

Interim Report Q3 2018

BANKNORDIK

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Financial highlights - BankNordik Group

Highlights	Q1-Q3 2018	Q1-Q3 2017	Index 18 / 17	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net interest income	281.794	292.129	96	94.286	93.235	94.273	95.086	97.240
Dividends from shares and other investments	11.314	5.298	214	77	10.962	275	102	80
Net fee and commission income	129.736	143.344	91	42.741	43.015	43.979	47.081	38.685
Net interest and fee income	422.843	440.771	96	137.104	147.212	138.527	142.269	136.005
Net insurance income	31.152	31.207	100	12.999	6.156	11.997	12.160	12.851
Interest, fee and insurance income, net	453.995	471.978	96	150.103	153.369	150.524	154.429	148.855
Market value adjustments	12.651	24.052	53	4.330	-16.133	24.455	-3.921	5.342
Other operating income	17.636	19.134	92	-4.728	17.149	5.216	14.401	7.509
Staff cost and administrative expenses	345.102	343.272	101	115.025	112.077	118.000	110.358	111.720
Impairment charges on loans and advances etc.	-92.748	3.718		-45.736	-18.989	-28.023	-38.825	296
Net profit	229.334	111.976	205	60.050	50.832	118.452	77.103	23.588
Loans and advances	10.007.984	9.549.256	105	10.007.984	9.742.046	9.607.365	9.537.425	9.549.256
Bonds at fair value	4.558.273	4.446.548	103	4.558.273	4.622.270	4.490.952	4.262.730	4.446.548
Assets held for sale	4.861	13.276	37	4.861	4.911	5.775	6.302	13.276
Total assets	16.716.361	16.058.764	104	16.716.361	16.719.006	16.348.558	15.784.953	16.058.764
Due to credit institutions and central banks	320.950	322.011	100	320.950	440.414	385.384	360.497	322.011
Deposits and other debt	13.162.921	12.982.550	101	13.162.921	13.147.427	13.082.937	12.632.463	12.982.550
Total shareholders' equity	1.948.568	1.742.990	112	1.948.568	1.890.899	1.853.133	1.820.092	1.742.990

Ratios and key figures

	Sept. 30 2018	Sept. 30 2017	Sept. 30 2018	June 30 2018	March 31 2018	Dec. 31 2017	Sept. 30 2017
Solvency							
Solvency ratio, %	17,6	18,2	17,6	18,5	18,9	19,7	18,2
Core capital ratio, %	15,5	15,9	15,5	16,3	16,7	17,5	15,9
Core capital ratio excl. hybrid capital, %	15,5	15,9	15,5	16,3	16,7	17,5	15,9
Risk-weighted Items, DKK mill	10.634	9.942	10.634	10.219	10.058	9.895	9.942
Profitability							
Return on equity after tax, %	12,2	6,1	3,1	2,7	6,4	4,3	1,4
Income / Cost ratio	41,0	72,2	47,7	61,7	17,8	44,3	81,2
Cost / income, % (excl. value adjustm. and impairments)	61,8	71,6	80,5	67,0	38,6	66,3	73,1
Return on assets	1,4	0,7	0,4	0,3	0,7	0,5	0,1
Market risk							
Interest rate risk, %	2,2	1,6	2,2	1,8	1,7	1,6	1,6
Foreign exchange position, %	1,9	1,1	1,9	1,6	1,7	0,9	1,1
Liquidity							
Excess liquidity cover	218,6	218,7	218,6	225,4	217,9	205,1	218,7
Credit risk							
Change in loans and advances, %	4,9	4,5	2,7	1,4	0,7	-0,1	1,3
Gearing of loans and advances	5,1	5,5	5,1	5,2	5,2	5,2	5,5
Impairment and provisioning ratio, end of period, %	3,8	5,0	3,8	4,2	4,4	4,0	5,0
Write-off and provisioning ratio, %	-0,7	0,0	-0,3	-0,1	-0,2	-0,3	0,0
Share of amounts due on which interest rates have been reduced, end of period, %	0,4	0,5	0,4	0,4	0,4	0,4	0,5
Shares							
Earnings per share after tax, DKK	23,5	11,5	6,1	5,2	12,2	7,9	2,4
Market price per share, DKK	113,0	119,5	113,0	110,0	110,5	106,0	119,5
Book value per share, DKK	202,1	179,3	202,1	195,7	190,9	187,2	179,3
Other							
Number of full-time employees, end of period	385	407	385	390	387	400	407

Financial Review

Income statement, Group								
DKKm	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net interest income	282	292	96	94	93	94	95	97
Net fee and commission income	130	143	91	43	43	44	47	39
Net insurance income	31	31	100	13	6	12	12	13
Other operating income (less reclassification)	36	20	186	10	15	12	8	7
Operating income	479	486	99	160	157	162	162	156
Operating costs ¹	-342	-350	98	-111	-116	-115	-112	-114
Sector costs	-1	-2	29	0	0	0	2	-1
Profit before impairment charges	137	135	102	49	42	47	52	42
Impairment charges	93	-4		46	19	28	39	0
Reversals of acquired OEI impairments	0	12		-7	4	3	12	4
Impairment charges, net	93	9		39	23	31	51	4
Operating profit	230	144	160	88	65	77	103	46
Non-recurring items ²	82	-17		-6	12	76	-1	-17
Profit before value adjustments and tax	311	127	245	81	76	154	101	29
Market value adjustments ³	-26	16		-3	-17	-6	-10	1
Profit before tax	286	143	200	78	59	148	92	30
Operating cost/income, %	71	72		69	73	71	69	73
Number of FTE, end of period	385	407	95	385	390	387	400	407

1) Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges.

2) Reclassified from Other operating income and Operating costs.

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

"We progressed on all markets in the third quarter. Volumes increased, customer activity was high, net impairments were reversed, and we managed expenses with discipline. Tighter interest margins remained a challenge for us but the adverse effect on income was more than offset by an increase in both corporate and per-personal lending during the quarter," Árni El-lefsen, CEO.

Income statement

The BankNordik Group generated operating income of DKK 160m in Q3 2018, up by DKK 3m compared to Q2 2018. Net interest income was up by DKK 1m in Q3 2018 compared to Q2 2018 due to an increase in lending volumes. Net fee and commission income amounted to DKK 43m in Q3 2018, flat compared to Q2 2018. Net insurance income amounted to DKK 13m in Q3 2018, flat compared to Q3 2017.

Operating and sector costs amounted to DKK 111m in Q3 2018, down by DKK 5m compared to Q2 2018. The decrease was consistent with the Group's efforts to keep at tight grip on costs. Marketing expenditures in the YTD period were below normal, but will increase in the final quarter of the year due to the launch of a comprehensive digital marketing campaign in Denmark.

Profit before impairment charges was DKK 49m in Q3 2018, up from DKK 42m in Q2 2018. Net impairment charges were a DKK 39m reversal in Q3 2018 compared to a reversal of DKK 23m in Q2 2018.

Operating profit was up by DKK 23m from DKK 65m in Q2 2018 to DKK 88m in Q3 2018.

Balance Sheet

BankNordik's total assets at 30 September 2018 amounted to DKK 16.7bn. Loans and advances were DKK 10.0bn, i.e. up by DKK 471m compared to 31 December 2017. Deposits were DKK 13.2bn, an increase of DKK 530m compared to 31 December 2017. Liquidity invested in bonds, primarily in Danish mortgage bonds and Danish government bonds, amounted

to DKK 4.6bn, an increase of DKK 296m compared to 31 December 2017. Liquidity invested in equities amounted to DKK 344m, an increase of DKK 95m relative to 31 December 2017. The surplus liquidity at 30 September 2018 was 219% higher than the statutory requirement. The Group's equity at 30 September 2018 amounted to DKK 1,949m, up by DKK 128m compared to 31 December 2017.

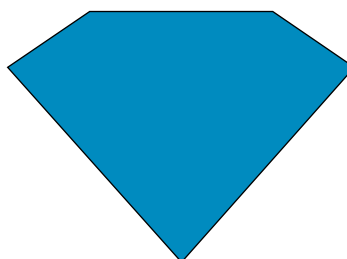
The Supervisory Diamond

Sum of large exposures < 175%

9M 2018	9M 2017
138.4%	146.9%

Loan growth < 20%

9M 2018	9M 2017
4.8%	1.9%



Funding-ratio < 1.0

9M 2018	9M 2017
0.64	0.63

Property exposure < 25%

9M 2018	9M 2017
5.4%	5.8%

Liquidity indicator > 100%

9M 2018	9M 2017
279%	NA

Share buyback programme

In August 2018, BankNordik initiated a new DKK 15m share buyback programme, which will run until 30 March 2019 at the latest and allows BankNordik to acquire shares for up to DKK 15m. As of 26 October, the Group had acquired 104,700 shares YTD at an average purchase price of DKK 112 per share. BankNordik expects to continue to reward its shareholders through share repurchases.

Capital ratios

The Group's CET1 capital ratio fell by 0.8 percentage point quarter-on-quarter to stand at 15.5% at 30 September 2018. The total capital ratio decreased to 17.6% at 30 September 2018 from 18.5% at 30 June 2018. The decrease in capital ratios was partly attributable to an increase in risk-weighted assets and partly due to changes in accounting guidelines for which BankNordik has chosen not to recognise net income within a given year in the capital and solvency statement until the annual report is released in audited form.

Events after the balance sheet date

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

Outlook

Management expects operating profit before impairment charges to come in at the upper end of the guided range of DKK 160-200m in 2018 (9M 2018: DKK 137m). However, potential insurance claims in the final quarter of the year may have an adverse effect on the full-year results.

On 18 October 2018, BankNordik raised its guidance for 2018 net profit from DKK 190-240m as previously guided to DKK 240-280m, driven by the strong reversal of impairment charges.

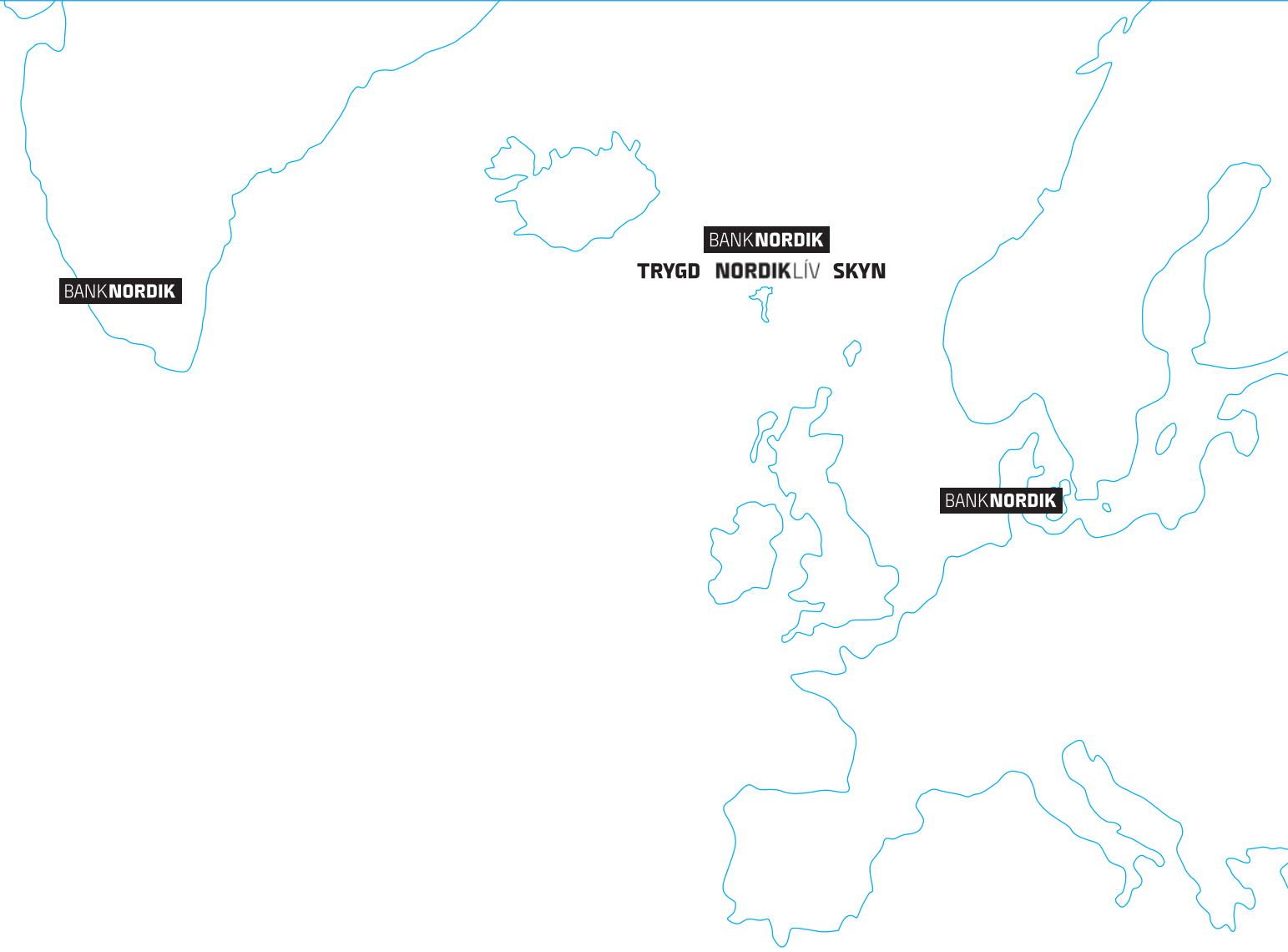
This guidance is generally subject to uncertainty and will, amongst other things, depend on economic conditions, loan impairments and market value adjustments.

Adjusted results

Adjustments made to the income statement are shown below.

Note	Income statement 9M 2018, Group, DKK 1.000	Income statement	Restatement	Restated income statement
	Net interest income	281,794		281,794
1	Net fee and commission income	141,049	-11,314	129,736
	Net insurance income	31,152		31,152
1, 4, 5	Other operating income	17,636	18,709	36,345
	Operating income	471,632	7,395	479,027
2, 3	Operating costs	290,952	50,644	341,596
3	Sector costs	624	-117	507
	Profit before impairment charges	180,056	-43,131	136,924
1	Impairment charges	-92,748	0	-92,748
	Operating profit	272,804	-43,131	229,673
2, 4, 5	Non-recurring items	0	81,627	81,627
	Profit before value adjustments and tax	272,804	38,495	311,299
4	Market value adjustments	12,835	-38,495	-25,660
	Profit before tax	285,639	0	285,639
Note	Income statement 9M 2017, Group, DKK 1.000			
	Net interest income	292,129		292,129
	Net fee and commission income	148,642	-9,234	139,408
	Net insurance income	31,207		31,207
1, 4	Other operating income	19,134	4,386	23,520
	Operating income	491,112	-4,848	486,264
2, 3	Operating costs	365,938	-16,222	349,716
3	Sector costs	2,183	-450	1,733
	Profit before impairment charges	122,992	11,824	134,816
1	Impairment charges	3,718	-12,416	-8,697
	Operating profit	119,274	24,240	143,514
2, 4	Non-recurring items	0	-16,672	-16,672
	Profit before value adjustments and tax	119,274	7,568	126,842
4	Market value adjustments	23,551	-7,568	15,983
	Profit before tax	142,824	0	142,824
Note	Restatements made to the income statement, DKK 1.000		Q1-Q3 2018	Q1-Q3 2017
1	Reversals of acquired OEI impairments reclassified from Other operating income to Impairment charges.		0	-12,416
1	Dividends reclassified from Net fee and commission income to Other operating income		11,314	5,298
2	Reclassification of severance costs from Operating costs to Non-recurring items.		-9,655	-16,672
2	Reclassification of reversals of impairment charges regarding the Group's head-office from Operating costs to Non-recurring items.		-60,181	0
3	Reclassification of other operating expenses (excl. sector costs) from Other operating expenses to Operating costs.		-117	-450
4	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions from Market value adjustments to Other operating income.		-17,495	-7,568
4	Reclassification of value adjustments related to sector shares from Market value adjustments to Non-recurring items (regarding revaluation of the groups holdings of shares in the sector company Bankinvest).		-21,000	0
5	Reclassification of capital gains related to the sale of the Groups domicil from Other operating income to Non-recurring items.		-10,100	0

Segments



Banking Group by segment

Income statement, Banking								
DKKm	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net interest income	281	291	97	94	93	94	95	97
Net fee and commission income	137	150	91	45	45	46	49	41
Other operating income	31	16	193	8	13	10	7	6
Operating income	449	457	98	147	152	150	151	144
Operating costs	-326	-333	98	-106	-110	-110	-106	-108
Sector costs	-1	-2	29	0	0	0	2	-1
Profit before impairment charges	123	123	100	42	42	40	47	35
Impairment charges	93	-4		46	19	28	39	0
Reversals of acquired OEI impairments	0	12	0	-7	4	3	12	4
Impairment charges, net	93	9		39	23	31	51	4
Operating profit	216	131	164	81	65	71	98	38
Non-recurring items	82	-17		-6	12	76	-1	-17
Profit before value adjustments and tax	297	115	260	75	76	147	96	22
Market value adjustments	-24	18		-3	-17	-5	-9	2
Profit before tax	273	132	207	72	59	142	87	24
Loans and advances ¹	10,008	9,549	105	10,008	9,742	9,607	9,537	9,549
Deposits and other debt	13,184	13,000	101	13,184	13,168	13,107	12,654	13,000
Operating cost/income, %	72	73		72	72	73	70	75
Number of FTE, end of period	355	372	95	355	358	356	367	372

1) IFRS 9 effective from 1 January 2018, which affected lending adversely by DKK 52m

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

Personal Banking

Income statement, Personal Banking								
DKKm	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net interest income	195	196	100	65	65	66	68	66
Net fee and commission income	125	118	106	41	41	43	42	38
Other operating income	24	14	178	5	11	8	4	6
Operating income	345	327	105	111	117	116	114	110
Operating costs	-133	-132	101	-44	-44	-45	-51	-43
Sector costs	0	-1	29	0	0	0	1	0
Profit before impairment charges	211	194	109	67	73	71	64	67
Impairment charges	47	-5		27	6	13	1	-4
Reversals of acquired OEI impairments	0	8	0	-5	3	2	3	3
Impairment charges, net	47	3	1489	22	10	15	4	-1
Operating profit	258	197	131	89	83	86	68	66
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	258	197	131	89	83	86	68	66
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	258	197	131	89	83	86	68	66
Loans and advances ¹	6,481	6,274	103	6,481	6,382	6,368	6,325	6,274
Deposits and other debt	9,928	9,802	101	9,928	10,027	9,804	9,669	9,802
Operating cost/income, %	39	40		40	38	38	45	39
Number of FTE, end of period	206	208	99	206	201	207	212	208

The Personal Banking segment reported operating profit of DKK 89m in Q3 2018, up by DKK 6m compared to Q2 2018.

Net interest income was DKK 65m in Q3 2018, flat compared to the previous quarter. Likewise, net fee and commission income in Q3 2018 was flat at DKK 41m compared to Q2 2018.

Operating costs were DKK 44m in Q3 2018, equal to the operating costs in Q2 2018, while impairment charges were a reversal of DKK 22m in Q3 2018 compared to a reversal of DKK 10m in Q2 2018.

Loans and advances to personal customers during the quarter increased by DKK 99m to DKK 6,481m at 30 September 2018, while deposits fell by DKK 99m, both compared to 30 June 2018.

Corporate Banking

Income statement, Corporate Banking								
DKKm	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net interest income	86	92	93	29	29	28	30	31
Net fee and commission income	10	11	90	3	3	3	4	4
Other operating income	5	2		2	1	3	1	1
Operating income	101	106	96	34	34	33	34	35
Operating costs	-12	-10	114	-4	-4	-4	-5	-4
Sector costs	0	0	29	0	0	0	0	0
Profit before impairment charges	89	95	94	30	30	29	30	31
Impairment charges	46	1		19	12	15	39	4
Reversals of acquired OEI impairments	0	4	0	-2	1	1	9	1
Impairment charges, net	46	6		17	13	16	49	5
Operating profit	135	101	135	47	43	45	79	36
Non-recurring items	0	0		0	0	0	0	0
Profit before value adjustments and tax	135	101	135	47	43	45	79	36
Market value adjustments	0	0		0	0	0	0	0
Profit before tax	135	101	135	47	43	45	79	36
Loans and advances ¹	3,527	3,276	108	3,527	3,360	3,240	3,212	3,276
Deposits and other debt	3,257	3,198	102	3,257	3,141	3,303	2,985	3,198
Operating cost/income, %	12	10		12	11	12	14	11
Number of FTE, end of period	17	17	99	17	17	18	18	17

The Corporate Banking activities reported operating profit of DKK 47m in Q3 2018, up by DKK 4m compared to Q2 2018. Net interest income as well as net fee and commission income was flat in Q3 2018 compared to the previous quarter.

Net interest income was DKK 29m in Q3 2018, flat compared to the previous quarter. Net fee and commission income was also flat at DKK 3m compared to Q2 2018.

Operating costs remained flat QoQ, while net impairment charges were a reversal of DKK 17m in Q3 2018 compared to a reversal of DKK 13m in Q2 2018.

Corporate loans and advances increased by DKK 167m to DKK 3,527m at 30 September 2018, while deposits increased by DKK 116m, both compared to 30 June 2018.

Insurance

Income statement, Trygd								
DKKm	Q1-Q3 2018	Q1-Q3 2017	Index 18/17	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Premium income, net of reinsurance	78	71	111	27	26	25	25	24
Claims, net of reinsurance	-55	-42	133	-17	-23	-15	-15	-12
Net insurance income	23	29	79	10	3	11	10	12
Net income from investment activities	-1	0		0	0	0	0	0
Operating income	22	29	77	9	3	11	10	12
Operating cost	-18	-17	103	-6	-6	-6	-6	-6
Profit before tax	4	11	38	3	-4	5	3	6
Combined ratio	94	84		87	114	80	84	73
Claims ratio	71	59		64	90	58	60	49
Number of FTE, end of period	23	27	84	23	25	25	27	27

Premium income was DKK 27m in Q3 2018, up by DKK 3m compared to Q3 2017, while claims were DKK 17m in Q3 2018, up 5m from DKK 12m in Q3 2017.

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

Operating costs were DKK 6m in Q3 2018, flat compared to Q3 2017. Profit before tax was DKK 3m in Q3 2018 compared to DKK 6m in the same period of last year.

Income statement – BankNordik

Note	DKK 1.000	Group		BankNordik	
		Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
3	Interest income	292,237	310,523	291,225	309,178
4	Interest expenses	10,444	18,393	10,444	18,393
	Net interest income	281,794	292,129	280,781	290,784
	Dividends from shares and other investments	11,314	5,298	11,314	5,298
5	Fee and commission income	138,997	153,388	146,377	159,972
5	Fee and commissions paid	9,262	10,044	9,262	10,044
	Net dividend, fee and commission income	141,049	148,642	148,429	155,226
	Net interest and fee income	422,843	440,771	429,210	446,010
	Premium income, net of reinsurance	87,829	79,114		
	Claims, net of reinsurance	56,676	47,907		
	Interest and fee income and income from insurance activities, net	453,995	471,978	429,210	446,010
6	Market value adjustments	12,651	24,052	14,384	25,375
7	Other operating income	17,636	19,134	12,772	15,858
8	Staff costs and administrative expenses	345,102	343,272	329,710	326,747
	Amortisation, depreciation and impairment charges	-54,150	22,665	-54,604	22,209
	Other operating expenses	624	2,183	624	2,183
9	Impairment charges on loans and advances etc.	-92,748	3,718	-92,748	3,718
	Income from investments accounted for under the equity method	184	-501	10,047	8,477
	Profit before tax	285,639	142,824	283,430	140,863
	Tax	56,305	0	54,095	0
	Net profit	229,334	111,976	229,334	111,976
	Portion attributable to				
	Shareholders of BankNordik P/F	229,334	111,976	229,334	111,976
	Net profit	229,334	111,976	229,334	111,976
	EPS Basic for the period, total, DKK	23.45	11.52	23.45	11.52
	EPS Diluted for the period, total, DKK	23.45	11.52	23.45	11.52

Statement of comprehensive income – BankNordik

DKK 1.000	Group		BankNordik	
	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Net profit	229,334	111,976	229,334	111,976
Total other comprehensive income	0	0	0	0
Total comprehensive income	229,334	111,976	229,334	111,976
Portion attributable to				
Shareholders of BankNordik P/F	229,334	111,976	229,334	111,976
Total comprehensive income	229,334	111,976	229,334	111,976

Balance sheet – BankNordik

Note	DKK 1.000	Group		BankNordik	
		Sept. 30 2018	Dec. 31 2017	Sept 30 2018	Dec. 31 2017
	Assets				
	Cash in hand and demand deposits with central banks	380,890	250,509	380,763	250,426
10	Due from credit institutions and central banks	647,352	616,813	647,352	616,813
	Loans and advances at fair value	421,200	431,017	421,200	431,017
9	Loans and advances at amortised cost	9,586,784	9,106,408	9,586,784	9,106,408
	Bonds at fair value	4,558,273	4,262,730	4,368,161	4,091,177
	Shares, etc.	344,105	248,811	344,105	248,811
	Assets under insurance contracts	5,887	8,575	0	0
	Holdings in associates	6,082	5,898	6,082	5,898
	Holdings in subsidiaries	0	0	119,132	115,270
	Assets under pooled schemes	468,388	450,335	468,388	450,335
	Intangible assets	2,421	0	2,421	0
	Total land and buildings	103,759	169,217	101,811	167,253
	Investment property	0	0	0	0
	Domicile property	103,759	169,217	101,811	167,253
	Other property, plant and equipment	23,882	28,552	22,731	27,770
	Current tax assets	9,930	6,894	9,930	6,894
	Deferred tax assets	33,746	44,707	33,720	44,553
11	Assets held for sale	4,861	6,302	4,861	6,302
	Other assets	88,545	73,336	84,829	70,858
	Prepayments	30,255	74,851	28,829	73,273
	Total assets	16,716,361	15,784,953	16,631,099	15,713,057

Balance sheet – BankNordik

Note	DKK 1.000	Group		BankNordik		
		Sept. 30 2018	Dec. 31 2017	Sept 30 2018	Dec. 31 2017	
		Shareholders' equity and liabilities				
		Liabilities other than provisions				
		Due to credit institutions and central banks	320,950	360,497	320,950	360,497
		Deposits and other debt	13,162,921	12,632,463	13,184,445	12,653,510
		Deposits under pooled schemes	469,293	450,863	469,293	450,863
		Liabilities under insurance contracts	94,237	81,197	0	0
		Current tax liabilities	70,739	34,800	65,694	31,929
		Other liabilities	375,861	147,883	369,023	139,985
		Deferred income	3,404	4,177	2,970	3,434
		Total liabilities other than provisions	14,497,405	13,711,880	14,412,376	13,640,216
		Provisions for liabilities				
		Provisions for losses on guarantees etc	39,341	23,640	39,341	23,640
		Provisions for other liabilities	7,721	6,472	7,489	6,240
		Total provisions for liabilities	47,062,753	30,112	46,830	29,880
		Subordinated debt				
		Subordinated debt	223,325	222,868	223,325	222,868
		Total liabilities	14,767,793	13,964,861	14,682,531	13,892,964
		Shareholders' equity				
		Share capital	200,000	200,000	200,000	200,000
		Retained earnings	1,748,568	1,580,092	1,748,568	1,580,092
		Proposed dividends	0	40,000	0	40,000
		Total shareholders' equity	1,948,568	1,820,092	1,948,568	1,820,092
		Total liabilities and equity	16,716,361	15,784,953	16,631,099	15,713,057

Statement of capital - Group

Changes in shareholders' equity

DKK 1.000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at December 31, 2017	200,000	40,000	1,580,093	1,820,092
Changes in accounting policies for impairment under IFRS 9			-70,056	-70,056
Tax on changes regarding the implementation of IFRS 9			17,407	17,407
Adjusted equity at January 1, 2018	200,000	40,000	1,527,444	1,767,444
Net profit		0	229,334	229,334
Total comprehensive income		0	176,685	176,685
Acquisition of own shares			-9,388	-9,388
Sale of own shares			7	7
Dividends paid		-40,000	1,171	-38,829
Shareholders' equity at September 30, 2018	200,000	0	1,748,568	1,948,568

DKK 1.000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at January 1, 2017	200,000	300,000	1,422,035	1,922,035
Net profit		40,000	149,078	189,078
Total comprehensive income		40,000	149,078	189,078
Acquisition of own shares			-1,665	-1,665
Sale of own shares			2,276	2,276
Dividends paid		-300,000	8,368	-291,632
Shareholders' equity at December 31, 2017	200,000	40,000	1,580,093	1,820,092

DKK 1.000	Share capital	Proposed dividends	Retained earnings	Total
Shareholders' equity at January 1, 2017	200,000	300,000	1,422,035	1,922,035
Net profit		0	111,976	111,976
Total comprehensive income		0	111,976	111,976
Acquisition of own shares			-1,665	-1,665
Sale of own shares			2,276	2,276
Dividends paid		-300,000	8,368	-291,632
Shareholders' equity at September 30, 2017	200,000	0	1,542,990	1,742,990

Statement of capital - P/F BankNordik

Changes in shareholders' equity

DKK 1.000	Share capital	Equity Method Reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at December 31, 2017	200,000	0	40,000	1,580,093	1,820,092
Changes in accounting policies for impairment under IFRS 9				-70,056	-70,056
Tax on changes regarding the implementation of IFRS 9				17,407	17,407
Adjusted equity at January 1, 2018	200,000	0	40,000	1,527,444	1,767,444
Net profit			0	229,334	229,334
Total comprehensive income		0	0	176,685	176,685
Acquisition of own shares				-9,388	-9,388
Sale of own shares				7	7
Dividends paid			-40,000	1,171	-38,829
Shareholders' equity at September 30, 2018	200,000	0	0	1,748,568	1,948,568

DKK 1.000	Share capital	Equity Method Reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at January 1, 2017	200,000	0	300,000	1,422,035	1,922,035
Net profit			40,000	149,078	189,078
Total comprehensive income		0	40,000	149,078	189,078
Acquisition of own shares				-1,665	-1,665
Sale of own shares				2,276	2,276
Dividends paid			-300,000	8,368	-291,632
Shareholders' equity at December 31, 2017	200,000	0	40,000	1,580,093	1,820,092

DKK 1.000	Share capital	Equity Method Reserve	Proposed dividends	Retained earnings	Total
Shareholders' equity at January 1, 2017	200,000	0	300,000	1,422,035	1,922,035
Other comprehensive income		0	0	0	0
Net profit		8,477	0	103,499	111,976
Acquisition of own shares				-1,665	-1,665
Sale of own shares				2,276	2,276
Dividends paid			-300,000	8,368	-291,632
Dissolution of revaluation reserves in group enterprises		-8,477		8,477	0
Shareholders' equity at September 30, 2017	200,000	0	0	1,542,990	1,742,990

Capital and solvency – P/F BankNordik

Solvency

DKK 1.000	Sept. 30 2018	Dec. 31 2017
Core capital	1,646,230	1,731,404
Total capital	1,869,555	1,954,272
Risk-weighted items not included in the trading portfolio	8,246,263	7,575,236
Risk-weighted items with market risk etc.	1,192,231	1,022,062
Risk-weighted items with operational risk	1,195,955	1,298,065
Total risk-weighted items	10,634,449	9,895,363
Core capital ratio, excl. hybrid core capital	15.5%	17.5%
Core capital ratio	15.5%	17.5%
Solvency ratio	17.6%	19.7%
Core Capital and Shareholders' equity		
Share capital	200,000	200,000
Net profit	229,334	189,078
Retained earnings, previous years	1,559,818	1,460,582
Shareholders' equity, before deduction of holdings of own shares	1,989,153	1,849,660
Deduction of dividend	0	40,000
Deduction of net profit	229,334	0
Deduction due to excess holdings of shares in the financial sector	20,074	0
Deduction of holdings of own shares	40,585	29,568
Deduction of intangible assets	2,421	0
Deductions regarding planned purchase of own shares	12,313	0
Deduction of deferred tax assets	33,720	44,553
Deduction regarding prudent valuation of financial instruments	4,476	4,136
Core capital exclusive of hybrid core capital	1,646,230	1,731,404
Hybrid core capital before deductions	0	0
Core capital	1,646,230	1,731,404
Total capital		
Core capital	1,646,230	1,731,404
Subordinated loan capital, before deductions	223,325	222,868
Total capital	1,869,555	1,954,272

Cash flow statement – BankNordik Group

DKK 1.000	Q1-Q3 2018	Q1-Q3 2017
Cash flow from operations		
Profit before tax	285,639	234,632
Depreciation and impairment charges of tangible assets	-54,150	28,096
Impairment of loans and advances/guarantees	-92,748	-26,773
Paid tax	0	-46,256
Other non-cash operating items	-76,027	-29,363
Total	62,713	160,336
Changes in operating capital		
Change in loans at fair value	7,365	86,521
Change in loans at amortised cost	-387,628	-466,016
Change in holding of bonds	-324,738	411,077
Change in holding of shares	-57,364	10,493
Change in deposits	530,458	-36,234
Due to credit institutions and central banks	-39,547	18,821
Change in other assets / liabilities	213,158	-8,981
Assets/liabilities under insurance contracts	15,726	-5,783
Prepayments	43,823	-37,046
Cash flow from operations	63,968	133,187
Cash flow from investing activities		
Dividends received	11,314	5,400
Acquisition of tangible assets	-6,116	-20,382
Sale of tangible assets	139,965	6,350
Cash flow from investing activities	145,163	-8,633
Cash flow from financing activities		
Acquisition of own shares	-9,388	-1,665
Sale of own shares	7	2,276
Payment of dividends	-40,000	-300,000
Payment of dividends, own shares	1,171	8,368
Cash flow from financing activities	-48,210	-291,020
Cash flow	160,921	-166,467
Cash in hand and demand deposits with central banks, and due from Credit institutions, etc. at the beginning of the year	867,321	1,033,788
Cash flow	160,921	-166,467
Cash and due etc.	1,028,242	867,321
Cash and due etc.		
Cash in hand and demand deposits with central banks	380,890	250,509
Due from credit institutions, etc.	647,352	616,813
Total	1,028,242	867,321

Notes

Note 1 Significant Accounting Policies

The consolidated financial statements for the first nine months of 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" supplemented by additional Faroese disclosure requirements for quarterly reports of listed financial companies and in accordance with the financial reporting requirements of 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.

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

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

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

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

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

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

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

		Group January 1 2018	BankNordik January 1 2018	Effects of IFRS 9	Group Dec. 31 2017	BankNordik Dec. 31 2017
Note DKK 1.000						
	Assets					
9	Loans and advances at amortised cost	9,054,524	9,054,524	-51,884	9,106,408	9,106,408
	Shareholders' equity and liabilities					
	Provisions for losses on unused credits	4,136	4,136	4,136	0	0
	Provisions for losses on guarantees	37,677	37,677	14,037	23,640	23,640
	Current tax liabilities	17,393	14,521	-17,407	34,800	31,929
	Equity	1,767,444	1,767,444	-52,649	1,820,092	1,820,092

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

Notes

Note **Future financial reporting standards and interpretations**

1
(cont'd) The International Accounting Standards Board (IASB) has issued a number of new accounting standards (IAS and IFRS) and interpretations (IFRIC) that have not yet entered into force. Please refer to the Annual Report 2017 for further information.

Accounting estimates

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

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

Determination of fair value

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

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

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

Notes – BankNordik Group

Note	Operating segments Q1-Q3 2018	Banking				Non-life Insurance	Elimination	Group
		Private	Corporate	Other	Total	Faroe Islands		
2	DKK 1.000							
	External interest income, Net	187,324	86,928	6,682	280,935	859		281,794
	Internal interest	8,042	-997	-7,044	0	0		0
	Net interest income	195,366	85,931	-362	280,935	859		281,794
	Net Fee and dividends income	135,288	10,964	-249	146,003	-4,954		141,050
	Premium income, net of reinsurance	0	0	10,394	10,394	78,160	-726	87,829
	Net premium income of reinsurance and claims	0	0	8,842	8,842	23,036	-726	31,152
	Other income	13,663	486	18,827	32,977	-1,441	-1,063	30,472
	Total income	344,317	97,381	27,058	468,756	17,500	-1,789	484,467
	Total operating expenses	133,458	11,749	135,050	280,258	13,107	-1,789	291,576
	Profit before impairment charges on loans	210,859	85,632	-107,993	188,498	4,393		192,891
	Impairment charges, incl. reversals of acquired OEI impairments	-46,516	-46,233	0	-92,749	0		-92,749
	Profit before tax	257,374	131,865	-107,993	281,247	4,393		285,639
	Total assets	6,735,636	3,683,678	6,116,637	16,535,951	180,410		16,716,361
	of which Loans and advances	6,481,005	3,526,979	0	10,007,984	0		10,007,984
	Total liabilities	9,927,691	3,256,754	1,402,938	14,587,383	180,410		14,767,793
	of which Deposits	9,927,691	3,256,754		13,184,445		-21,524	13,162,921
	of which Insurance liabilities			705		93,532		94,237

Operating segments Q1-Q3 2017	Banking				Non-life Insurance	Elimination	Group
	Private	Corporate	Other	Total	Faroe Islands		
DKK 1.000							
External interest income, Net	187,875	93,454	9,938	291,267	862		292,129
Internal interest	7,964	-1,079	-6,884	0	0		0
Net interest income	195,839	92,375	3,053	291,267	862		292,129
Net Fee and dividends income	122,732	11,592	18,711	153,035	-4,394		148,642
Premium income, net of reinsurance	0	0	9,328	9,328	70,581	-796	79,114
Net premium income of reinsurance and claims	0	0	3,020	3,020	28,983	-796	31,207
Other income	2,946	0	29,138	32,084	-877	-938	30,269
Total income	321,517	103,966	53,923	479,407	24,574	-1,734	502,247
Total operating expenses	133,715	10,667	212,397	356,779	13,075	-1,734	368,120
Profit before impairment charges on loans	187,802	93,300	-158,474	122,628	11,499		134,127
Impairment charges, incl. reversals of acquired OEI impairments	-3,124	-5,573	0	-8,697	0		-8,697
Profit before tax	190,927	98,873	-158,474	131,326	11,499	0	142,824
Total assets	6,479,340	3,515,831	5,894,403	15,889,574	169,189		16,058,764
of which Loans and advances	6,273,611	3,275,645	0	9,549,256	0		9,549,256
Total liabilities	9,801,850	3,198,227	1,146,507	14,146,584	169,189		14,315,773
of which Deposits	9,801,850	3,198,227		13,000,077		-17,527	12,982,550
of which Insurance liabilities			2,031		84,737		86,769

Notes – BankNordik Group

Note DKK 1.000

2 BankNordik Group - Geographical revenue information

(Cont'd)

Geographical segments	Total income		Non. current assets		Additions to tangible assets		Additions to intangible assets	
	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Faroe Islands	255,549	252,412	43,110	110,831	-124,440	7,057	2,421	
Denmark	194,435	209,690	46,763	48,776	162	1,246		
Greenland	34,484	40,145	46,272	45,725	0	0		
Total	484,467	502,247	136,145	205,331	-124,278	8,304	2,421	0

Income from external customers are divided into activities related to the customers's domiciles.

Assets include all non-current assets, i.e. intangible assets, material assets, investment properties and holdings in associates.

Operational segments	Total income		Profit before tax		Tax		FTE	
	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Faroe Islands, Banking, Other	238,049	227,838	212,941	64,606	39,296	11,906	186	185
Faroe Islands, Insurance	17,500	24,574	4,393	11,499	827	2,062	23	27
Denmark, Banking	194,435	209,690	56,687	45,038	15,300	10,069	158	178
Greenland, Banking	34,484	40,145	11,619	21,681	881	6,812	18	17
Total	484,467	502,247	285,639	142,824	56,305	30,849	385	407

Notes

Note	DKK 1.000	Group		BankNordik	
		Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
3	Interest income				
	Credit institutions and central banks	1,719	2,070	1,719	2,066
	Loans and advances	278,037	291,681	278,037	291,681
	Bonds	21,842	27,028	20,829	25,686
	Total derivatives of which:	-11,248	-10,256	-11,248	-10,256
	<i>Interest rate contracts</i>	-8,889	-17,341	-8,889	-17,341
	<i>Other transactions</i>	-2,142	-7,978	-2,142	-7,978
	Other interest income	1,888	0	1,888	0
	Total interest income	292,237	310,523	291,225	309,178
4	Interest expenses				
	Credit institutions and central banks	1,088	928	1,088	928
	Deposits	-1	8,232	-1	8,232
	Subordinated debt	9,122	9,122	9,122	9,122
	Other interest expenses	234	111	234	111
	Total interest expenses	10,444	18,393	10,444	18,393
5	Net fee and commission income				
	Fee and commission income				
	Securities trading and custody accounts	22,705	44,849	22,705	44,849
	Credit transfers	17,272	16,659	17,272	16,659
	Loan commissions	5,275	4,967	5,275	4,967
	Guarantee commissions	14,219	13,535	14,219	13,535
	Other fees and commissions	79,527	73,378	86,907	79,962
	Total fee and commission income	138,997	153,388	146,377	159,972
	Fee and commissions paid				
	Securities trading and custody accounts	9,262	10,044	9,262	10,044
	Net fee and commission income	129,736	143,344	137,116	149,928
6	Market value adjustments				
	Loans and advances	-2,452	-10,260	-2,452	-10,260
	Bonds	-31,996	3,655	-30,264	4,978
	Shares	37,930	15,280	37,930	15,280
	Foreign exchange	3,852	-3,730	3,852	-3,730
	Total derivatives of which:	5,317	19,106	5,317	19,106
	<i>Currency Swaps</i>	5,179	7,227	5,179	7,227
	<i>Interest Swaps</i>	-394	11,883	-394	11,883
	<i>Other contracts</i>	532	-4	532	-4
	Assets under pooled schemes	-2,467	-1,036	-2,467	-1,036
	Deposits in pooled schemes	2,467	1,036	2,467	1,036
	Total market value adjustments	12,651	24,052	14,384	25,375

Notes

Note	DKK 1.000	Group		BankNordik	
		Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
7	Other operating income				
	Profit on sale of properties	0	1,017	0	1,017
	Profit on sale of operating equipment	10,099	300	10,099	300
	Reversals of acquired OEI impairments	0	12,416	0	12,416
	Other income	7,538	5,401	2,673	2,125
	Total other operating income	17,636	19,134	12,772	15,858
	<i>Reversals of acquired OEI impairments are reclassified to impairment charges on loans and advances etc. for the current year due to changes in accounting policies for impairments under IFRS 9</i>				
8	Staff costs and administrative expenses				
	Staff costs:				
	Salaries	165,828	161,772	154,466	149,415
	Pensions	20,494	20,275	18,981	18,685
	Social security expenses	24,494	23,540	22,966	22,000
	Total staff costs	210,816	205,587	196,413	190,101
	Administrative expenses:				
	IT	77,010	75,644	74,253	73,245
	Marketing etc	11,379	11,938	10,700	11,058
	Education etc	1,569	3,220	1,018	2,307
	Advisory services	1,017	1,288	1,017	1,275
	Other expenses	48,605	51,260	46,310	48,761
	Total administrative expenses	139,580	143,350	133,297	136,647
	Total staff costs	210,816	205,587	196,413	190,101
	Employee costs included under the item "Claims, net of reinsurance"	-5,293	-5,664	0	0
	Total administrative expenses	139,580	143,350	133,297	136,647
	Total staff costs and administrative expenses	345,102	343,272	329,710	326,747
	Number of employees				
	Average number of full-time employees in the period	394	410	364	378
	Executive remuneration:				
	Board of Directors	1,600	1,450	1,600	1,450
	Executive Board:				
	Salaries	2,104	1,656	2,104	1,656
	- less fees received from directorships	223	114	223	114
	The Bank's expense, salaries	1,881	1,542	1,881	1,542
	Pension	281	248	281	248
	Total executive board	2,162	1,789	2,162	1,789
	Total executive remuneration	3,762	3,239	3,762	3,239

Notes – BankNordik Group

Note	DKK 1.000	Group		BankNordik	
		Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
9	Impairment charges on loans and advances and provisions for guarantees etc.				
	Individual impairment charges and provisions at 31 December 2017	511,470	678,636	511,470	678,636
	Changes in accounting policies for impairment under IFRS 9	70,056	0	70,056	0
	New and increased impairment charges and provisions	46,149	83,652	46,149	83,652
	Reversals of impairment charges and provisions	107,704	62,628	107,704	62,628
	Written-off, previously impaired	8,415	65,035	8,415	65,035
	<i>Interest income on impaired loans</i>	10,695	14,884	10,695	14,884
	Total individual impairment charges and provisions	511,557	634,625	511,557	634,625
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-66,552	7,300	-66,552	7,300
	Loans and advances at fair value	1,199	-221	1,199	-221
	Guarantees and loan commitments	-6,897	-3,360	-6,897	-3,360
	Write-offs charged directly to the income statement	809	0	809	0
	Received on claims previously written off	8,809	0	8,809	0
	Reversals of acquired OEI impairments	12,499	0	12,499	0
	Total individual impairment charges and provisions	-92,748	3,718	-92,748	3,718
	Individual impairment charges etc.				
	Individual impairment charges etc. at 31 December 2017	409,440	592,106	409,440	592,106
	Changes in accounting policies for impairment under IFRS 9	-409,440	0	-409,440	0
	New and increased impairment charges	0	55,541	0	55,541
	Reversals of impairment charges	0	56,627	0	56,627
	Written-off, previously impaired	0	65,035	0	65,035
	<i>Write-offs charged directly to the income statement</i>	0	2,413	0	2,413
	<i>Received on claims previously written off</i>	0	4,834	0	4,834
	<i>Interest income on impaired loans</i>	0	14,884	0	14,884
	Individual impairment charges etc. at 30 Sept.	0	525,984	0	525,984
	<i>Total net impact recognised in the income statement</i>	0	-18,392	0	-18,392
	Collective impairment charges				
	Collective impairment charges at 31 December 2017	78,390	52,620	78,390	52,620
	Changes in accounting policies for impairment under IFRS 9	-78,390	0	-78,390	0
	New and increased impairment charges	0	25,471	0	25,471
	Collective impairment charges at 30 Sept.	0	78,091	0	78,091
	<i>Total net impact recognised in the income statement</i>	0	25,471	0	25,471

Notes – BankNordik Group

Note	DKK 1.000	Group		BankNordik	
		Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
9	Stage 1 impairment charges				
(cont'd)	Stage 1 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	20,770	0	20,770	0
	New and increased Stage 1 impairment charges	0	0	0	0
	Reversals, net of Stage 1 impairment charges	8,349	0	8,349	0
	Stage 1 impairment charges at 30 Sept.	12,422	0	12,422	0
	<i>Total net impact recognised in the income statement</i>	-8,349	0	-8,349	0
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	70,744	0	70,744	0
	Reversals, net of impairment charges	23	0	23	0
	Stage 2 impairment charges at 30 Sept.	70,721	0	70,721	0
	<i>Total net impact recognised in the income statement</i>	-23	0	-23	0
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	38,759	0	38,759	0
	Reversals, net of impairment charges	5,967	0	5,967	0
	Weak Stage 2 impairment charges at 30 Sept.	32,793	0	32,793	0
	<i>Total net impact recognised in the income statement</i>	-5,967	0	-5,967	0
	Stage 3 impairment charges				
	Stage 3 impairment charges etc. at 31 December 2017	0	0	0	0
	Changes in accounting policies for impairment under IFRS 9	409,440	0	409,440	0
	New and increased impairment charges	44,487	0	44,487	0
	Reversals of impairment charges	84,806	0	84,806	0
	Written-off, previously impaired	8,415	0	8,415	0
	Interest income on impaired loans	10,695	0	10,695	0
	Stage 3 impairment charges at 30 Sept.	360,707	0	360,707	0
	<i>Total net impact recognised in the income statement</i>	-51,013	0	-51,013	0
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 1 January	23,640	33,910	23,640	33,910
	Changes in accounting policies for impairment under IFRS 9	18,172	0	18,172	0
	New and increased provisions	1,662	2,640	1,662	2,640
	Reversals of provisions	8,559	6,001	8,559	6,001
	Provisions for guarantees etc. at 30 Sept.	34,915	30,550	34,915	30,550
	<i>Total net impact recognised in the income statement</i>	-6,897	-3,360	-6,897	-3,360
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	6,773	0	6,773	0
	Stage 2 provisions	8,000	0	8,000	0
	Weak Stage 2 provisions	3,400	0	3,400	0
	Stage 3 provisions	16,743	30,550	16,743	30,550
	Provisions for guarantees etc at 30 Sept.	34,915	30,550	34,915	30,550

Notes – BankNordik Group

Note	DKK 1.000	Group		BankNordik	
		Sept. 30 2018	Dec. 31 2017	Sept. 30 2018	Dec. 31 2017
10	Due from credit institutions etc. specified by maturity				
	On demand	443,894	290,525	443,894	290,525
	3 months and below	89,446	112,177	89,446	112,177
	3 months to 1 year	14,012	0	14,012	0
	Over 1 year to 5 years	100,000	214,111	100,000	214,111
	Total due from credit institutions etc.	647,352	616,813	647,352	616,813
11	Assets held for sale				
	Total purchase price, at 1 January	10,998	17,095	10,998	17,095
	Additions	659	360	659	360
	Disposals	2,501	6,457	2,501	6,457
	Total purchase price	9,156	10,998	9,156	10,998
	Depreciation and impairment, at 1 January	4,696	5,121	4,696	5,121
	Impairment charges for the year	0	120	0	120
	Reversal of impairment on disposals during the year	401	545	401	545
	Total depreciation and impairment	4,295	4,696	4,295	4,696
	Total assets held for sale	4,861	6,302	4,861	6,302
12	Contingent liabilities				
	Guarantees				
	Financial guarantees	439,718	318,943	439,718	318,943
	Mortgage finance guarantees	1,317,418	1,282,808	1,317,418	1,282,808
	Registration and remortgaging guarantees	626,104	733,798	626,104	733,798
	Other guarantees	400,961	309,005	400,961	309,005
	Total guarantees	2,784,200	2,644,554	2,784,200	2,644,554
13	Assets deposited as collateral				
	At September 30 2018 the Group had deposited bonds at a total market value of DKK 33m (Q3 2017: 37m) with Danmarks Nationalbank (the Danish Central Bank) in connection with clearing. Deposits of bonds to others in total have a market value of DKK 30m (Q3 2017: 44m).				

Statement by the Management

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

The consolidated financial statements for the first nine months of 2018 have been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the Parent Company have been prepared in accordance with the Faroese Financial Business Act.

Furthermore, the Interim Report has been prepared in accordance with additional Faroese disclosure requirements for interim reports of listed financial companies and in accordance with the financial reporting requirements of Nasdaq Copenhagen. The interim financial statements have not been audited or reviewed.

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

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

Tórshavn, 1 November 2018

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Árni Ellefsen
CEO

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Chairman

Barbara Pállsdóttir Vang
Deputy Chairman

Jógvan Jespersen

Kim Jacobsen

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Kenneth M. Samuelsen

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BankNordik is a limited liability
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