70.7	80.4	74.3	71.2
Return on assets	0.3	0.7		0.5	-0.1	0.3	0.2	0.4
<b>Market risk</b>								
Interest rate risk, %	1.6	1.2		1.6	1.0	1.8	1.6	1.2
Foreign exchange position, %	1.5	2.1		1.5	1.2	1.4	1.0	2.1
Foreign exchange risk, %	0.0	0.1		0.0	0.0	0.1	0.0	0.1
<b>Liquidity</b>								
Excess cover relative to statutory liquidity requirements, %	185.9	238.3		185.9	159.4	215.7	225.1	238.3
<b>Credit risk</b>								
Change in loans and advances, %	-0.3	1.0		-0.9	0.6	-0.7	-0.7	0.5
Gearing of loans and advances	4.6	4.9		4.6	4.8	4.7	4.8	4.9
Impairment and provisioning ratio, end of period, %	3.8	4.0		3.8	3.8	3.7	3.9	4.0
Write-off and provisioning ratio, %	0.0	-0.5		-0.2	0.2	-0.2	-0.1	-0.4
Share of amounts due on which interest rates have been reduced, end of period, %	0.6	0.7		0.6	0.7	0.8	0.8	0.7
<b>Shares</b>								
Earnings per share after tax (nom. DKK 20), DKK	6.1	12.2		8.6	-2.5	5.1	4.1	6.8
Market price per share (nom. DKK 20), DKK	101.0	109.0		101.0	99.0	109.0	102.5	109.0
Book value per share (nom. DKK 20), DKK	227.3	213.1		227.3	218.9	221.6	216.6	213.1
<b>Other</b>								
Number of full-time employees, end of period	363	390		363	359	377	383	390

# Financial Review

"I'm pleased to note that the measures we implemented in December 2019 to strike a better balance between the Group's costs and earnings have produced results in the first half of 2020. Our operating costs were down by 10%, fee and commission income was up by 6% on the first half of 2020, and both our cost performance and core earnings have developed better than we anticipated when announcing the measures. In June, we raised our profit guidance due to lower impairment charges and insurance claims and an improvement in core earnings relative to expectations at the end of April," said BankNordik CEO Árni Ellefsen.

To date, COVID-19 has had only a limited impact on the Group's financial results, and thanks to the strong credit quality of our loan portfolio, we made a DKK 30m reversal of loan impairment charges in the second quarter, enabling us to raise our profit guidance once more. Given the considerable uncertainty still prevailing in terms of the long-term economic impact of the current healthcare crisis, we have made a further DKK 10m provision to cover potential losses arising in the wake of the crisis, bringing the total amount to DKK 35m. Customer activity remains



high, and based on the initiatives implemented and our solvency ratio of 24.0%, BankNordik stands well prepared to withstand challenges that may arise in markets in which the bank operates," said Árni Ellefsen.



## Income statement

Income statement, Group								
DKKm	H1 2020	H1 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	177	167	106	90	88	87	83	83
Net fee and commission income	99	93	106	45	54	49	47	45
Net insurance income	15	24	64	12	4	14	15	15
Other operating income (less reclassification)	17	22	74	8	9	14	13	11
<b>Operating income</b>	<b>308</b>	<b>306</b>	<b>101</b>	<b>154</b>	<b>154</b>	<b>164</b>	<b>158</b>	<b>155</b>
Operating costs <sup>1</sup>	-215	-240	90	-106	-109	-117	-116	-119
Sector costs	-1	0	204	0	0	0	0	0
<b>Profit before impairment charges</b>	<b>93</b>	<b>67</b>	<b>140</b>	<b>48</b>	<b>45</b>	<b>47</b>	<b>42</b>	<b>35</b>
Impairment charges, net	-2	72	-3	22	-24	25	9	53
<b>Operating profit</b>	<b>91</b>	<b>138</b>	<b>66</b>	<b>69</b>	<b>22</b>	<b>71</b>	<b>51</b>	<b>88</b>
Non-recurring items <sup>2</sup>	0	0		0	0	-13	0	0
<b>Profit before investment portfolio earnings and tax</b>	<b>91</b>	<b>138</b>	<b>66</b>	<b>69</b>	<b>22</b>	<b>58</b>	<b>50</b>	<b>88</b>
Investment portfolio earnings <sup>3</sup>	-17	12	-140	34	-51	1	0	-2
<b>Profit before tax</b>	<b>74</b>	<b>151</b>	<b>49</b>	<b>103</b>	<b>-30</b>	<b>59</b>	<b>50</b>	<b>86</b>
Operating cost/income, %	70	78		69	70	71	73	77
Number of FTE, end of period	363	390	93	363	359	377	383	390
1 Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).								
2 Reclassified from Other operating income, Staff costs and administrative expenses and from Amortisation, depreciation and impairment charges.								
3 Incl. net income from investments accounted for under the equity method (excl. sector shares).								

The following comments relate to the adjusted figures and are generally stated relative to Q1 2020. Due to seasonal variations, comments on the insurance segment are made relative to Q2 2019.

### Operating income

The BankNordik Group generated operating income of DKK 154m in Q2 2020, which was unchanged from Q1 2020.

### Net interest income

Net interest income was DKK 90m in Q2 2020, up by DKK 2m compared to Q1 2020.

### Net fee and commission income

Net fee and commission income amounted to DKK 45m in Q2 2020, a decrease of DKK 9m compared to Q1 2020, when activity in the Bank's Markets division drove income exceptionally high.

### Net insurance income

Net insurance income amounted to DKK 12m in Q2 2020, a DKK 4m drop relative to in Q2 2019 driven by an increase

in travel cancellation insurance claims due to COVID-19, albeit at a lower-than-expected level.

### Operating and sector costs

Operating costs amounted to DKK 106m in Q2 2020, down by DKK 3m relative to Q1 2020, as organisational changes implemented in Q4 2019 continued to yield good results.

### Profit before impairment charges

Profit before impairment charges was DKK 48m in Q2 2020, DKK 2m higher than in Q1 2020.

### Impairment charges

Net impairment charges were a reversal of DKK 22m in Q2 2020 compared to a charge of DKK 24m in Q1 2020.

### Operating profit

As a result, operating profit came in at DKK 69m in Q2 2020 relative to DKK 22m in Q1 2020.



## The Supervisory Diamond

### Sum of Large exposures < 175 %

H1 2020	H1 2019
120.1%	123.1%

### Loan growth <20 %

H1 2020	H1 2019
-1.7%	3.2%

### Funding-ratio < 1.0

H1 2020	H1 2019
0.63	0.61

### Property exposure < 25%

H1 2020	H1 2019
8.5%	5.7%

### Liquidity indicator >100%

H1 2020	H1 2019
237.7%	257.9%

At 30 June 2020, the Group was in compliance with all Supervisory Diamond requirements set by the Danish FSA.

## Balance sheet

BankNordik's total assets at 30 June 2020 amounted to DKK 16.9bn. Loans and advances were DKK 9.9bn, i.e. down by DKK 29m compared to 31 December 2019. Deposits were DKK 13.0bn, a decrease of DKK 1,319m compared to 31 December 2019.

Liquidity invested in bonds, primarily in Danish mortgage bonds and Danish government bonds, amounted to DKK 4.5bn, a decrease of DKK 1,138m compared to 31 December 2019. Liquidity invested in equities amounted to DKK 297m, a decrease of DKK 15m relative to 31 December 2019. The Group's liquidity indicator was 237.7% at 30 June 2020, well above the requirement of 100%. The Group's LCR at 30 June 2020 was 232.6% also well above the requirement of 100%. Shareholder' equity at 30 June 2020 amounted to DKK 2,167m, up by DKK 55m compared to 31 December 2019.

## Capital ratios

At 30 June 2020, the Group's CET1 capital ratio was 20.3%, the core capital ratio was 21.8% and the total capital ratio was 24.0%.

The net profit for H1 2020 is not reflected in the capital and solvency statement.

## Events after the balance sheet date

No events have occurred since 30 June 2020 that are deemed to have a significant impact on the Group's financial position.

## Outlook

After originally having expected a net profit for 2020 in the DKK 100-150m range, BankNordik lowered its guidance for the financial year by DKK 80m due to the uncertainty surrounding the COVID-19 pandemic. The adjustment coincided with the release of the Bank's Q1 interim report and was based on a scenario analysis. It was made clear at the time that the guidance was subject to significant uncertainty.

Since the initial lowering of the Bank's guidance, it has been raised twice as the economic picture has become somewhat clearer. The latest guidance of full-year net profit of DKK 80-120m in 2020, announced on 16 July, remains in effect. The changes in guidance were mainly driven by a reversal of impairment charges despite the Bank having made further provisions against COVID-19-related losses. The costs of travel cancellation insurance claims have been lower than expected, and core earnings have improved. Finally, the Bank now expects that COVID-19 will not have as severe an impact on its investment portfolio as originally anticipated.

## Adjusted results

Note	Income statement H1 2020, Group, DKK 1,000	Income statement	Restatement	Restated income statement
1	Net interest income	190,821	-13,721	177,101
2	Net fee and commission income	111,769	-12,554	99,215
	Net insurance income	15,244		15,244
2, 3	Other operating income	3,092	13,434	16,527
	<b>Operating income</b>	<b>320,927</b>	<b>-12,840</b>	<b>308,087</b>
	Operating costs	214,507	0	214,507
	Sector costs	688	0	688
	<b>Profit before impairment charges</b>	<b>105,732</b>	<b>-12,840</b>	<b>92,891</b>
	Impairment charges	2,073		2,073
	<b>Operating profit</b>	<b>103,658</b>	<b>-12,840</b>	<b>90,818</b>
	Non-recurring items	0	0	0
	<b>Profit before investment portfolio earnings and tax</b>	<b>103,658</b>	<b>-12,840</b>	<b>90,818</b>
1, 3	Investment portfolio earnings	-30,102	12,840	-17,262
	<b>Profit before tax</b>	<b>73,556</b>	<b>0</b>	<b>73,556</b>
Note	<b>Income statement H1 2019, Group, DKK 1,000</b>			
1	Net interest income	181,493	-14,505	166,988
2	Net fee and commission income	107,339	-13,984	93,355
	Net insurance income	23,822		23,822
2, 3	Other operating income	5,713	16,590	22,304
	<b>Operating income</b>	<b>318,368</b>	<b>-11,898</b>	<b>306,470</b>
	Operating costs	239,631	0	239,631
	Sector costs	338	0	338
	<b>Profit before impairment charges</b>	<b>78,398</b>	<b>-11,898</b>	<b>66,500</b>
	Impairment charges	-71,789		-71,789
	<b>Operating profit</b>	<b>150,187</b>	<b>-11,898</b>	<b>138,289</b>
	Non-recurring items	0	0	0
	<b>Profit before investment portfolio earnings and tax</b>	<b>150,187</b>	<b>-11,898</b>	<b>138,289</b>
1, 3	Investment portfolio earnings	474	11,898	12,372
	<b>Profit before tax</b>	<b>150,661</b>	<b>0</b>	<b>150,661</b>
Note	<b>Restatements made to the income statement, DKK 1,000</b>		<b>H1 2020</b>	<b>H1 2019</b>
1	Reclassification of interest income from bonds from the item Interest income to Investment portfolio earnings.		13,721	14,505
2	Dividends reclassified from Net fee and commission income to Other operating income.		12,554	13,984
3	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions to Other operating income.		880	2,607

# BankNordik Group by segment

BANKNORDIK

BANKNORDIK  
TRYGD NORDIKLÍV SKYNN

BANKNORDIK

## Personal Banking

	H1 2020	H1 2019
Loans and advances	DKK 6.0bn	DKK 6.5bn
Deposits and other debt	DKK 10.6bn	DKK 10.6bn
Mortgage credit	DKK 12.9bn	DKK 12.3bn
Operating cost/income, %	35%	39%
Operating profit	DKK 146m	DKK 169m

## Corporate Banking

	H1 2020	H1 2019
Loans and advances	DKK 3.8bn	DKK 3.6bn
Deposits and other debt	DKK 2.5bn	DKK 3.5bn
Mortgage credit	DKK 0.2bn	DKK 0.4bn
Operating cost/income, %	12%	10%
Operating profit	DKK 70m	DKK 96m

## Trygd

	H1 2020	H1 2019
Premium, net of insurance	DKK 60m	DKK 55m
Net insurance income	DKK 13m	DKK 21m
Profit before tax	DKK 0m	DKK 8m
Combined ratio	99%	85%
Claims ratio	79%	63%

# Banking

Income statement, Banking								
DKKmn	H1 2020	H1 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	176	166	106	89	87	87	83	83
Net fee and commission income	105	99	106	48	57	52	50	48
Other operating income	15	19	75	6	9	13	11	10
<b>Operating income</b>	<b>296</b>	<b>284</b>	<b>104</b>	<b>143</b>	<b>153</b>	<b>152</b>	<b>144</b>	<b>140</b>
Operating cost	-204	-229	89	-99	-105	-110	-111	-113
Sector costs	-1	0	204	0	0	0	0	0
<b>Profit before impairment charges</b>	<b>91</b>	<b>55</b>	<b>165</b>	<b>43</b>	<b>47</b>	<b>41</b>	<b>33</b>	<b>27</b>
Impairment charges, net	-2	72	-3	22	-24	25	9	53
<b>Operating profit</b>	<b>89</b>	<b>127</b>	<b>70</b>	<b>65</b>	<b>24</b>	<b>66</b>	<b>42</b>	<b>80</b>
Non-recurring items	0	0		0	0	-13	0	0
<b>Profit before investment portfolio earnings and tax</b>	<b>89</b>	<b>127</b>	<b>70</b>	<b>65</b>	<b>24</b>	<b>52</b>	<b>41</b>	<b>80</b>
Investment portfolio earnings	-16	13	-120	34	-50	2	0	-2
<b>Profit before tax</b>	<b>73</b>	<b>140</b>	<b>52</b>	<b>99</b>	<b>-26</b>	<b>55</b>	<b>42</b>	<b>78</b>
Loans and advances	9,880	10,053	98	9,880	9,971	9,909	9,983	10,053
Deposits and other debt	13,059	14,156	92	13,059	12,903	14,399	13,557	14,156
Mortgage credit	13,107	12,644	104	13,107	13,010	12,960	12,918	12,644
Operating cost/income, %	69	81		70	69	73	77	81
Number of FTE, end of period	332	358	93	332	327	345	354	358

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



# Personal Banking

Income statement, Personal Banking								
DKKm	H1 2020	H1 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	119	121	98	60	59	61	60	60
Net fee and commission income	97	91	107	44	53	48	46	44
Other operating income	14	16	88	4	10	8	8	8
<b>Operating income</b>	<b>230</b>	<b>228</b>	<b>101</b>	<b>108</b>	<b>122</b>	<b>117</b>	<b>114</b>	<b>112</b>
Operating cost	-80	-88	91	-40	-40	-38	-42	-45
Sector costs	-1	0		0	0	0	0	0
<b>Profit before impairment charges</b>	<b>149</b>	<b>139</b>	<b>107</b>	<b>68</b>	<b>81</b>	<b>78</b>	<b>71</b>	<b>67</b>
Impairment charges, net	-3	30	-11	4	-8	13	2	26
<b>Operating profit</b>	<b>146</b>	<b>169</b>	<b>86</b>	<b>72</b>	<b>74</b>	<b>91</b>	<b>74</b>	<b>92</b>
Non-recurring items	0	0		0	0	-9	0	0
<b>Profit before investment portfolio earnings and tax</b>	<b>146</b>	<b>169</b>	<b>86</b>	<b>72</b>	<b>74</b>	<b>82</b>	<b>74</b>	<b>92</b>
<b>Profit before tax</b>	<b>146</b>	<b>169</b>	<b>86</b>	<b>72</b>	<b>74</b>	<b>82</b>	<b>74</b>	<b>92</b>
Loans and advances	6,047	6,451	94	6,047	6,152	6,287	6,402	6,451
Deposits and other debt	10,581	10,639	99	10,581	10,003	10,603	10,523	10,639
Mortgage credit	12,859	12,280	105	12,859	12,815	12,751	12,546	12,280
Operating cost/income, %	35	39		37	33	33	37	40
Number of FTE, end of period	190	212	90	190	187	202	213	212

The Personal Banking segment reported operating income of DKK 108m in Q2 2020, which was DKK 14m less than in Q1 2020, mainly driven by a fall in net fee and commission income.

Net interest income was DKK 60m in Q2 2020, up DKK 1m compared to the previous quarter. Net fee and commission income in Q2 2020 was down by DKK 9m quarter on quarter, as the activity level was more in line with quarters prior to Q1 2020, when activity was exceptionally high in the Bank's Markets division.

Operating costs were DKK 40m in Q2 2020, which was flat compared to Q1 2020. Impairment charges amounted to a DKK 4m reversal in Q2 2020 compared to a charge of DKK 8m in Q1 2020.

This brought operating profit to DKK 72m in Q2 2020, which was largely unchanged from the previous quarter.

Bank loans and advances to personal customers during the quarter fell by DKK 105m to DKK 6,047m while mortgage lending increased by DKK 44m to DKK 12,859m, both compared to 31 March 2020. This is a continuation of the trend seen in recent years where Faroese households are moving toward the traditional Danish financing model of 80% mortgage funding and the residual in 2nd lien bank lending.

Deposits held by personal customers during the quarter increased by DKK 578m to DKK 10,581m at 30 June 2020.

# Corporate Banking

Income statement, Corporate Banking								
DKKm	H1 2020	H1 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	68	58	117	35	33	31	30	29
Net fee and commission income	8	8	98	4	4	4	4	4
Other operating income	2	2	71	1	1	2	1	1
<b>Operating income</b>	<b>78</b>	<b>69</b>	<b>113</b>	<b>39</b>	<b>38</b>	<b>37</b>	<b>35</b>	<b>34</b>
Operating cost	-9	-7	140	-5	-4	-4	-4	-3
Sector costs	0	0		0	0	0	0	0
<b>Profit before impairment charges</b>	<b>68</b>	<b>62</b>	<b>110</b>	<b>34</b>	<b>34</b>	<b>33</b>	<b>31</b>	<b>31</b>
Impairment charges, net	2	34	6	17	-15	22	4	24
<b>Operating profit</b>	<b>70</b>	<b>96</b>	<b>73</b>	<b>51</b>	<b>19</b>	<b>55</b>	<b>35</b>	<b>54</b>
Non-recurring items	0	0		0	0	0	0	0
<b>Profit before investment portfolio earnings and tax</b>	<b>70</b>	<b>96</b>	<b>73</b>	<b>51</b>	<b>19</b>	<b>55</b>	<b>35</b>	<b>54</b>
<b>Profit before tax</b>	<b>70</b>	<b>96</b>	<b>73</b>	<b>51</b>	<b>19</b>	<b>55</b>	<b>35</b>	<b>54</b>
Loans and advances	3,831	3,573	107	3,831	3,819	3,602	3,534	3,573
Deposits and other debt	2,469	3,498	71	2,469	2,892	3,770	3,018	3,498
Mortgage credit	249	364	68	249	196	209	372	364
Operating cost/income, %	12	10		13	11	10	11	10
Number of FTE, end of period	17	16	106	17	17	16	16	16

The Corporate Banking activities reported operating income of DKK 39m in Q2 2020, up by DKK 1m compared to Q1 2020.

Net interest income increased by DKK 1m in Q2 2020 relative to the previous quarter, as the Bank continues to see a positive contribution from the negative interest rate brackets introduced on corporate deposits in late 2019.

Net fee and commission income remained flat during the quarter, while operating costs increased by DKK 1m to DKK 5m in Q2 2020 compared to the previous quarter. Impairment charges amounted to a reversal of DKK 17m, net, during Q2 2020, a significant change from Q1 2020, which saw impairment charges of DKK 15m.

Operating profit therefore amounted to DKK 51m in Q2 2020 vs. DKK 19m in Q1 2020.

Corporate loans and advances increased by DKK 12m in Q2 2020 to DKK 3,831m at 30 June 2020, while deposits fell by DKK 423m in the same period to DKK 2,469m.

# Insurance

Income statement, Trygd								
DKKm	H1 2020	H1 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Premium income, net of reinsurance	60	55	108	30	30	28	29	28
Claims, net of reinsurance	-47	-35	136	-18	-29	-17	-17	-15
<b>Net insurance income</b>	<b>13</b>	<b>21</b>	<b>62</b>	<b>12</b>	<b>1</b>	<b>11</b>	<b>12</b>	<b>13</b>
Net income from investment activities	-1	0		0	-1	0	0	0
<b>Operating income</b>	<b>12</b>	<b>20</b>	<b>60</b>	<b>12</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>13</b>
Operating cost	-12	-12	98	-6	-6	-7	-6	-7
<b>Profit before tax</b>	<b>0</b>	<b>8</b>	<b>2</b>	<b>6</b>	<b>-6</b>	<b>4</b>	<b>6</b>	<b>6</b>
Combined ratio	99	85		81	116	85	80	78
Claims ratio	79	63		60	97	60	60	54
Number of FTE, end of period	24	24	99	24	25	25	22	24

Trygd's premium income amounted to DKK 30m in Q2 2020, up by DKK 2m compared to Q2 2019. Claims increased by DKK 3m in Q2 2020 compared to the same period last year to DKK 18m.

Operating costs were DKK 6m in Q2 2020, flat compared to the same period last year. As a result, Trygd saw a quarterly profit before tax of DKK 6m, down by DKK 1m compared to Q2 2019.

Trygd's result in Q2 2020 was essentially a return to the trend seen prior to Q1 2020 which was severely affected by the COVID-19 pandemic and two large storms. The compa-

ny continues to strengthen its market position as a leading provider of non-life insurance in the Faroe Islands. The steady increase in premiums stems from both an increase in market share as well as general market growth related to the development of the Faroese economy. Meanwhile, operating costs have been held largely flat, contributing to margin expansion.

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







## Income statement - BankNordik

Note	DKK 1,000	Group		BankNordik	
		H1 2020	H1 2019	H1 2020	H1 2019
3	Interest income	201,358	194,984	200,665	194,250
	- of which interest income from deposits	18,314	2,738	18,314	2,738
4	Interest expenses	10,536	13,490	10,536	13,491
	- of which interest expenses from assets	1,719	1,685	1,719	1,685
	<b>Net interest income</b>	<b>190,821</b>	<b>181,493</b>	<b>190,128</b>	<b>180,759</b>
	Dividends from shares and other investments	12,554	13,984	12,554	13,984
5	Fee and commission income	105,783	99,465	111,447	104,824
5	Fee and commissions paid	6,568	6,109	6,568	6,109
	<b>Net dividend, fee and commission income</b>	<b>111,769</b>	<b>107,339</b>	<b>117,433</b>	<b>112,698</b>
	<b>Net interest and fee income</b>	<b>302,590</b>	<b>288,832</b>	<b>307,562</b>	<b>293,456</b>
	Premium income, net of reinsurance	66,804	61,948		
	Claims, net of reinsurance	51,560	38,126		
	<b>Interest and fee income and income from insurance activities, net</b>	<b>317,835</b>	<b>312,654</b>	<b>307,562</b>	<b>566,299</b>
6	Market value adjustments	-30,439	474	-28,991	1,304
7	Other operating income	3,092	5,713	1,107	2,681
8	Staff costs and administrative expenses	205,788	232,492	196,076	222,124
	Amortisation, depreciation and impairment charges	8,719	7,140	8,344	6,822
	Other operating expenses	688	338	688	338
9	Impairment charges on loans and advances etc.	2,073	-71,789	2,073	-71,789
	Income from investments accounted for under the equity method	337	0	951	8,787
	<b>Profit before tax</b>	<b>73,556</b>	<b>150,661</b>	<b>73,447</b>	<b>148,732</b>
	Tax	15,511	32,296	15,402	30,367
	<b>Net profit</b>	<b>58,046</b>	<b>118,365</b>	<b>58,046</b>	<b>118,365</b>
	Portion attributable to				
	Shareholders of BankNordik P/F	58,046	118,365	58,046	118,365
	<b>Net profit</b>	<b>58,046</b>	<b>118,365</b>	<b>58,046</b>	<b>118,365</b>
	EPS Basic for the period, total, DKK*	6.09	12.23	6.09	12.23
	EPS Diluted for the period, total, DKK*	6.09	12.23	6.09	12.23

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

## Statement of comprehensive income - BankNordik

	Group		BankNordik	
	H1 2020	H1 2019	H1 2020	H1 2019
DKK 1,000				
<b>Net profit</b>	58,046	118,365	58,046	118,365
Other comprehensive income				
Total other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>58,046</b>	<b>118,365</b>	<b>58,046</b>	<b>118,365</b>
<b>Portion attributable to</b>				
Shareholders of BankNordik P/F	54,619	118,365	54,619	118,365
Additional Tier 1 capital holders	3,427	0	3,427	0
<b>Total comprehensive income</b>	<b>58,046</b>	<b>118,365</b>	<b>58,046</b>	<b>118,365</b>

## Balance Sheet - BankNordik

Note	DKK 1,000	Group		BankNordik	
		June 30 2020	Dec. 31 2019	June 30 2020	Dec. 31 2019
	<b>Assets</b>				
	Cash in hand and demand deposits with central banks	186,832	252,059	167,720	252,000
10	Amounts due from credit institutions and central banks	913,401	877,825	913,401	877,825
9	Loans and advances at fair value	532,553	509,864	532,553	509,864
9	Loans and advances at amortised cost	9,347,039	9,399,022	9,347,039	9,399,022
	Bonds at fair value	4,461,308	5,599,529	4,246,315	5,404,445
	Shares, etc.	296,686	312,175	296,686	312,175
	Assets under insurance contracts	9,002	6,176	0	0
	Holdings in associates	6,706	6,369	6,706	6,369
	Holdings in subsidiaries	0	0	132,753	133,438
	Assets under pooled schemes	728,428	795,822	728,428	795,822
	Intangible assets	11,326	9,957	11,326	9,957
	Total land and buildings	210,539	212,559	207,880	209,886
	Domicile property	210,539	212,559	207,880	209,886
	Other property, plant and equipment	17,023	19,985	15,708	19,060
	Current tax assets	14,088	10,705	14,088	10,705
	Deferred tax assets	5,038	5,008	4,960	4,960
11	Assets held for sale	4,510	1,500	4,510	1,500
	Other assets	106,258	87,188	104,440	81,669
	Prepayments	17,565	67,657	16,485	66,584
	<b>Total assets</b>	<b>16,868,303</b>	<b>18,173,399</b>	<b>16,750,998</b>	<b>18,095,281</b>

## Balance Sheet - BankNordik

		Group		BankNordik	
Note		June 30 2020	Dec. 31 2019	June 30 2020	Dec. 31 2019
DKK 1,000					
<b>Shareholders' equity and liabilities</b>					
<b>Liabilities other than provisions</b>					
Amounts due to credit institutions and central banks		51,963	54,922	51,963	54,922
Deposits and other debt		13,048,214	14,367,685	13,058,872	14,399,292
Deposits under pooled schemes		728,428	795,832	728,428	795,832
Liabilities under insurance contracts		117,030	92,922	0	0
Current tax liabilities		51,673	36,107	48,616	32,828
Other liabilities		298,848	309,825	291,439	297,822
Deferred income		3,570	5,471	3,103	3,951
<b>Total liabilities other than provisions</b>		<b>14,299,728</b>	<b>15,662,763</b>	<b>14,182,422</b>	<b>15,584,648</b>
<b>Provisions for liabilities</b>					
Provisions for deferred tax		0	2	0	0
9	Provisions for losses on guarantees etc	17,868	18,446	17,868	18,446
Provisions for other liabilities		5,080	5,012	5,080	5,012
<b>Total provisions for liabilities</b>		<b>22,947</b>	<b>23,461</b>	<b>22,947</b>	<b>23,459</b>
<b>Subordinated debt</b>					
Subordinated debt		224,391	224,086	224,391	224,086
<b>Total liabilities</b>		<b>14,547,066</b>	<b>15,910,311</b>	<b>14,429,760</b>	<b>15,832,193</b>
<b>Equity</b>					
Share capital		192,000	192,000	192,000	192,000
Revaluation reserve		9,243	9,243	9,243	9,243
Retained earnings		1,965,813	1,843,891	1,965,813	1,843,891
Proposed dividends		0	67,200	0	67,200
<b>Shareholders of the Parent Company</b>		<b>2,167,057</b>	<b>2,112,335</b>	<b>2,167,057</b>	<b>2,112,335</b>
Additional tier 1 capital holders		154,180	150,754	154,180	150,754
<b>Total equity</b>		<b>2,321,237</b>	<b>2,263,088</b>	<b>2,321,237</b>	<b>2,263,088</b>
<b>Total liabilities and equity</b>		<b>16,868,303</b>	<b>18,173,399</b>	<b>16,750,998</b>	<b>18,095,281</b>



## Statement of capital - Group

### Changes in equity:

	Shareholders equity						Additional tier 1	
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	capital	Total	
DKK 1,000								
<b>Shareholders' equity at January 1, 2020</b>	<b>192,000</b>	<b>9,243</b>	<b>67,200</b>	<b>1,843,891</b>	<b>2,112,335</b>	<b>150,754</b>	<b>2,263,088</b>	
Net profit			0	54,619	54,619	3,427	58,046	
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>54,619</b>	<b>54,619</b>	<b>3,427</b>	<b>58,046</b>	
Sale of own shares				104	104		104	
Changes to proposed dividends			-67,200	67,200	0		0	
<b>Shareholders' equity at June 30, 2020</b>	<b>192,000</b>	<b>9,243</b>	<b>0</b>	<b>1,965,814</b>	<b>2,167,057</b>	<b>154,180</b>	<b>2,321,237</b>	

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

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

	Shareholders equity						Additional tier 1	
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	capital	Total	
DKK 1,000								
<b>Shareholders' equity at January 1, 2019</b>	<b>200,000</b>	<b>10,968</b>	<b>70,000</b>	<b>1,705,783</b>	<b>1,986,752</b>		<b>1,986,752</b>	
Net profit				118,365	118,365		118,365	
<b>Total comprehensive income</b>				<b>118,365</b>	<b>118,365</b>		<b>118,365</b>	
Cancellation of own shares	-8,000			8,000	0		0	
Acquisition of own shares				-7,057	-7,057		-7,057	
Dividends paid			-70,000	3,215	-66,785		-66,785	
<b>Shareholders' equity at June 30, 2019</b>	<b>192,000</b>	<b>10,968</b>	<b>0</b>	<b>1,828,307</b>	<b>2,031,275</b>		<b>2,031,275</b>	

## Statement of capital - BankNordik P/F

DKK 1,000	Shareholders equity						
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
<b>Shareholders' equity at January 1, 2020</b>	192,000	9,243	67,200	1,843,891	2,112,335	150,754	2,263,088
Net profit			0	54,619	54,619	3,427	58,046
<b>Total comprehensive income</b>		0	0	54,619	54,619	3,427	58,046
Sale of own shares				104	104		104
Changes to proposed dividends			-67,200	67,200	0		0
<b>Shareholders' equity at June 30, 2020</b>	192,000	9,243	0	1,965,813	2,167,057	154,180	2,321,237

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

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

DKK 1,000	Shareholders equity						
	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
<b>Shareholders' equity at January 1, 2019</b>	200,000	10,968	70,000	1,705,783	1,986,752		1,986,752
Net profit		0	0	118,365	118,365		118,365
<b>Total comprehensive income</b>		0	0	118,365	118,365		118,365
Cancellation of own shares	-8,000			8,000	0		0
Acquisition of own shares				-7,057	-7,057		-7,057
Dividends paid			-70,000	3,215	-66,785		-66,785
<b>Shareholders' equity at June 30, 2019</b>	192,000	10,968	0	1,828,306	2,031,275		2,031,275

## Statement of capital - P/F BankNordik

Solvency DKK 1,000	June 30 2020	Dec. 31 2019
Core capital	2,242,298	2,173,404
Total capital	2,466,689	2,397,490
Risk-weighted items not included in the trading portfolio	8,122,568	8,374,072
Risk-weighted items with market risk etc.	1,094,167	1,299,559
Risk-weighted items with operational risk	1,068,984	1,090,091
<b>Total risk-weighted items</b>	<b>10,285,719</b>	<b>10,763,722</b>
<b>CET 1 capital ratio</b>	<b>20.3%</b>	<b>18.8%</b>
<b>Core capital ratio</b>	<b>21.8%</b>	<b>20.2%</b>
<b>Total capital ratio</b>	<b>24.0%</b>	<b>22.3%</b>
<b>Core Capital and Shareholders' equity</b>		
Share capital	192,000	192,000
Reserves	9,243	8,628
Net profit	58,046	206,631
Retained earnings, previous years	1,914,447	1,712,623
<b>Shareholders' equity, before deduction of holdings of own shares</b>	<b>2,173,736</b>	<b>2,119,882</b>
Deduction of dividend	0	68,939
Deduction of net profit	58,046	0
Deduction of holdings of own shares	6,679	7,547
Deduction of intangible assets	11,326	9,957
Deduction of deferred tax assets	4,960	4,960
Deduction regarding prudent valuation of financial instruments	4,608	5,828
<b>CET 1 capital</b>	<b>2,088,117</b>	<b>2,022,650</b>
Hybrid core capital	154,180	150,754
<b>Core capital</b>	<b>2,242,298</b>	<b>2,173,404</b>
<b>Total capital</b>		
Core capital	2,242,298	2,173,404
Subordinated loan capital	224,391	224,086
<b>Total capital</b>	<b>2,466,689</b>	<b>2,397,490</b>

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

## Cash flow statement - Group

DKK 1,000	H1 2020	Full year 2019
<b>Cash flow from operations</b>		
Profit before tax	73,556	259,775
Interest expense on leasing liabilities	1,649	2,924
Depreciation and impairment charges of tangible assets	8,719	14,923
Impairment of loans and advances/guarantees	2,073	-104,928
Paid tax	-364	-21,272
Other non-cash operating items	-16,068	-20,973
<b>Total</b>	<b>69,565</b>	<b>130,449</b>
<b>Changes in operating capital</b>		
Change in loans at fair value	-22,689	9,774
Change in loans at amortised cost	49,910	242,746
Change in holding of bonds	1,139,275	-1,032,634
Change in holding of shares	15,489	-8,172
Change in deposits	-1,319,470	935,456
Due to credit institutions and central banks	-2,959	-16,038
Change in other assets / liabilities	-30,178	16,794
Assets/liabilities under insurance contracts	21,282	-3,791
Prepayments	48,191	3,963
<b>Cash flow from operations</b>	<b>-31,585</b>	<b>278,548</b>
<b>Cash flow from investing activities</b>		
Dividends received	12,554	13,984
Acquisition of intangible assets	-1,740	-3,828
Acquisition of tangible assets	-3,624	-10,358
Sale of tangible assets	0	16,922
<b>Cash flow from investing activities</b>	<b>7,190</b>	<b>16,719</b>
<b>Cash flow from financing activities</b>		
Change in loans from central banks and credit institutions	0	-227,650
Issued additional tier 1 capital	0	148,962
Acquisition of own shares	0	-7,054
Sale of own shares	104	0
Payment of dividends	0	-70,000
Payment of dividends, own shares	0	3,215
Principal portion of lessee lease payments	-5,359	-7,328
<b>Cash flow from financing activities</b>	<b>-5,255</b>	<b>-159,855</b>
<b>Cash flow</b>	<b>-29,651</b>	<b>135,412</b>
Cash in hand and demand deposits with central banks, and due from Credit institutions, etc. at the beginning of the year	1,129,884	994,471
Cash flow	-29,651	135,412
<b>Cash and due etc.</b>	<b>1,100,233</b>	<b>1,129,884</b>
Cash and due etc.		
Cash in hand and demand deposits with central banks	186,832	252,059
Due from credit institutions, etc.	913,401	877,825
<b>Total</b>	<b>1,100,233</b>	<b>1,129,884</b>



## Notes

### Note **Significant accounting policies**

1

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

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

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

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

The International Accounting Standards Board (IASB) has issued a number of new accounting standards (IAS and IFRS) and interpretations (IFRIC) that have not yet entered into force. Please refer to the Annual Report 2019 for further information.

#### **Accounting estimates**

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

The most significant estimates that management makes in applying the Group's accounting policies and the most important uncertainty affecting estimates made when preparing the condensed interim report are unchanged from the estimates made in connection with the preparation of the Annual Report 2019 and the uncertainties prevailing at that time.

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

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

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

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

## Notes - BankNordik Group

Note	Operating segments H1 2020	Banking			Total	Non-life	Elimination	Group
		Private	Corporate	Other		Insurance		
2	DKK 1,000					Faroe Islands	Total	
	External interest income, Net	118,921	67,912	3,260	190,093	728	190,821	
	Internal interest	0	0	0	0	0	0	
	<b>Net interest income</b>	<b>118,921</b>	<b>67,912</b>	<b>3,260</b>	<b>190,093</b>	<b>728</b>	<b>190,821</b>	
	<b>Net Fee and dividends income</b>	<b>108,953</b>	<b>8,481</b>	<b>-1,784</b>	<b>115,649</b>	<b>-3,880</b>	<b>111,769</b>	
	Premium income, net of reinsurance	0	0	7,574	7,574	59,905	66,804	
	<b>Net premium income of reinsurance and claims</b>	<b>0</b>	<b>0</b>	<b>3,090</b>	<b>3,090</b>	<b>12,829</b>	<b>15,244</b>	
	Other income	2,065	1,285	-27,532	-24,182	-1,251	-27,010	
	<b>Total income</b>	<b>229,939</b>	<b>77,677</b>	<b>-22,966</b>	<b>284,651</b>	<b>8,426</b>	<b>290,825</b>	
	<b>Total operating expenses</b>	<b>80,663</b>	<b>9,517</b>	<b>118,996</b>	<b>209,175</b>	<b>8,272</b>	<b>215,195</b>	
	<i>of which depreciation and amortisation</i>	<i>1,908</i>	<i>0</i>	<i>6,566</i>	<i>8,474</i>	<i>245</i>	<i>8,719</i>	
	<b>Profit before impairment charges on loans</b>	<b>149,277</b>	<b>68,161</b>	<b>-141,962</b>	<b>75,476</b>	<b>153</b>	<b>75,629</b>	
	Impairment charges	3,382	-2,058	749	2,073	0	2,073	
	<b>Profit before tax</b>	<b>145,894</b>	<b>70,219</b>	<b>-142,711</b>	<b>73,403</b>	<b>153</b>	<b>73,556</b>	
	<b>Total assets</b>	<b>6,244,068</b>	<b>3,886,382</b>	<b>6,524,412</b>	<b>16,654,861</b>	<b>213,442</b>	<b>16,868,303</b>	
	<i>of which Loans and advances</i>	<i>6,047,857</i>	<i>3,831,736</i>		<i>9,879,592</i>	<i>0</i>	<i>9,879,592</i>	
	<b>Total liabilities</b>	<b>10,585,335</b>	<b>2,473,537</b>	<b>1,366,158</b>	<b>14,425,030</b>	<b>122,036</b>	<b>14,547,066</b>	
	<i>of which Deposits</i>	<i>10,585,335</i>	<i>2,473,537</i>		<i>13,058,872</i>	<i>0</i>	<i>13,048,214</i>	
	<i>of which Insurance liabilities</i>			<i>4,363</i>		<i>112,668</i>	<i>117,030</i>	

Operating segments H1 2019	Banking			Total	Non-life	Elimination	Group
	Private	Corporate	Other		Insurance		
DKK 1.000					Faroe Islands	Total	
External interest income, Net	118,809	58,067	3,847	180,722	771	181,493	
Internal interest	2,248	1	-2,249	0	0	0	
<b>Net interest income</b>	<b>121,057</b>	<b>58,068</b>	<b>1,598</b>	<b>180,722</b>	<b>771</b>	<b>181,493</b>	
<b>Net Fee and dividends income</b>	<b>104,218</b>	<b>8,480</b>	<b>-1,735</b>	<b>110,963</b>	<b>-3,624</b>	<b>107,339</b>	
Premium income, net of reinsurance	0	0	7,365	7,365	55,219	61,948	
<b>Net premium income of reinsurance and claims</b>	<b>0</b>	<b>0</b>	<b>3,921</b>	<b>3,921</b>	<b>20,537</b>	<b>23,822</b>	
Other income	2,366	2,122	3,631	8,118	-830	6,187	
<b>Total income</b>	<b>227,640</b>	<b>68,670</b>	<b>7,415</b>	<b>303,724</b>	<b>16,854</b>	<b>318,841</b>	
<b>Total operating expenses</b>	<b>88,284</b>	<b>6,780</b>	<b>137,875</b>	<b>232,938</b>	<b>8,768</b>	<b>239,970</b>	
<i>of which depreciation and amortisation</i>	<i>1,165</i>	<i>0</i>	<i>5,799</i>	<i>6,964</i>	<i>176</i>	<i>7,140</i>	
<b>Profit before impairment charges on loans</b>	<b>139,356</b>	<b>61,890</b>	<b>-130,460</b>	<b>70,786</b>	<b>8,086</b>	<b>78,872</b>	
Impairment charges	-29,986	-34,089	-7,714	-71,789	0	-71,789	
<b>Profit before tax</b>	<b>169,342</b>	<b>95,979</b>	<b>-122,746</b>	<b>142,575</b>	<b>8,086</b>	<b>150,661</b>	
<b>Total assets</b>	<b>6,658,137</b>	<b>3,671,439</b>	<b>7,192,110</b>	<b>17,521,686</b>	<b>193,491</b>	<b>17,715,177</b>	
<i>of which Loans and advances</i>	<i>6,465,020</i>	<i>3,587,600</i>		<i>10,052,620</i>	<i>0</i>	<i>10,052,620</i>	
<b>Total liabilities</b>	<b>10,648,428</b>	<b>3,507,244</b>	<b>1,422,005</b>	<b>15,577,677</b>	<b>106,225</b>	<b>15,683,902</b>	
<i>of which Deposits</i>	<i>10,648,428</i>	<i>3,507,244</i>		<i>14,155,672</i>	<i>0</i>	<i>14,131,224</i>	
<i>of which Insurance liabilities</i>			<i>4,406</i>		<i>96,979</i>	<i>101,386</i>	

## Notes - BankNordik Group

Note DKK 1,000

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

Geographical segments	Total income		Non.current assets		Additions to tangible assets		Additions to intangible assets	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Faroe Islands	143,853	163,591	122,678	119,980	1,112	77,063	11,326	8,122
Denmark	117,759	132,305	77,410	62,581	2,624	21,979		
Greenland	29,213	22,946	45,506	45,919		-88		
<b>Total</b>	<b>290,825</b>	<b>318,841</b>	<b>245,594</b>	<b>228,480</b>	<b>3,736</b>	<b>98,954</b>	<b>11,326</b>	<b>8,122</b>

Geographical segments	Impairments		Investment portfolio earnings	
	H1 2020	H1 2019	H1 2020	H1 2019
Faroe Islands	-7,731	22,015	-6,333	3,611
Denmark	14,008	36,903	-10,013	7,847
Greenland	-8,351	12,871	-915	914
<b>Total</b>	<b>-2,073</b>	<b>71,789</b>	<b>-17,262</b>	<b>12,372</b>

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

Operational segments	Total income		Profit before tax		Tax		FTE	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Faroe Islands, Banking, Other	135,427	146,737	31,691	68,665	5,644	12,356	185	196
Faroe Islands, Insurance	8,426	16,854	153	8,086	3,211	1,455	24	24
Denmark, Banking	117,759	132,305	34,731	51,265	4,756	17,603	136	149
Greenland, Banking	29,213	22,946	6,981	22,645	5,105	881	18	20
<b>Total</b>	<b>290,825</b>	<b>318,841</b>	<b>73,556</b>	<b>150,661</b>	<b>18,715</b>	<b>32,296</b>	<b>363</b>	<b>390</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		H1 2020	H1 2019	H1 2020	H1 2019
3	<b>Interest income</b>				
	Credit institutions and central banks	192	602	192	602
	Loans and advances	172,722	181,442	172,722	181,442
	Deposits	18,314	2,738	18,314	2,738
	Bonds	15,843	16,371	15,150	15,637
	Total derivatives of which:	-5,713	-6,519	-5,713	-6,519
	<i>Currency contracts</i>	-75	-266	-75	-266
	<i>Interest rate contracts</i>	-5,638	-6,253	-5,638	-6,253
	Other interest income	0	350	0	350
	<b>Total interest income</b>	<b>201,358</b>	<b>194,984</b>	<b>200,665</b>	<b>194,250</b>
4	<b>Interest expenses</b>				
	Credit institutions and central banks	290	1,305	290	1,305
	Deposits	1,508	3,096	1,508	3,097
	Subordinated debt	6,081	6,050	6,081	6,050
	Bonds	1,429	1,132	1,429	1,132
	Lease liabilities	1,649	1,462	1,649	1,462
	Other interest expenses	-421	445	-421	445
	<b>Total interest expenses</b>	<b>10,536</b>	<b>13,490</b>	<b>10,536</b>	<b>13,491</b>
5	<b>Net fee and commission income</b>				
	Fee and commission income				
	Securities trading and custody accounts	20,505	15,161	20,505	15,161
	Credit transfers	12,998	11,606	12,998	11,606
	Loan commissions	3,581	3,057	3,581	3,057
	Guarantee commissions	11,109	10,562	11,109	10,562
	Other fees and commissions	57,590	59,080	63,254	64,438
	<b>Total fee and commission income</b>	<b>105,783</b>	<b>99,465</b>	<b>111,447</b>	<b>104,824</b>
	Fee and commissions paid				
	Securities trading and custody accounts	6,568	6,109	6,568	6,109
	<b>Net fee and commission income</b>	<b>99,215</b>	<b>93,355</b>	<b>104,879</b>	<b>98,714</b>
6	<b>Market value adjustments</b>				
	Loans and advances	6,688	18,747	6,688	18,747
	Bonds	-28,815	13,151	-27,367	13,981
	Shares	-4,515	140	-4,515	140
	Foreign exchange	2,805	4,125	2,805	4,125
	Total derivatives of which:	-6,601	-35,689	-6,601	-35,689
	<i>Currency Swaps</i>	538	1,154	538	1,154
	<i>Interest Swaps</i>	-3,702	-36,839	-3,702	-36,839
	<i>Other contracts</i>	-3,437	-4	-3,437	-4
	Assets under pooled schemes	-49,551	-13,216	-49,551	-13,216
	Deposits in pooled schemes	49,551	13,216	49,551	13,216
	<b>Total market value adjustments</b>	<b>-30,439</b>	<b>474</b>	<b>-28,991</b>	<b>1,304</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		H1 2020	H1 2019	H1 2020	H1 2019
7	<b>Other operating income</b>				
	Profit on sale of properties	152	512	152	512
	- of which assets held for sale	0	512	0	512
	Other income	2,940	5,201	955	2,168
	<b>Total other operating income</b>	<b>3,092</b>	<b>5,713</b>	<b>1,107</b>	<b>2,681</b>
8	<b>Staff costs and administrative expenses</b>				
	Staff costs:				
	Salaries	97,137	108,639	89,424	100,448
	Pensions	13,357	14,636	12,358	13,650
	Social security expenses	16,717	17,463	15,715	16,389
	<b>Total staff costs</b>	<b>127,211</b>	<b>140,738</b>	<b>117,497</b>	<b>130,487</b>
	Administrative expenses:				
	IT	53,298	52,453	51,035	50,162
	Marketing etc	5,350	10,132	5,004	9,876
	Education etc	916	1,100	850	777
	Advisory services	1,145	861	1,145	847
	Other expenses	21,989	30,918	20,545	29,976
	<b>Total administrative expenses</b>	<b>82,697</b>	<b>95,463</b>	<b>78,579</b>	<b>91,637</b>
	Total staff costs	127,211	140,738	117,497	130,487
	Employee costs included under the item "Claims, net of reinsurance"	-4,120	-3,709	0	0
	Total administrative expenses	82,697	95,463	78,579	91,637
	<b>Total staff costs and administrative expenses</b>	<b>205,788</b>	<b>232,492</b>	<b>196,076</b>	<b>222,124</b>
	<b>Number of employees</b>				
	Average number of full-time employees in the period	366	389	335	356
	Executive remuneration:				
	Board of Directors	1,325	1,150	1,325	1,150
	Executive Board:				
	Salaries	1,325	1,254	1,325	1,254
	- less fees received from directorships	249	98	249	98
	The Bank's expense, salaries	1,076	1,156	1,076	1,156
	Pension	199	188	199	188
	<b>Total executive board</b>	<b>1,275</b>	<b>1,343</b>	<b>1,275</b>	<b>1,343</b>
	<b>Total executive remuneration</b>	<b>2,600</b>	<b>2,493</b>	<b>2,600</b>	<b>2,493</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		H1 2020	H1 2019	H1 2020	H1 2019
9	<b>Impairment charges on loans and advances and provisions for guarantees etc.</b>				
	Impairment charges and provisions at 31 December	496,291	607,341	496,291	607,341
	New and increased impairment charges and provisions	87,715	28,517	87,715	28,517
	Reversals of impairment charges and provisions	77,845	90,202	77,845	90,202
	Written-off, previously impaired	23,090	6,323	23,090	6,323
	Interest income on impaired loans	4,268	5,740	4,268	5,740
	<b>Total impairment charges and provisions at 30 June</b>	<b>483,071</b>	<b>539,333</b>	<b>483,071</b>	<b>539,333</b>
	<i>Referring to H1 2020 the management has made impairments amounting to 35m due to the COVID-19 crisis</i>				
	<b>Impairment charges and provisions recognised in the income statement</b>				
	Loans and advances at amortised cost	2,681	-64,272	2,681	-64,272
	Loans and advances at fair value	-29	-1,064	-29	-1,064
	Guarantees and loan commitments	-579	-6,453	-579	-6,453
	Assets held for sale	0	0	0	0
	<b>Total individual impairment charges and provisions</b>	<b>2,073</b>	<b>-71,789</b>	<b>2,073</b>	<b>-71,789</b>
	<b>Stage 1 impairment charges</b>				
	Stage 1 impairment charges etc. at 31 December	14,405	14,583	14,405	14,583
	New and increased Stage 1 impairment charges	4,558	2,700	4,558	2,700
	Reversals, net of Stage 1 impairment charges	7,316	3,896	7,316	3,896
	<b>Stage 1 impairment charges at 30 June</b>	<b>11,648</b>	<b>13,388</b>	<b>11,648</b>	<b>13,388</b>
	<i>Total net impact recognised in the income statement</i>	<i>-2,757</i>	<i>-1,196</i>	<i>-2,757</i>	<i>-1,196</i>
	<b>Stage 2 impairment charges</b>				
	Stage 2 impairment charges etc. at 31 December	33,012	44,846	33,012	44,846
	New and increased impairment charges	30,508	6,264	30,508	6,264
	Reversals, net of impairment charges	20,640	12,618	20,640	12,618
	<b>Stage 2 impairment charges at 30 June</b>	<b>42,880</b>	<b>38,492</b>	<b>42,880</b>	<b>38,492</b>
	<i>Total net impact recognised in the income statement</i>	<i>9,868</i>	<i>-6,354</i>	<i>9,868</i>	<i>-6,354</i>
	<b>Weak Stage 2</b>				
	Weak Stage 2 impairment charges etc. at 31 December	41,301	57,867	41,301	57,867
	New and increased impairment charges	39,475	6,331	39,475	6,331
	Reversals, net of impairment charges	12,954	27,413	12,954	27,413
	<b>Weak Stage 2 impairment charges at 30 June</b>	<b>67,822</b>	<b>36,786</b>	<b>67,822</b>	<b>36,786</b>
	<i>Total net impact recognised in the income statement</i>	<i>26,521</i>	<i>-21,081</i>	<i>26,521</i>	<i>-21,081</i>



## Notes

Note	DKK 1,000	Group		BankNordik	
		H1 2020	H1 2019	H1 2020	H1 2019
9	<b>Stage 3 impairment charges</b>				
(cont'd)	Stage 3 impairment charges etc. at 31 December	389,126	462,602	389,126	462,602
	New and increased impairment charges	8,916	11,407	8,916	11,407
	Reversals of impairment charges	32,099	38,008	32,099	38,008
	Written-off, previously impaired	23,090	6,323	23,090	6,323
	<i>Write-offs charged directly to the income statement</i>	1,618	888	1,618	888
	Received on claims previously written off	5,147	5,250	5,147	5,250
	Interest income on impaired loans	4,268	5,740	4,268	5,740
	<b>Stage 3 impairment charges at 30 June</b>	<b>342,854</b>	<b>429,677</b>	<b>342,854</b>	<b>429,677</b>
	<i>Total net impact recognised in the income statement</i>	-30,980	-36,705	-30,980	-36,705
	<b>Provisions for guarantees and undrawn credit lines</b>				
	Individual provisions at 31 December	18,446	27,443	18,446	27,443
	New and increased provisions	4,257	1,815	4,257	1,815
	Reversals of provisions	4,836	8,267	4,836	8,267
	<b>Provisions for guarantees etc. at 30 June</b>	<b>17,868</b>	<b>20,991</b>	<b>17,868</b>	<b>20,991</b>
	<i>Total net impact recognised in the income statement</i>	-579	-6,453	-579	-6,453
	<b>Provisions for guarantees and undrawn credit lines</b>				
	Stage 1 provisions	1,641	1,948	1,641	1,948
	Stage 2 provisions	2,854	3,894	2,854	3,894
	Weak Stage 2 provisions	200	3,400	200	3,400
	Stage 3 provisions	13,173	11,749	13,173	11,749
	<b>Provisions for guarantees etc. at 30 June</b>	<b>17,868</b>	<b>20,991</b>	<b>17,868</b>	<b>20,991</b>

## Notes

Note	DKK 1,000	Group		BankNordik	
		June 30 2020	Dec. 31 2019	June 30 2020	Dec. 31 2019
10	<b>Due from credit institutions etc. specified by maturity</b>				
	On demand	346,401	336,172	346,401	336,172
	3 months and below	567,000	541,652	567,000	541,652
	<b>Total due from credit institutions etc.</b>	<b>913,401</b>	<b>877,825</b>	<b>913,401</b>	<b>877,825</b>
11	<b>Assets held for sale</b>				
	Total purchase price, at 1 January	3,752	22,730	3,752	22,730
	Additions	3,564	34	3,564	34
	Disposals	554	19,011	554	19,011
	<b>Total purchase price</b>	<b>6,762</b>	<b>3,752</b>	<b>6,762</b>	<b>3,752</b>
	Depreciation and impairment, at 1 January	2,252	2,366	2,252	2,366
	Reversal of impairment on disposals during the year	0	114	0	114
	<b>Total depreciation and impairment</b>	<b>2,252</b>	<b>2,252</b>	<b>2,252</b>	<b>2,252</b>
	<b>Total assets held for sale</b>	<b>4,510</b>	<b>1,500</b>	<b>4,510</b>	<b>1,500</b>
12	<b>Contingent liabilities</b>				
	<b>Guarantees</b>				
	Financial guarantees	533,082	491,175	533,082	491,175
	Mortgage finance guarantees	1,126,509	1,417,297	1,126,509	1,417,297
	Registration and remortgaging guarantees	544,780	487,806	544,780	487,806
	Other guarantees	307,061	331,793	307,061	331,793
	<b>Total guarantees</b>	<b>2,511,432</b>	<b>2,728,071</b>	<b>2,511,432</b>	<b>2,728,071</b>

### 13 Assets deposited as collateral

At June 30 2020 the Group had deposited bonds at a total market value of DKK 37m (H1 2019: 35m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing. Deposits of bonds and cash to others in total have a market value of DKK 60m (H1 2019: 38m).

## 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 six months to 30 June 2020.

The consolidated financial statements for the first six months to 30 June 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act. Furthermore, the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of Nasdaq Copenhagen.

The interim financial statements have not been audited or reviewed.

We consider the accounting policies applied to be appropriate, such that the Interim Financial Report gives a true and fair view of the Group's and the Parent Company's assets, shareholders' equity and liabilities and financial position at 30 June 2020, and of the results of the Group's and the Parent Company's operations and the Group's and Parent Company's cash flows for the first six months ended 30 June 2020.

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

Tórshavn, 4 August 2020

### Executive Board

Árni Ellefsen  
CEO

### Board of Directors

Ben Arabo  
Chairman

John Henrik Holm  
Vice Chairman

Barbara Pállsdóttir Vang

Jógvan Jespersen

Gunnar Nielsen

Hans Arni Bjarnason Thomsen

Kenneth M. Samuelsen

Dan Rasmussen

Alexandur Johansen

## Head Office

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P/F skr. nr. 10, Tórshavn  
SWIFT: FIFB FOTX

BankNordik is a limited liability  
company incorporated and  
domiciled in the Faroe Islands.

The company is listed on  
Nasdaq Copenhagen.

## IR Contact

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## Branches

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