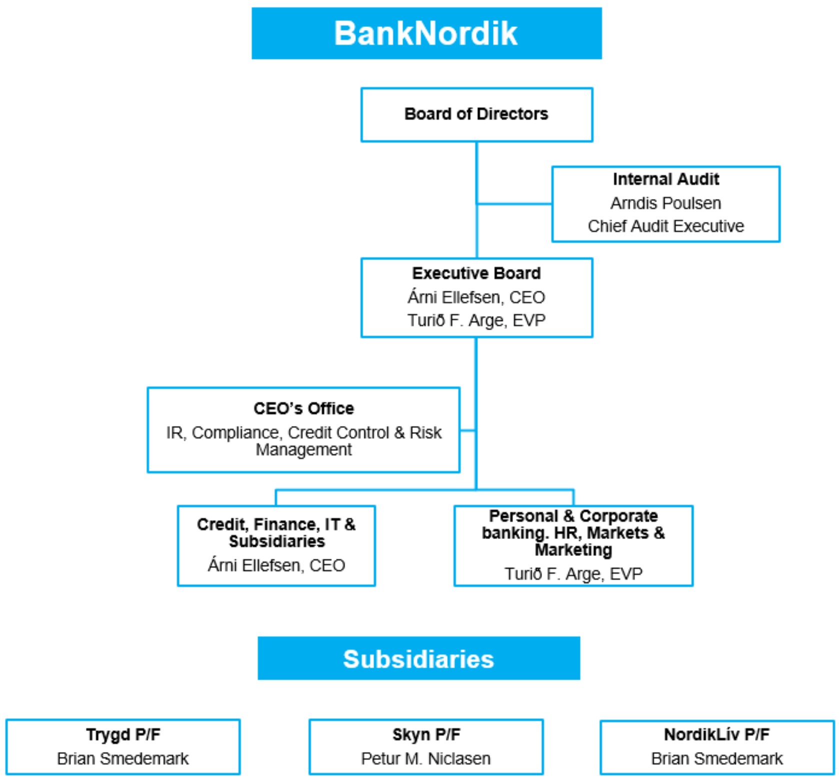
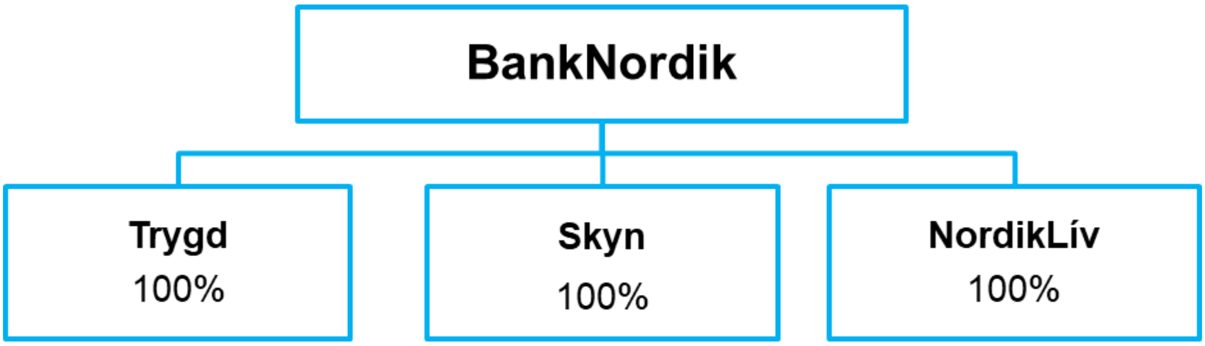
BANKNORDIK

Annual Report 2022

Contents


BankNordik
Board of Directors
Internal Audit
Arndis Poulsen
Chief Audit Executive
Executive Board
Árni Ellefsen, CEO
Turið F. Arge, EVP
CEO's Office
IR, Compliance, Credit Control & Risk Management
Credit, Finance, IT & Subsidiaries
Árni Ellefsen, CEO
Personal & Corporate banking. HR, Markets & Marketing
Turið F. Arge, EVP
Subsidiaries
Trygd P/F
Brian Smedemark
Skyn P/F
Petur M. Niclasen
NordikLív P/F
Brian Smedemark

Overview of the Group



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

- Operations in 2 countries, Faroe Islands and Greenland
- 200 employees (FTE)
- Banking activities in the Faroe Islands and Greenland
- Insurance activities in the Faroe Islands
- Estate agency in the Faroe Islands

Financial highlights and ratios - BankNordik Group

Highlights	**Full year**	**Full year**	***Index***	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
DKK 1,000	**2022**	**2021**	**22 / 21**	**2022**	**2022**	**2022**	**2022**	**2021**
Net interest income	276,384	268,580	103	82,035	69,597	60,405	64,346	66,244
Dividends from shares and other investments	6,475	3,429	189	0	0	6,111	364	0
Net fee and commision income	88,113	79,360	111	22,884	22,028	21,665	21,536	22,549
Net interest and fee income	370,972	351,370	106	104,919	91,626	88,181	86,246	88,794
Net insurance income	52,068	33,895	154	14,172	10,974	15,381	11,542	5,909
Interest and fee income and income from insurance activities, net	423,040	385,264	110	119,091	102,600	103,562	97,787	94,703
Market value adjustments	-31,789	4,391		3,371	-28,904	-17,619	11,364	5,720
Other operating income	7,472	11,009	68	2,451	1,159	1,622	2,240	3,456
Staff costs and administrative expenses	238,960	232,567	103	59,566	60,211	60,371	58,812	43,698
Impairment charges on loans and advances etc.	-46,629	-76,561	61	-3,378	-11,829	-21,716	-9,706	-40,216
Net profit continuing operations	164,407	193,356	85	53,865	20,555	41,761	48,227	80,655
Net profit discontinued operations	0	78,983	0	0	0	0	0	-4,134
Net profit	164,407	272,340	60	53,865	20,555	41,761	48,227	76,521
Loans and advances	8,083,343	7,624,093	106	8,083,343	7,976,907	7,724,274	7,690,628	7,624,093
Bonds at fair value	1,591,453	1,880,565	85	1,591,453	1,614,329	816,577	1,306,122	1,880,565
Intangible assets	2,402	2,684	89	2,402	2,567	2,620	2,684	2,684
Assets held for sale	24,200	0		24,200	0	0	0	0
Total assets	12,190,232	11,789,746	103	12,190,232	12,099,703	12,772,239	11,946,751	11,789,746
Amounts due to credit institutions and central banks	858,172	838,608	102	858,172	857,703	867,612	846,689	838,608
Issued bonds at amortised cost	547,584	348,938	157	547,584	551,868	555,601	562,870	348,938
Deposits and other debt	8,335,662	7,899,659	106	8,335,662	8,210,426	8,897,153	8,025,283	7,899,659
Total shareholders' equity	1,816,666	2,035,853	89	1,816,666	1,756,273	1,737,457	1,697,436	2,035,853

	Dec. 31	**Dec. 31**		**Dec. 31**	**Sept. 30**	**June 30**	**March 31**	**Dec. 31**
Ratios and key figures	**2022**	**2021**		**2022**	**2022**	**2022**	**2022**	**2021**
Solvency								
Total capital ratio, incl. MREL capital, %	29.9	29.6		29.9	31.4	32.0	32.9	29.6
Total capital ratio, %	25.1	27.5		25.1	26.4	26.9	27.5	27.5
Core capital ratio, %	23.7	26.0		23.7	25.0	25.5	26.1	26.0
CET 1 capital	21.6	23.8		21.6	22.9	23.3	23.8	23.8
RWA, DKK mill	7,195	6,841		7,195	7,096	7,002	6,800	6,841
Profitability								
Return on shareholders' equity after tax, %	8.5	12.6		3.0	1.2	2.4	2.6	3.4
Cost / income, %	48.9	40.7		43.9	67.6	44.0	46.0	4.9
Cost / income, % (excl. value adjustm. and impairments)	56.0	60.4		47.8	60.2	56.6	61.0	46.2
Return on assets	1.3	2.3		0.4	0.2	0.3	0.4	0.6
Market risk								
Interest rate risk, %	1.0	-0.4		1.0	1.1	1.2	-0.5	-0.4
Foreign exchange position, %	0.7	0.8		0.7	0.9	1.3	0.7	0.8
Foreign exchange risk, %	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Liquidity								
Liquidity Coverage Ratio (LCR), %	225.2	191.4		225.2	225.8	223.4	198.4	191.4
Credit risk								
Change in loans and advances, %	6.0	0.2		1.3	3.3	0.4	0.9	0.4
Gearing of loans and advances	4.4	3.7		4.4	4.5	4.4	4.5	3.7
Impairment and provisioning ratio, end of period, %	1.9	2.6		1.9	2.0	2.1	2.4	2.6
Write-off and provisioning ratio, %	-0.5	-0.8		0.0	-0.1	-0.2	-0.1	-0.4
Share of amounts due on which interest rates								
have been reduced, end of period, %	0.2	0.3		0.2	0.6	0.2	0.2	0.3
Shares								
Earnings per share after tax (nom. DKK 20), DKK	17.2	28.5		5.6	2.1	4.4	5.0	8.0
Market price per share (nom. DKK 20), DKK	136.0	140.5		136.0	118.0	127.5	127.5	140.5
Book value per share (nom. DKK 20), DKK	189.8	212.7		189.8	183.5	181.5	177.3	212.7
Other								
Number of full-time employees, end of period	200	195		200	201	203	199	195

Letter to our stakeholders

2022 saw the challenges brought by the pandemic in previous years being supplanted by fresh economic uncertainty in the wake of the war in Ukraine. For us at BankNordik, it was a year of positive business conditions, improvements in core banking operations and a stronger interest rate environment, although the turbulence in financial markets had an adverse impact.

Improvements in core operations

We present solid financial results for the year, with core operations improving by 10% and operating profit before impairment charges by 18%. This progress was driven by the steps we have taken to strike a better balance between income and costs, helped along by the stronger interest rate environment. The turbulence in financial markets had an adverse impact on our securities holdings during the year, resulting in market value adjustments in October, but these were offset by upward adjustments at the beginning of the year. Profit after tax was DKK 164 million, and we expect to recommend to the annual general meeting on 31 March a dividend of DKK 250 million (DKK 26.04 per share), consisting of a dividend of DKK 135 million stemming from an extraordinary capital optimisation, and DKK 115 million representing 70% of the net profit for 2022.

Stronger interest rate environment and higher targets

Russia's invasion of Ukraine sparked increased economic uncertainty which further fuelled inflation. To rein in prices, central banks raised their policy rates, which means that we as a bank can now begin to reap the rewards of higher interest rates after several years of negative rates putting earnings under pressure.

We expect the stronger interest rate environment to have further positive effects on earnings in the coming years, and so in January we updated our financial targets for 2024. We raised our target for ROE after tax from 10% to 12% and lowered our target for the cost/income ratio from <55% to <53%, while our common equity tier 1 (CET1) target is unchanged at 20%. We also raised our target for the payout ratio from 50% to 70% of net profit.

Better digital customer experiences

Giving customers even better digital experiences was a key element in our strategic efforts in 2022. Our aim is for customers to be able to do all of their banking online while also having access to a personal service. As part of this work, we were able to offer customers a new online banking solution at the beginning of the year based on a modern and future-proof technical platform. We were also able to launch an innovative new investment solution during the summer, and we will continue to work on optimising internal processes and improving services for customers in the coming years.

A key role in sustainable development

Ever since our journey as a financial institution began in 1906, we have been providing sound advice and developing solutions to help individuals and businesses to realise their potential and achieve security and growth. By operating an efficient, responsible and sustainable business, we can contribute to stability and make a positive difference in the communities of which we are part. It is clearer than ever that, as a strong financial institution, we have a key role to play in the transition to a more sustainable future. We therefore continued to work actively during the year on becoming a more sustainable business and helping customers make sustainable choices. This was a recurring theme in both staff training and communication with customers during the year, and we will continue to talk sustainability in our dialogue with customers and work on improving our range of green products.

A big thank-you to our employees

2022 was a year of economic uncertainty brought on by war and rising prices and interest rates. In situations like this, professional customer service is vital. Our skilled employees seriously showed their worth every day in advising customers in their specific circumstances, whether on achieving great ambitions or adjusting their everyday finances to harder times. We would like to thank all of our employees for their tremendous efforts, and look forward to a new and exciting year where we continue to work on operating a profitable and sustainable group with even better digital customer experiences.

Árni Ellefsen
Chief Executive Officer

Turið F. Arge
Executive Vice President

Financial Review

The following figures and comments are generally stated relative to 2021 and relate to the adjusted figures, see the section "Applied calculation methods and alternative performance measures" on p. 14 for more information on the adjustments made.

Adjusted Income statement, Group

DKKm	Q4 2022	Q3 2022	*Index*	Q2 2022	Q1 2022	Q4 2021	2022	2021	*Index*
Net interest income	72	67	*108*	65	66	66	270	260	*104*
Net fee and commission income	23	22	*104*	22	22	23	88	79	*111*
Net insurance income	14	11	*129*	15	12	6	52	34	*154*
Other operating income (less reclassification)	8	11	*70*	9	10	8	37	34	*108*
Operating income	**117**	**110**	***106***	**111**	**109**	**103**	**447**	**407**	***110***
Operating costs[1]	-58	-62	*93*	-62	-61	-57	-243	-235	*103*
Sector costs	0	0		0	0	0	-1	-1	*121*
Profit before impairment charges	**59**	**48**	***122***	**48**	**48**	**46**	**202**	**171**	***118***
Impairment charges, net	3	12	*29*	22	10	40	47	77	
Operating profit	**62**	**60**	***104***	**70**	**57**	**86**	**249**	**248**	***101***
Non-recurring items[2]	0	0		0	0	6	0	89	
Profit before investment portfolio earnings and tax	**62**	**60**	***104***	**70**	**57**	**93**	**249**	**337**	***74***
Investment portfolio earnings[3]	8	-36		-16	2	2	-43	-6	
Profit before tax, continuing operations	**70**	**24**	***294***	**54**	**59**	**95**	**207**	**330**	***63***
Profit before tax, discontinued operations	**0**	**0**		**0**	**0**	**0**	**0**	**9**	**-**
Profit before tax, total	**70**	**24**	***294***	**54**	**59**	**95**	**207**	**340**	***61***
Tax	**16**	**4**	***443***	**10**	**12**	**17**	**42**	**67**	***63***
Net profit	**54**	**20**	***267***	**43**	**47**	**78**	**164**	**272**	***60***
Operating cost/income, %	49	56		56	56	55	54	58	
Number of FTE, end of period	200	201	*100*	203	199	195	200	195	*103*

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.

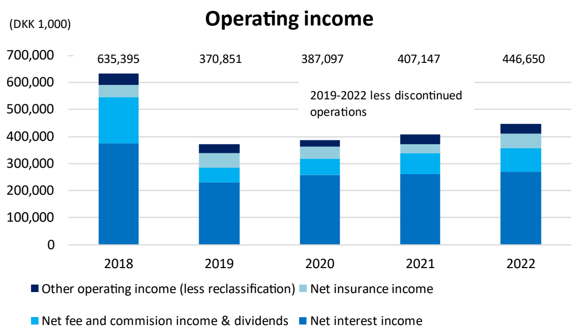
3 Incl. net income from investments accounted for under the equity method (excl. sector shares).

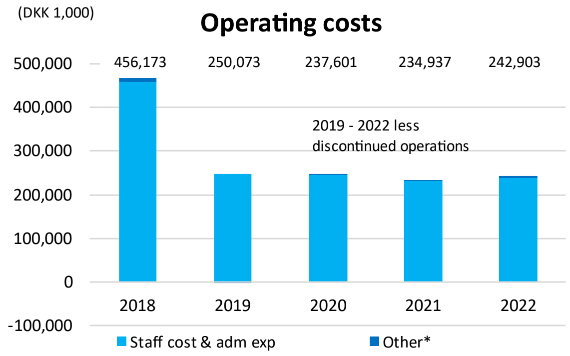
"We're pleased to report solid full-year financial results and to deliver a 10% increase in our core banking operations relative to 2021. The positive performance was driven by the initiatives we launched to improve our income/cost ratio and supported by the improving interest rate environment, which we expect will provide additional support to our earnings in the coming years," said BankNordik CEO Árni Ellefsen.

Income statement

Operating income

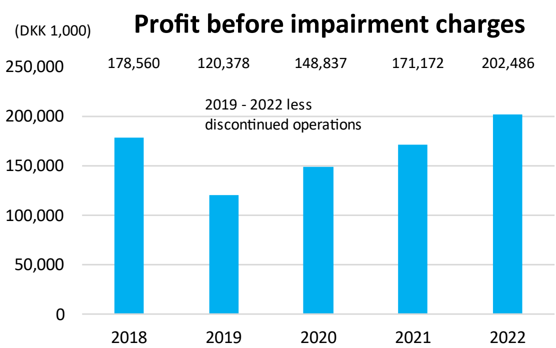
Net interest income amounted to DKK 270m in 2022 compared to DKK 260m in 2021, reflecting the fact that the bank's interest rate margin increased slightly in the second half of the year. Net fee and commission income grew by DKK 9m, or 11%, year on year to DKK 88m in 2022, due to adjustments in the Bank's fee structure as well as increased investment activity. Net insurance income was up from DKK 34m in 2021 to DKK 52m in 2022 due to premium increases as well as claims being closer to the long-term trend compared to claims received in 2021. Other operating income came in at DKK 37m in 2022 compared to DKK 34m in 2021. The Group therefore recognised total operating income of DKK 447m in 2022, a 10% increase on 2021.





Operating costs

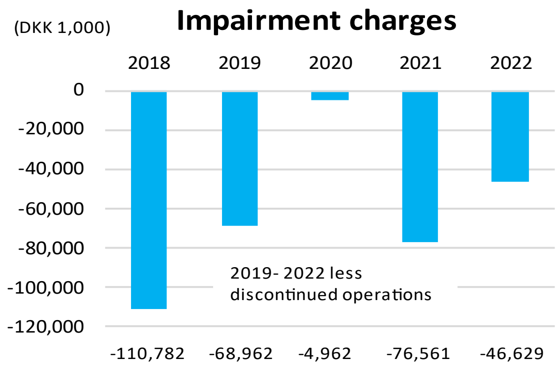
Overall operating costs increased by DKK 8m in 2022, to DKK 243m. The increase was driven by changes to the bank's management and board. Cost discipline remains a focus area for the Group, and the drive to improve operational efficiency and automation will continue the year ahead as part of the efforts to reduce the Group's cost/income target of <53% in 2024.



Net impairment charges

The BankNordik Group's low-risk credit approach meant that in 2022, net impairment charges were a reversal of DKK 47m. The DKK 52m provision originally taken by management in 2020 for future impairments due to COVID-19 has been reevaluted and increased to DKK 56m due to three central factors: crisis associated with climate change, the Russian invasion of Ukraine and macroeconomic uncertainty.

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



Operating profit

The Group's operating profit in 2022 came in at DKK 249m, DKK 1m higher than in 2021.

Non-recurring items

No non-recurring items were recognised in 2022. The Group's non-recurring items in 2021 were DKK 89m comprising the net sale proceeds for the Group's Danish banking business.

Investment portfolio earnings

Due to challenging market conditions the bank's investment portfolio produced a loss of DKK 43m in 2022 compared to a loss of DKK 6m in 2021.

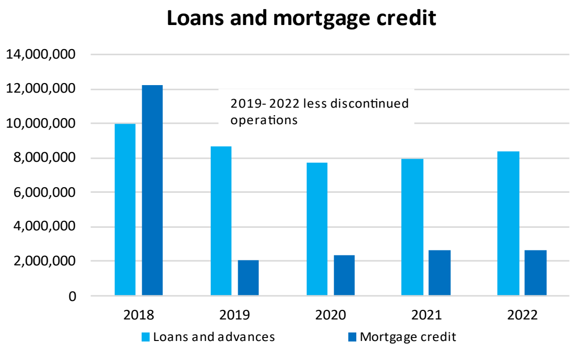
Profit before tax

The Group's continuing operations produced a profit before tax for 2022 of DKK 207m, a 37% decrease from DKK 330m in 2021. While the Group's profit before impairment charges showed healthy growth in 2022, the decline was driven by lower impairment reversals, a larger investment portfolio loss and, most importantly, the net proceeds from the sale of the Group's Danish business that were recognised in 2021. The Group's discontinued operations contributed no income in 2022 but added DKK 9m in profit before tax in 2021 (1 month of operation). As a result, the BankNordik Group achieved total profit before tax of DKK 207m in 2022, compared to DKK 340m in 2021.

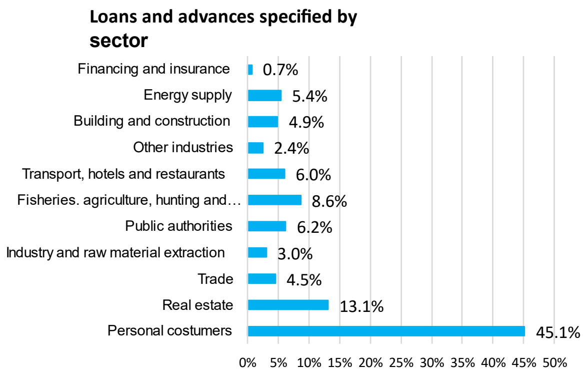
Balance sheet

Lending

Loans and advances amounted to DKK 8,083m in 2022, an increase of 6% compared to DKK 7,624m in 2021. The increase was mainly driven by a DKK 398m increase in the Corporate Banking segment, while the Personal Banking segment contributed DKK 62m for 2022. Brokered mortgage credit volumes fell slightly to DKK 2,648m in 2022 from DKK 2,657m in 2021.

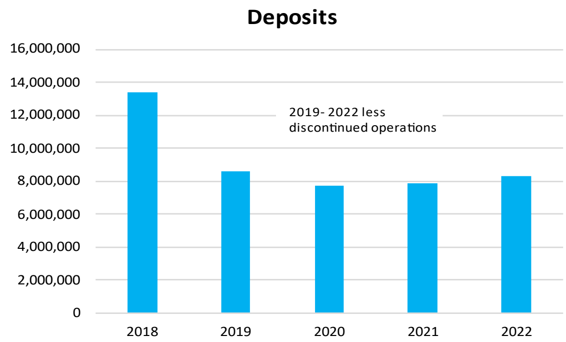


BankNordik places great emphasis on maintaining sound credit policy guidelines to ensure that lending growth does not come at the expense of the Group's financial sustainability. About half of the loan portfolio is allocated to personal lending and half to a well-diversified corporate sector, as shown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



Deposits

Total deposits amounted to DKK 8,351m at 31 December 2022, an increase of DKK 437m from DKK 7,914m at year-end 2021.



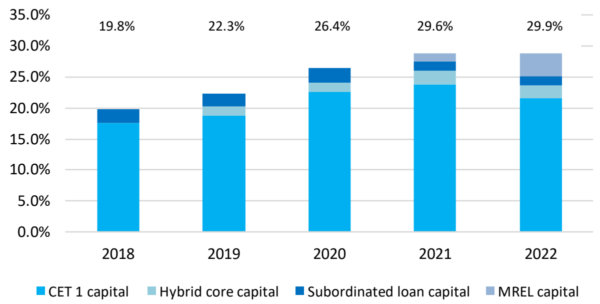
Solvency and liquidity

BankNordik held total capital of DKK 2,155m, incl. Minimum Requirement for own funds and Eligible Liabilities (MREL capital), at 31 December 2022 compared to DKK 2,028m at 31 December 2021 reflecting a further planned reduction of core capital and an increase in MREL capital during the year. MREL capital amounted to DKK 350m at 31 December 2022 compared to DKK 149m a year earlier due to the bank issuing SEK 300m in MREL capital during the year. Subordinated capital amounted to DKK 100m at 31 December 2022 flat compared to 2021 and hybrid core capital was also flat at DKK 150m at 31 December 2022 compared to 31 December 2021. Core capital amounted to DKK 1,705m at 31 December 2022, which was a decrease of DKK 74m from DKK 1,780m at 31 December 2021. CET1 capital amounted to DKK 1,556m at 31 December 2022, DKK 73m less than the CET1 capital of DKK 1,629m at 31 December 2021, as the Group plans to pay out dividend totalling DKK 250m for 2022.

The Group's solvency requirement at the end of 2022 grew to 10.5% from 9.4% at year-end 2021. The Group's MREL capital ratio increased to 29.9% at 31 December 2022 compared to 29.6% a year earlier. The total capital ratio fell to 25.1% at the end of 2022 from 27.5% at the end of 2021. The core capital ratio fell to 23.7% at the end of 2022 from 26.0% at the end of 2021, while the Group's CET 1 ratio fell to 21.6% at the end of 2022 from 23.8% the previous year. The Group's total capital included DKK 2.7m worth of subordinated debt, which is not eligible to be included in the solvency surplus. As such, the solvency surplus at 31 December 2022 was 14.6% compared to 18.0% in 2021. Compared to the external capital requirements, incl. MREL requirements, totalling 22.6% at the end of 2022, BankNordik had a solvency surplus of 7.3 percentage points.

The Group's liquidity coverage ratio (LCR) was 225% at year-end 2022, well above the requirement of 100% and significantly higher than at 31 December 2021, when it was 191%.

Solvency



Financial results for Q4 2022

Net interest income in Q4 2022 was DKK 72m, up DKK 6m compared to Q3 2022. Net fee and commission income was DKK 23m in Q4 compared to DKK 22m in Q3, while net insurance income was DKK 14m in Q4 compared to DKK 11m in the previous quarter.

Operating costs amounted to DKK 58m in Q4, a DKK 4m reduction compared to Q3. Impairment charges were a reversal of DKK 3m in Q4 vs. DKK 12m in Q3. Profit before tax amounted to DKK 70m in Q4 2022 compared to a profit of DKK 24m in Q3 2022.

Other

Supervisory Diamond

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

The Supervisory Diamond

	2022	2021	FSA limit
Sum of large exposures	159.4%	141.7%	< 175%
Liquidity indicator	229.3%	194.3%	>100 %
Loan growth	6.0%	0.2%	< 20 %
Funding ratio	0.71	0.67	< 1.0
Property exposure	13.8%	11.1%	< 25 %

Dividends proposed

At the upcoming Annual General Meeting, to be held on 31 March 2023, the Board intends to propose total dividend payments of DKK 250m for 2022 (DKK 26.0 per share) to the shareholders, consisting of a dividend of DKK 135m stemming from an extraordinary capital optimisation and DKK 115m representing 70% of the net profit for 2022.

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

Debt issuance

Due to the continuous focus on optimising its capital structure and liquidity, BankNordik plans to continue issuing senior non-preferred (T3) and/or senior preferred loan capital in 2023.

Rating

BankNordik obtained its rating from Moody's on 21 March 2022. The bank's long-term deposits and issuer rating are both at A2, outlook positive. The Group is pleased that Moody's has recognised the bank's "very strong capitalisation and sound recurring profitability" resulting in a strong rating.

Outlook

BankNordik expects to continue growing its overall lending and mortgage volumes in 2023 – to both personal and corporate customers.

In the personal banking segment, the Group will continue to build on the progress of previous years by establishing stronger relationships and continuing to enhance the user experience to attract new customers. BankNordik expects the trend of Faroese household preferences shifting towards the traditional Danish financing model of 80% mortgage funding and the residual in 2nd lien bank lending to continue for the long term even though growth in bank lending out paced growth in mortgage credit in 2022, and the mortgage credit business as such is expected to outgrow the direct lending business to personal customers. In Greenland, BankNordik expects to grow lending to existing customers as well as attracting new customers, thereby growing the market share.

On the corporate side, the Group sees an opportunity to increase volumes in 2023 due to continued investment activity in both the Faroe Islands and Greenland, despite the uncertain global economic outlook. To help manage its capital position as MREL requirements are being phased in, BankNordik has made good use of European and Danish government guarantee programmes to reduce the risk weighted part of the corporate exposure in 2022, and the Group expects to continue utilising available programmes in 2023 whilst issuing additional MREL instruments.

The Bank's net interest income is expected to increase in the coming year, as interest rate increases in 2022 have an effect across the full year and as potential further interest rate increases are announced, subject to central bank policy.

Insurance premiums are expected to continue to grow due to both customer acquisition and general price increases. Although it is difficult to predict the level of net insurance income due to significant variations in claims levels from one year to the next, BankNordik expects net insurance income to increase in 2023 relative to 2022.

The Group's operating costs rose slightly in 2022, mainly due to changes to the Groups management and board. The Group's cost/income ratio, however, fell to 54% (2021: 58%). The Group expects operating costs in 2023 to be marginally higher in 2023 compared to 2022.

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

The Group's impairment levels are expected to be around DKK 40m in 2023.

Earnings on the Groups investment portfolio were negative in 2022 and are expected to become positive in 2023 due to higher market rates.

In 2023, BankNordik expects to achieve net profit in the range of DKK 190-220m (2022: DKK 164m).

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

Sustainability and ESG

Sustainability is a crucial part our Group's objective to create long-term value for all our stakeholders, and we strive to manage our business with proper attention to environmental, social and governance (ESG) issues and to contribute to financial stability and sustainable growth across the local communities in which we operate. ESG measures are central to our sustainability focus, as they help us track our progress and plans for improvements.

Our contribution to the green transition
As a strong financial institution we have an opportunity to enable our customers to make sustainable choices that reduce GHG emissions and contribute to a more sustainable future. This is not only a social obligation; it also makes strategic sense for our core business as a strong and profitable financial institution. Therefore, we offer a range of sustainable financial products, such as electric car loans, sustainable investments, green home loans, and energy efficiency loans that allow our customers to make a positive difference in their local communities, and we constantly strive to further develop our products in this area.

Moreover, we are committed to eliminating our own direct emissions (scope 1) by 2025 and to reducing our sourced electricity and heating (scope 2) to zero by 2030, but we are fully aware that the latter goal may depend on the efforts of our providers. In addition, we have begun to measure certain scope 3 emissions in our investments and will continue to do so in the coming years. In this years' ESG-report, we have also included initial estimates of emissions related to car loans for private customers and corporate loans.

Gender equality – an ongoing effort
We recognise the historical lack of gender equality in management positions within our industry, and we believe that diversity leads to stronger business and better results. Therefore, we are committed to providing equal opportunities for all employees, regardless of gender, to advance in their careers and take on management roles within the Group.

Our goal is for neither gender to be overrepresented by more than 60%, whether in management positions or in our branches and departments. The percentage of female managers within the group increased from 41% in 2020 to 50% by the end of 2021 and was 49% in 2022. Although we have seen a positive trend since 2018, when 31% of managers were women, we acknowledge that this is an ongoing effort and we will continue to work towards gender balance, particularly considering the fact that women make up 63% of our overall workforce.

A more strategic approach to sustainability
In 2022, we took steps to prioritise sustainability in a more strategic approach by hiring a sustainability adviser in a new position within the Group. The adviser's initial tasks have been to formalise and centralise our various sustainability initiatives. As part of this process, we have developed a sustainability policy to establish a basic understanding of regulatory requirements and provide a strategic starting point. We have also established a sustainability committee and a working group to ensure that sustainability is integrated and transparent in our organization.

Educating employees
We work proactively with our customers to help them achieve their financial goals and sustainability objectives through the development and provision of financial services based on the expertise, commitment, and extensive experience of our employees. In order to ensure that our employees are fully engaged in this process, we implemented a mandatory introductory course on sustainability for all employees in 2022. Additionally, some employees have received advanced training on sustainability and investment, and our corporate customer advisers have also begun receiving similar training to support our sustainability and ESG dialogue with our corporate customers. By leveraging our expertise and experience as enablers in the transition to renewable energy, we hope to contribute to the growth and development of our local communities and to build more sustainable societies.

In our Corporate Responsibility report, you will find more information about our sustainability efforts and ESG performance in 2022, and our aspirations for 2023 and beyond.

Our external environment

The macroeconomic environment has a significant impact on any financial institution. For a traditional retail and commercial bank such as BankNordik, two of the primary effects of the economic cycle is on customers' credit quality and ability to repay and the value of the collateral the Bank holds.

The Faroe Islands and Greenland are affected by economic developments on the global stage, as was clearly demonstrated during the past year. As far as global GDP is concerned, the IMF estimates that the global economy grew by 3.2% in 2022, although this was significantly less than what the institution had expected at the start of the year.

Few people will be unfamiliar with the two main economic themes of 2022, both of which, unfortunately, are negative: Russia's invasion of Ukraine and inflation. These two factors dominate the overarching risk picture facing BankNordik and the countries in which it operates, and it is vital that the Group formulates a response to each of them.

Inflation and rising interest rates will continue to dominate the Bank's risk landscape in 2023, with markets expecting inflation to continue its decline towards central banks' 2% targets, while interest rates will likely continue to climb, at least in the first half of the current year.

The fact that interest rates have been rising and may continue to rise is both a risk factor and a likely benefit for the financial industry in general and BankNordik in particular. It has meant that interest rate margins have lifted from a historically low level, and that interest margins therefore likely will be higher in the coming years. At the same time, interest rates have risen sharply, which means that the hit to personal incomes as well as housing prices has in some cases been significant.

Inflation means that the bank's borrowers will have less money for servicing their debts, other things being equal. While this is a risk, the bank has not yet seen an increase in borrowers unable to meet their obligations, but it is monitoring the situation more closely than before.

Developments in the Faroese and Greenlandic economies have been directionally similar in 2022. The bank continues to track key indicators for both economies, and developments have generally followed the expected trend in 2022, with inflation being the largest divergent reading between the two economies.

The Faroese Economic Council estimated in September that the Faroese economy would grow by 11.2% in nominal terms in 2022. This was expected to be driven mostly by rising export prices, but economic activity in the Faroe Islands was very strong in 2022 considering the global political and inflationary environment with loosely estimated real economic growth likely topping 4%.

We mentioned in last year's report that economic developments in Greenland tend to be more moderate than those in the Faroe Islands. This was again true for 2022 as well, and the economy is expected to have grown 1.6% in real terms, which is slightly higher than the average of the past decade. Exports recovered during the year, and the latest 12-month figures are now 5% below their pre-COVID-19 peak.

In tems of inflation, prices in the Faroe Islands have followed western trends closely, with the latest reading coming in at 10.1%. Greenland, on the other hand, has only seen prices rise by 2.2% so far. This has in large part been driven by oil prices being hedged through 2023 and the fact that most electricity is generated through hydropower. The expectation is that prices will rise further through price increases on food imports and freight prices in general for example, but not to the extent seen in many other western countries.

Population trends in the two countries are another point of divergence. The Faroese population has grown rapidly over the past decade, with the population increasing by more than six thousand to now stand at just over 54.000. The population growth has been driven in large part by net immigration by Faroese living abroad as well as foreign workers. Greenlands population, on the other hand, has remained largely unchanged during the same period, fluctuating slightly around 56,000.

Despite a challenging economic environment and idiosyncratic challenges in the two economies in which the bank operates, BankNordik remains optimistic about its future in the two markets. The economies are healthy and the Bank's customers financially sound, and demand for lending is strong. Our strategic focus is firmly on serving the North Atlantic market competitively and sustainably, and we remain in a good position to do so.

Applied calculation methods and alternative performance measures

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

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

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

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

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

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

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

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

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

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

Discontinued operations
The profit before tax is calculated after incl. allocated income and costs to the Danish segment.

Adjusted results

Note	Adjusted Income statement 2022, Group, DKK 1,000	Income statement	Restatement	Restated income statement
1	Net interest income	276,384	-6,835	269,549
2	Net fee and commission income	94,588	-6,475	88,113
	Net insurance income	52,068	0	52,068
2, 5	Other operating income	7,472	29,448	36,920
	Operating income	**430,512**	**16,138**	**446,650**
	Operating costs	242,903	0	242,903
	Sector costs	1,261	0	1,261
	Profit before impairment charges	**186,348**	**16,138**	**202,486**
	Impairment charges	-46,629	0	-46,629
	Operating profit	**232,977**	**16,138**	**249,115**
	Non-recurring items	0	0	0
	Profit before investment portfolio earnings and tax	**232,977**	**16,138**	**249,115**
1, 5	Investment portfolio earnings	-26,398	-16,138	-42,536
	Profit before tax, continiuing operations	**206,579**	**0**	**206,579**
	Profit before tax, discontinued operations	**0**	**0**	**0**
	Profit before tax, total	**206,579**	**0**	**206,579**

Note	Adjusted Income statement 2021, Group, DKK 1,000	Income statement	Restatement	Restated income statement
1	Net interest income	267,295	-7,533	259,762
2	Net fee and commission income	82,789	-3,429	79,360
	Net insurance income	33,895	0	33,895
2, 5	Other operating income	11,009	23,121	34,130
	Operating income	**394,988**	**12,159**	**407,147**
3	Operating costs	243,078	-8,141	234,937
	Sector costs	975	0	975
	Profit before impairment charges	**150,935**	**20,300**	**171,235**
	Impairment charges	-76,561	0	-76,561
	Operating profit	**227,496**	**20,300**	**247,796**
3, 4	Non-recurring items	0	88,923	88,923
	Profit before investment portfolio earnings and tax	**227,496**	**109,223**	**336,718**
1, 5	Investment portfolio earnings	5,507	-12,159	-6,652
	Profit before tax, continiuing operations	**233,003**	**97,064**	**330,066**
4	**Profit before tax, discontinued operations**	**106,560**	**-97,064**	**9,496**
	Profit before tax, total	**339,562**	**0**	**339,562**

Note	Restatements made to the income statement, DKK 1,000	2022	2021
1	Reclassification of interest income related to bonds from the item Interest income to Investment portfolio earnings.	6,835	7,533
2	Dividends reclassified from Net fee and commission income to Other operating income.	6,475	3,429
3	Reclassification of IT-costs, severance costs and other costs from Operating costs to Non-recurring items.	0	8,141
4	Reclassification of provenue regarding the sale of the Danish activities Non-recurring items.	0	97,064
5	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions to Other operating income.	22,973	19,692

Management and directorships

Board of Directors

Birita Sandberg Samuelsen (Chairman)	
Elected by the General Meeting	
Year of birth	1975
Gender	Female
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	
Term expires:	2023
Independent	
Educational background:	Master of law, University of Copenhagen
Competencies:	Working experiences and in-depth knowledge of various legal matters. Including consultancy regarding bying, selling and privatization of companies, insurance related advising, as well as different company related legal issues, for instance establishment, reconstruction, mergers, capital adjustments and liquidation.
Principal occupation:	Lawyer and Partner at Sókn Advokatar (lawfirm).
Directorships and other offices:	Chairman of P/F Vága Floghavn and for the period 2014-2017 boardmember of the Financing Fund of 1992.

Rúni Vang Poulsen (vice chairman)	
Elected by the General Meeting	
Year of birth	1975
Gender	Male
Nationality	Faroese
First time elected to the Board:	2016-2018, and again in 2022
Most recently re-elected:	2022
Term expires:	2023
Independent	
Educational background:	MSc Business Administration and Auditing, Copenhagen Business School; Orchestrating Winning Performance - IMD Lusanne.
Competencies:	Broad and extensive knowledge of company structures, accounting as well as the Faroese economy as a whole. In-depth experiences and knowledge within finance, including strategy and business development.
Principal occupation:	CEO at P/F Grant
Directorships and other offices:	Former vice-chairman at BankNordik and former boardmember of the Financing Fund of 1992.

Birgir Durhuus	
Elected by the General Meeting	
Year of birth	1963
Gender	Male
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	
Term expires:	2023
Independent	
Educational background:	Master of Finance, Copenhagen Business School
Competencies:	In-depth knowledge and experiences within the Danish financial sector. Primarily from Danske Bank, Nordea and Nykredit as an analyst and head of different departments within investment and Risk Management.
Principal occupation:	Selfemployed financial Advisor
Directorships and other offices:	Former chairman of P/F Atlantic Petroleum.

Marjun Eystberg	
Elected by the General Meeting	
Year of birth	1963
Gender	Female
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	
Term expires:	2023
Independent	
Educational background:	Financial education; Master in Communication and HR-Master, Probana; Organisation and Strategy, Copenhagen Business School; Process Leader, Copenhagen Coaching Centre.
Competencies:	Extensive experiences from the financial sector in the Faroe Islands and in-depth knowledge of the Faroese business community. Furthermore a broad knowledge and experience within Management and HR related issues.
Principal occupation:	Manager at INPUT - Consultance within Management and HR.
Directorships and other offices:	Boardmember of P/F Poul Michelsen; former boardmember of the Faroese Business Development Fund (Framtak) and the Financing Fund of 1992.

Kristian Reinert Davidsen	
Elected by the General Meeting	
Year of birth	1966
Gender	Male
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	
Term expires:	2023
Independent	
Educational background:	HD (Graduate Deploma in Organisation and Management), Copenhagen Business School; MSc Engineering E-division, DTU Denmark.
Competencies:	Working experiences and in-depth knowledge og management, strategy processes and project managing. In-depth knowledge of digital transformation and technology, including security related to personal data and cyber security.
Principal occupation:	CEO at Tusass (TELE Greenland). Former CEO at Faroese Telecom.
Directorships and other offices:	Chairman of LBF (Engineering Consultancy) and boardmember og the Telecommunication and IT company P/F NEMA.

Alexandur Johansen	
Elected by the employees	
Year of birth	1979
Gender	Male
Nationality	Faroese
First time elected to the Board:	2018
Most recently re-elected:	2022
Term expires:	2026
Educational background:	Financial education and subsequent continuing education within financial and insurance aspects.
Competencies:	In-depth understanding of insurance aspects. All-round advisory services.
Principal occupation:	P/F Trygd - Commercial Insurance - Head of corporate department.
Directorships and other offices:	None

Kenneth Samuelsen	
Elected by the employees	
Year of birth	1966
Gender	Male
Nationality	Faroese
First time elected to the Board:	2010
Most recently re-elected:	2022
Term expires:	2026
Educational background:	Financial education
Competencies:	Broad knowledge of sector and labour market relationships. Customer and employer satisfaction. Experience within and knowledge of IT.
Principal occupation:	BankNordik - IT & Analyses department - unit Faroe Islands.
Directorships and other offices:	None

Anja Rein	
Elected by the employees	
Year of birth	1973
Gender	Female
Nationality	Faroese
First time elected to the Board:	2022
Most recently re-elected:	
Term expires:	2026
Educational background:	Financial education supplemented with different banking related courses.
Competencies:	Broad knowledge and experience within different aspects of Banking services. In-depth knowledge and experiences within Retail Banking
Principal occupation:	Regional Manager within Retail Banking.
Directorships and other offices:	None

Executive Management

Árni Ellefsen (CEO)	
Year of birth	1966
Gender	Male
Nationality	Faroese
Year of joining the Executive Management:	2015
Educational background:	MSc in Business Management and Accounting State Authorized Public Accountant
Principal occupation:	CEO at P/F BankNordik
Board positions held that are relevant to banking and insurance:	Faroese Employer Association, BI Holding A/S, P/F Trygd (Chairman), P/F NordikLív (Chairman), P/F Skyn (Chairman).

Turið F. Arge (Executive Vice President)	
Year of birth	1982
Gender	Female
Nationality	Faroese
Year of joining the Executive Management:	2022
Educational background:	MSc in Business Economics and Auditing, Aarhus Business School; Executive MBA, Henley Business School.
Principal occupation:	Executive Vice President at P/F BankNordik
Board positions held that are relevant to banking and insurance:	P/F Trygd, P/F NordikLív, P/F Skyn and chairman of the Faroese Banking organisation.

Segments

Banking

Adjusted Income statement, Banking

DKKm	**Q4 2022**	**Q3 2022**	***Index***	**Q2 2022**	**Q1 2022**	**Q4 2021**	**2022**	**2021**	***Index***
Net interest income	72	67	*108*	65	66	66	270	260	*104*
Net fee and commission income	26	26	*103*	25	25	26	102	92	*111*
Other operating income	6	10	*57*	8	8	7	32	28	*114*
Operating income	**105**	**102**	***102***	**97**	**99**	**99**	**403**	**380**	***106***
Operating cost	-53	-57	*92*	-57	-56	-51	-223	-214	*104*
Sector costs	0	0		0	0	0	-1	-1	*121*
Profit before impairment charges	**52**	**45**	***115***	**40**	**43**	**48**	**179**	**165**	***109***
Impairment charges, net	3	12	*29*	22	10	40	47	77	
Operating profit	**55**	**57**	***97***	**62**	**52**	**89**	**226**	**241**	***94***
Non-recurring items	0	0		0	0	6	0	89	
Profit before investment portfolio earnings and tax	**55**	**57**	***97***	**62**	**52**	**95**	**226**	**330**	***68***
Investment portfolio earnings	3	-32		-12	3	2	-38	-5	
Profit before tax, continuing operations	**58**	**25**	***234***	**50**	**55**	**97**	**188**	**325**	
Profit before tax, discontinued operations	**0**	**0**		**0**	**0**	**0**	**0**	**9**	**-**
Profit before tax, total	**58**	**25**	***234***	**50**	**55**	**97**	**188**	**334**	***56***
Loans and advances	8,083	7,977	*101*	7,724	7,684	7,624	8,083	7,624	*106*
Deposits and other debt	8,351	8,225	*102*	8,897	8,047	7,914	8,351	7,914	*106*
Mortgage credit	2,648	2,652	*100*	2,730	2,727	2,657	2,648	2,657	*100*
Operating cost/income, %	50	56		58	57	51	55	56	
Number of FTE, end of period	169	170	*100*	173	168	164	169	164	*103*

The Bank's net interest income was up by DKK 10m in 2022 compared to 2021 driven by margin increases in the second half of the year as well as volume growth. Net fee and commission income rose significantly from DKK 92m in 2021 to DKK 102m in 2022. Other operating income rose by DKK 4m relative to 2021 to DKK 32m. As a result, the Bank's non-interest income increased by DKK 14m year on year in 2022, and operating income as a whole rose by DKK 24m. Operating costs increased by DKK 9m in 2022 compared to 2022, mainly due to changes to the bank's board and management. As a result, profit before impairment charges rose by DKK 15m compared to 2021 to DKK 179m in 2022.

BankNordik maintains its through-the-cycle credit policy, and due to the good financial health of its customers, the Bank in 2022 saw a net reversal of impairments of DKK 47m including the increased provisions for future losses of DKK 4m from DKK 52m to DKK 56m. In 2021, the Bank reversed DKK 77m of previously impaired loans. The resulting operating profit for the banking segment in 2022 was DKK 226m, DKK 15m less than in 2021.

The net proceeds from the Group's sale of its Danish business were recognised in 2021, driving the Bank's non-recurring items to DKK 89m. No non-recurring items were recognised in 2022. Investment portfolio earnings were a loss of DKK 38m in 2022 compared to a loss of DKK 5m in 2021. As a result, the Bank's profit before tax on continuing operations was DKK 188m in 2022 compared to DKK 325m in 2021. Profit before tax from discontinued operations added DKK 9m in 2021, whereas these activities had no effect in 2022. The Bank's total profit before tax in 2022 was DKK 188m, compared to DKK 334m in 2021.

Loans and advances to customers grew by a healthy DKK 459m in 2022 to DKK 8,083m, and the portfolio of the Bank's brokered mortgage credit fell by DKK 9m to DKK 2,648m. Customer deposits were up by DKK 437m to DKK 8,351m.

Personal Banking

Adjusted Income statement, Personal banking

DKKm	Q4 2022	Q3 2022	*Index*	Q2 2022	Q1 2022	Q4 2021	2022	2021	*Index*
Net interest income	35	34	*104*	33	34	34	136	131	*104*
Net fee and commission income	19	19	*103*	18	18	19	73	65	*113*
Other operating income	5	8	*67*	6	6	5	25	20	*125*
Operating income	**60**	**60**	***99***	**57**	**58**	**58**	**235**	**216**	***109***
Operating costs	-48	-49	*99*	-44	-44	-39	-186	-172	*108*
Sector costs	0	0		0	0	0	-1	-1	
Profit before impairment charges	**11**	**11**	***101***	**13**	**13**	**19**	**48**	**43**	***111***
Impairment charges, net	-3	6		7	5	5	16	22	*71*
Operating profit	**8**	**17**	***48***	**20**	**18**	**24**	**64**	**65**	***97***
Non-recurring items	0	0		0	0	-4	0	79	
Profit before investment portfolio earnings and tax	**8**	**17**	***48***	**20**	**18**	**21**	**64**	**144**	***44***
Investment portfolio earnings	6	-23	*-25*	-13	2	2	-28	-3	
Profit before tax, continuing operations	**14**	**-6**	***-238***	**7**	**20**	**23**	**35**	**141**	***25***
Profit before tax, discontinued operations	**0**	**0**		**0**	**0**	**0**	**0**	**9**	**-**
Profit before tax, total	**14**	**-6**	***-238***	**7**	**20**	**23**	**35**	**150**	***24***
Loans and advances	3,645	3,626	*101*	3,576	3,550	3,583	3,645	3,583	*102*
Deposits and other debt	5,412	5,388	*100*	5,410	5,264	5,105	5,412	5,105	*106*
Mortgage credit	2,338	2,328	*100*	2,344	2,344	2,292	2,338	2,292	*102*
Number of FTE, end of period	71	74	*96*	76	75	71	71	71	*101*

BankNordik's operating income from personal banking customers increased by 9% in 2022. Net interest income and net fee and commission income were up by DKK 5m and DKK 8m, respectively, and other operating income increased by DKK 5m. The resulting operating income totalled DKK 235m, DKK 19m more than in 2021.

Operating costs increased to DKK 186m in 2022 from DKK 172m in 2021. As a result, profit before impairment charges rose by DKK 5m year on year in 2022 to DKK 48m. Impairment charges were a net reversal of DKK 16m in 2022 compared to a reversal of DKK 22m in 2021. No non-recurring items were recongnised in 2022 compared to an income of DKK 79m in 2021. Investment portfolio earnings amounted to a loss of DKK 28m compared to DKK 3m in 2021. Profit before tax for continuing operations were thus DKK 35m in 2022 compared to DKK 141m in 2021. Profit before tax from discontinued operations amounted to DKK 9m in 2021. This resulted in total profit before tax for the personal banking business of DKK 35m in 2022 compared to DKK 150m in 2021.

Direct lending to personal customers rose by DKK 62m to DKK 3,645m at year-end 2022. Brokered mortgage credit again saw growth and increased by DKK 46m to DKK 2,338m at year-end 2022.

Corporate Banking

Adjusted Income statement, Corporate Banking

DKKm	Q4 2022	Q3 2022	*Index*	Q2 2022	Q1 2022	Q4 2021	2022	2021	*Index*
Net interest income	37	33	*113*	32	32	32	133	128	*104*
Net fee and commission income	7	7	*103*	7	7	7	28	27	*106*
Other operating income	1	2	*27*	2	2	2	7	9	*80*
Operating income	**45**	**42**	***107***	**41**	**41**	**41**	**169**	**164**	***103***
Operating costs	-3	-9	*29*	-7	-12	-11	-31	-42	*75*
Sector costs	0	0		0	0	0	0	0	
Profit before impairment charges	**42**	**33**	***129***	**33**	**29**	**30**	**137**	**122**	***112***
Impairment charges, net	6	6	*108*	14	5	35	31	54	*57*
Operating profit	**48**	**38**	***126***	**47**	**34**	**65**	**168**	**176**	***95***
Non-recurring items	0	0		0	0	0	0	0	
Profit before investment portfolio earnings and tax	**48**	**38**	***126***	**47**	**34**	**65**	**168**	**176**	***95***
Investment portfolio earnings	-3	-9		-5	1	1	-15	-1	
Profit before tax	**46**	**29**	***156***	**42**	**35**	**66**	**152**	**175**	***87***
Loans and advances	4,438	4,351	*102*	4,148	4,133	4,041	4,438	4,041	*110*
Deposits and other debt	2,939	2,837	*104*	3,487	2,783	2,808	2,939	2,808	*105*
Mortgage credit	310	324	*96*	382	383	365	310	365	*85*
Number of FTE, end of period	15	15	*100*	15	15	13	15	13	*116*

Developments on the income side of corporate banking were positive in 2022. Net interest income rose to DKK 133m from DKK 128m in 2021, and net fee and commission income increased by DKK 2m in 2022 to 28m. Other operating income fell slightly in 2022 to DKK 7m from DKK 9m in 2021. Total operating income was thus up by 3%, or DKK 5m, in 2022 at DKK 169m.

Operating costs fell by 25% from DKK 42m in 2021 to DKK 31m in 2022, resulting in profit before impairment charges coming in at DKK 137m, an increase of DKK 15m compared to 2021.

Impairment charges were a net reversal of DKK 31m in 2022, compared to a reversal of DKK 54m in 2021. No non-recurring items were recongnised in either 2021 or 2022. Investment portfolio earnings amounted to a loss of DKK 15m in 2022 compared to a loss of DKK 1m in 2021. The resulting profit before tax was thus DKK 152m in 2022, down DKK 23m compared to 2021.

The corporate lending portfolio grew by 10% during the year and amounted to DKK 4,438m at 31 December 2022. The portfolio remains well diversified and is not overly exposed to historically risky sectors. Corporate deposits were up by DKK 131m over year-end 2021 to stand at DKK 2,939m at year-end 2022.

Insurance

Adjusted Income statement, Trygd

DKKm	Q4 2022	Q3 2022	*Index*	Q2 2022	Q1 2022	Q4 2021	2022	2021	*Index*
Premium income, net of reinsurance	36	36	*99*	35	34	32	141	125	*112*
Claims, net of reinsurance	-24	-26	*94*	-23	-25	-28	-97	-101	*96*
Net insurance income	**12**	**11**	***109***	**12**	**9**	**4**	**43**	**24**	***182***
Net income from investment activities	4	-3	*-132*	-3	-1	-2	-3	-1	
Operating income	**16**	**7**	***223***	**9**	**8**	**2**	**40**	**23**	***176***
Operating cost	-6	-6	*100*	-6	-6	-5	-25	-25	*101*
Profit before tax	**10**	**1**	***967***	**3**	**2**	**-3**	**15**	**-2**	
Combined ratio	85	88		83	92	102	87	101	
Claims ratio	68	71		65	73	88	69	81	
Number of FTE, end of period	23	23	*97*	23	22	22	23	22	*104*

The Group's insurance company, Trygd, reported another year of growth in insurance premiums. Net premiums grew by 12% in 2022 to DKK 141m due to price rises and a continued inflow of new customers.

Claims can vary significantly from year to year, e.g. due to Faroese weather conditions or an unusual number of large claims. In 2022, claims amounted to DKK 97m, a decrease of DKK 4m compared to 2021, which saw unusually high claims.

Income from investment activities amounted to a loss of DKK 3m in 2022 compared to a loss of DKK 1m in 2021.

Operating costs flat relative to 2021 and came in at DKK 25m. As a result, Trygd posted a profit before tax of DKK 15m compared to a loss before tax of DKK 2m in 2021.

Trygd is expected to pay a dividend of DKK 2.5m to BankNordik for the 2022 financial year.

Trygd continues to grow its market share by offering competitive prices and delivering superior customer experiences. Trygd expects to continue to attract new customers and to grow premium income in 2023, as it has done for the past several years, and the measures implemented to increase profitability implemented in 2022 remain in place.

Other activities

Skyn

Due to the low interest rate environment, economic growth and net positive immigration, the Faroese housing market has experienced strong activity and continuous price increases in recent years. However, mainly due to rising interest rates as well as general economic uncertainty, housing market activity was relatively subdued in 2022.

Despite the challenging conditions, average prices of houses sold increased slightly in 2022, although there are signs that certain market segments are seeing price falls. The Group's estate agency, Skyn, performed well given the challenging market conditions, being involved in a total of 179 transactions in 2022 compared to 224 in 2021. Skyn recorted revenues of DKK 8.6m in 2022, a slight fall from DKK 9.5m in 2021, while profit before tax amounted to DKK 1.6m compared to DKK 2.3m in 2021. Skyn is expected to pay a dividend of DKK 1.5m to BankNordik for the 2022 financial year.

NordikLív

NordikLív is a life insurance company established in 2015 and wholly owned by BankNordik. The company began operations in 2016 by providing regular life, disability and critical illness insurance cover in the Faroese market. In 2022, premium income was DKK 17.3m compared to DKK 17.0m in 2021, while profit before tax amounted to DKK 2.1m in 2022 compared to DKK 4.7m in 2021.

NordikLív is expected to pay a dividend of DKK 2m to BankNordik for the 2022 financial year.

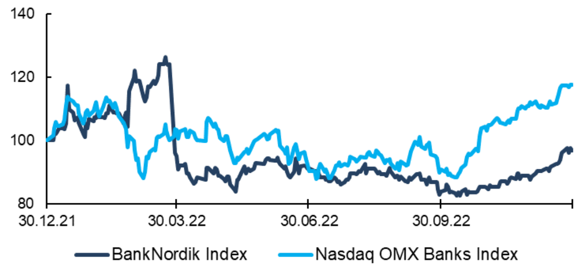
Shareholders

BankNordik share performance

The closing price of BankNordik's shares on Nasdaq Copenhagen at 31 December 2022 was DKK 136.0 per share compared to a closing price of DKK 140.5 per share at 31 December 2021. This was a decrease of 3.2% compared to an increase of 17.5% for the Copenhagen Bank Index. Note that the total return to shareholders in 2022 was 25%, as a total dividend of DKK 40.21 per share was paid out during the year. The turnover in BankNordik's shares on Nasdaq Copenhagen was DKK 168m in 2022 compared to DKK 250m in 2021.

Performance of BankNordik shares vs the Nasdaq Copenhagen Bank Index in 2022:

BankNordik share vs.
Copenhagen Bank Index



Shareholder structure

At the time of publication of the Annual Report 2022, the following shareholders had notified the relevant authorities that they held 5% or more of the Bank's shares:

- Faroese Government, holds 34.8% of the shares.
- Lind Invest, Aarhus, holds 10.6% of the shares.
- Protector Forsikring ASA, Oslo, holds 10% of the shares.
- P/F Tjaldur, Tórshavn, holds 5.2% of the shares.
- Sp/f Framherji, Fuglafjørður, holds 5% of the shares.

At 31 December 2022, BankNordik had approximately 8,100 shareholders. The Faroese government held 34.8% of the share capital, institutional and other corporate investors held 49%, private investors held 16%, while the Bank held 0.25% as treasury shares. The majority of shareholders are based in the Faroe Islands.

Country	Pct. of nominal shareholdings
Faroe Islands	60
Denmark	20
Norway	10
Other nationalities	10
Total	**100**

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

Organisation and management

Corporate governance at BankNordik

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

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

General meetings

The general meeting is the Bank's ultimate decision-making authority. An annual general meeting shall be held within three months of the end of a financial year. In 2023, the meeting will be held on 31 March in Tórshavn, Faroe Islands. The minutes of the meeting will be made available at www.banknordik.com.

Voting rights

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

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

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

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

Board of Directors

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

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

The primary duty of the Bank's Board of Directors is to determine the strategic framework for the Bank and its activities. The Bank places emphasis on ensuring that the Board of Directors possesses the necessary and relevant experience and qualifications to adequately perform its duties as a board of directors. Members of the Board are subject to a performance evaluation, which includes a questionnaire and a personal dialogue with the Chairman. The aim of the evaluation is to ensure, among other things, that the composition of the Board of Directors as well as the special competencies of each board member enable the Board of Directors to perform its duties. As the Board of Directors operates as a collegial body, its overall competencies and experience are the sum of the individual board members' competencies and experience. The composition of the Board of Directors is intended to ensure a stable and satisfactory development of BankNordik for the benefit of its shareholders, customers, employees, and other stakeholders. The competencies of the Board of Directors are described collectively in the competency profile. The 2022 competence evaluation indicated that further strengthening of the Board's credit-related competences would be preferable. The Board has already taken some action in this respect with two board members having compleated a course on creditrisk and all board members having compleated mandatory board training at Copenhagen Business School. Furthermore, the Board of Directors will emphasise recruitment of board candidates with credit-related competences.

Executive Management

The Executive Management consists of Árni Ellefsen, Chief Executive Officer, and Turið F. Arge, Executive Vice President.

Diversity

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

Remuneration

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

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

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

The remuneration of the Executive Management is determined by the Board of Directors. Remuneration in line with market levels constitutes the overriding principle for the remuneration of the Executive Management. Remuneration of the Executive Management shall be consistent with and promote sound and effective risk management and must not encourage excessive risk-taking or counteract the Bank's long-term interests. Remuneration of the Executive Management consists only of a fixed salary and does not include any incentive programmes nor any variable or performance-based remuneration.

Additional information on the remuneration of the Board of Directors, the Executive Management and the executive officers can be found in note 11. For further information regarding the Bank's remuneration policy, see www.banknordik.com/rp

Risk management

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

The Group's Risk Manager is responsible for the risk management framework and processes, including identifying, controlling and monitoring the Bank's various risks for the purpose of making risk assessments at both individual and aggregated levels. For further information on the Bank's risk management, see the Group's Risk Management Report 2022 at www.banknordik.com/rmr

Corporate responsibility

Complying with the law and adhering to international principles for responsible business conduct is a fundamental and integral part of BankNordik's strategy. We are driven by an ambition to create value for all our stakeholders, to use our expertise to drive sustainable progress and to have a positive impact on the societies we are a part of. At BankNordik, we strive to build a relationship-centric bank that places the customer at the centre of business, provides tailored financial advice and makes the banking experience less complex. Our commitment to conduct responsible business revolves around a set of values consisting of "Competence, Commitment and Drive", which form the backbone of our efforts to create sustainable and shared value for the

Group's stakeholders. In addition to creating economic value through responsible business conduct; through the benefits that our products bring to our customers; and through banking expertise, the Group aims to create social value through community involvement. As such, BankNordik's approach is centred on its customers, employees, and the local community. It is our assertion that CSR initiatives will yield the best results if there is a natural connection between such activities and our business strategy and core competencies. Therefore, our initiatives are strategically rooted in the Group's vision, strategy, and values.

BankNordik reports on corporate social responsibility in the 2022 CSR Report, which has been prepared in compliance with the Group's CSR policy and the Danish FSA's requirements on corporate responsibility reporting.

The report is available at www.banknordik.dk/csr

Statement by the Management

The Board of Directors and the Executive Board (the management) have today considered and approved the annual report of P/F BankNordik for the financial year 2022.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Faroese Financial Business Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on 1 January and ending on 31 December 2022. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

In our opinion, the annual report of P/F BankNordik A/S for the financial year 1 January to 31 December 2022 identified as with the file name banknordik-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Tórshavn, 24 February 2023

Executive Board

Árni Ellefsen CEO	Turið F. Arge EVP

Board of Directors

Birita Sandberg Samuelsen Chairman	Rúni Vang Poulsen Deputy Chairman	Birgir Durhuus
Kristian Reinert Davidsen	Marjun Eystberg	Anja Rein
Kenneth M. Samuelsen	Alexandur Johansen	

Internal Auditors’ Report

Audit opinion
In our opinion, the Consolidated Financial Statements and the Financial Statements of P/F BankNordik give a true and fair view of the Group’s and the Parent Company’s assets, liabilities, shareholders’ equity and financial position at 31 December 2022 and of the results of the Group’s and the Parent Company’s operations and cash flows for the financial year 1 January — 31 December 2022 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements and in accordance with the Faroese Financial Business Act in respect of the Parent Company’s financial statements.

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

Basis for opinion
We have audited the Consolidated Financial Statements and the Financial Statements of P/F BankNordik for the financial year 1 January — 31 December 2022. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Company’s Financial Statements have been prepared in accordance with the Faroese Financial Business Act.

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

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

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

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

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

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

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

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

Tórshavn, 24 February 2023

Arndis Poulsen
Chief Audit Executive, BankNordik

Independent auditors’ reports

To the shareholders of P/F BankNordik

Report on the audit of the Financial Statements

Our opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group’s financial position at 31 December 2022 and of the results of the Group’s operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Faroese Financial Business Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company’s financial position at 31 December 2022 and of the results of the Parent Company’s operations for the financial year 1 January to 31 December 2022 in accordance with the Faroese Financial Business Act.

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

What we have audited
The Consolidated Financial Statements and the Parent Company Financial Statements of P/F BankNordik for the financial year 1 January to 31 December 2022 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including summary of significant accounting policies for the Group as well for the Parent Company and cashflow statement for the Group. Collectively referred to as the “Financial Statements”.

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

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

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

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

Appointment
We were first appointed auditors of P/F BankNordik on 29 March 2010 for the financial year 2010. We have been reappointed annually by shareholder resolution for a total period of engagement of thirteen years including the financial year 2022.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loan Impairment charges Loans are measured at amortised cost less impairment charges. Loan impairment charges represent Management's best estimate of expected losses on loans at the balance sheet date in accordance with the provisions of IFRS 9 and as incorporated in the Executive Order for the Faroe Islands on the Presentation of Financial Statements of Credit Institutions and Investment Companies, etc. Reference is made to the detailed description of accounting policies in note 1. The Company makes provisions for expected losses both on an individual basis in terms of individual provisions and on a model-based basis. Due to the climate change, the Russian invasion of Ukraine and macroeconomic uncertainty Management has made a substantial provision to impairment charges as an accounting estimate (management judgement). The consequences of these matters for the Group's customers are uncertain, and therefore there is an estimation uncertainty regarding this accounting estimate. We focused on loan impairment charges, as the accounting estimate is by nature complex and influenced by subjectivity and thus to a large extent associated with estimation uncertainty. The following areas are central to the calculation of loan impairment charges: ■ Determination of credit classification. ■ Model-based impairment charges in stages 1 and 2, including Management's determination of model variables adapted to the Group's loan portfolio. ■ The Group's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2, underperforming). ■ Most significant assumptions and estimates applied by Management in the calculations of impairment charges, including principles for the assessment of various outcomes of the customer's financial position (scenarios) and for the assessment of collateral values of e.g. ships and real estate included in the calculations of impairment. ■ Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in market conditions and which are not included in the model-based calculation or individually assessed impairment charges including in particular the consequences for the Groups customers of the current macroeconomic situation. Reference is made to note 1 of the Parent Company Financial statements and the Consolidated Financial Statements, "Estimates and assumptions", "IFRS 9, Financial Instruments" and "Impairment charges", note 14, "Credit risk management", "Changes to credit risks" and "Calculation of the expected credit loss" and	We performed risk assessment procedures with the purpose of achieving an understanding of it-systems, business procedures and relevant controls regarding the calculation of provisions for expected losses on loans. In respect of controls, we assessed whether they were designed and implemented effectively to address the risk of material misstatement. We reviewed and assessed the impairment charges recognised in the income statement in 2022 and the accumulated impairment charges recognised in the balance sheet at 31 December 2022. We assessed the applied impairment model prepared by the data centre SDC, including division of responsibilities between the data centre and the Group We assessed and tested the Group's calculation of impairment charges in stages 1 and 2, including assessment of Management's determination and adaptation of model variables to the Group's own circumstances. Our review and assessment included the Group's methods applied for the calculation of expected credit losses as well as the procedures designed, including the involvement of the credit department and Management, and internal controls established to ensure that credit-impaired loans in stage 3 and in stage 2, underperforming, are identified and recorded on a timely basis. We assessed and tested the principles applied by the Group for the determination of impairment scenarios and for the measurement of collateral values of e.g. ships and real estate included in the calculations of impairment of credit-impaired loans in stage 3 and in stage 2, underperforming. We tested a sample of credit-impaired loans in stage 3 and in stage 2, underperforming, by testing the calculations of impairment charges and applied data to underlying documentation. We tested a sample of other loans by making our own assessment of stage and credit classification. This included an increased sample of major loans, loans within segments with generally increased risks including segments particularly affected by the actual macroeconomic situation. We reviewed and challenged Management's estimates of expected credit losses not included in the model-based calculations or individually assessed impairment charges based on our knowledge of the portfolio, industry knowledge and knowledge of current market conditions. Among other things, we had a special focus on the rationale behind the management estimates to

“Management applied judgements” as well as note 51, ”Risk Management”, addressing matters that may affect loan impairment charges.	cover expected credit losses as a result of the current macroeconomic situation. We also assessed whether the factors that may have an influence on provisions for expected losses on loans have been appropriate disclosed.

Statement on Management’s Review

Management is responsible for Management’s Review.

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

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

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

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

Management’s responsibilities for the Financial Statements

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

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

Auditor’s responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of P/F BankNordik for the financial year 1 January to 31 December 2022 with the filename [banknordik-2022-12-31-en.zip] is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

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

- The preparing of the annual report in XHTML format;

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

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

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

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

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

In our opinion, the annual report of BankNordik P/F for the financial year 1 January to 31 December 2022 with the file name [banknordik-2022-12-31-en.zip] is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 24 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Business registration no 33 77 12 31

Benny Voss
State Authorised Public Accountant
mne15009

Financial statement BankNordik

Contents

Income statement

		Group		BankNordik	
Note	DKK 1,000	2022	2021	2022	2021
3, 4	Interest income	310,749	287,977	309,122	287,114
	- of which interest income from deposits	*33,032*	*36,150*	*33,032*	*36,150*
3, 5	Interest expenses	34,366	19,396	34,483	19,396
	- of which interest expenses from assets	*15,716*	*5,422*	*15,716*	*5,422*
	Net interest income	**276,384**	**268,580**	**274,639**	**267,718**
3	Dividends from shares and other investments	6,475	3,429	6,475	3,429
6	Fee and commission income	94,834	86,950	108,496	99,343
6	Fee and commissions paid	6,721	7,590	6,721	7,590
	Net dividend, fee and commission income	**94,588**	**82,789**	**108,250**	**95,183**
	Net interest and fee income	**370,972**	**351,370**	**382,889**	**362,900**
7	Premium income, net of reinsurance	157,108	141,442		
8	Claims, net of reinsurance	105,039	107,547		
	Interest and fee income and income from insurance activities, net	**423,040**	**385,264**	**382,889**	**362,900**
3, 9	Market value adjustments	-31,789	4,391	-25,611	6,813
10	Other operating income	7,472	11,009	2,452	4,968
11, 12	Staff costs and administrative expenses	238,960	232,567	219,350	211,855
28, 29, 30	Amortisation, depreciation and impairment charges	3,943	6,497	3,331	6,088
13	Other operating expenses	1,261	975	1,261	975
14	Impairment charges on loans and advances etc.	-46,629	-76,561	-46,629	-76,561
25, 26	Income from investments accounted for under the equity method	5,390	1,116	20,752	5,094
	Profit before tax from continuing operations	**206,579**	**238,302**	**203,170**	**237,418**
15	Tax	42,171	44,946	38,762	44,062
	Net profit from continuing operations	**164,407**	**193,356**	**164,407**	**193,356**
16	Discontinued operations, net of tax	0	78,983	0	78,983
	Net profit	**164,407**	**272,340**	**164,407**	**272,340**
	Portion attributable to				
	Shareholders of BankNordik P/F	157,450	265,382	157,450	265,382
	Owners of additional Tier 1 capital	6,958	6,958	6,958	6,958
	Net profit	**164,407**	**272,340**	**164,407**	**272,340**
	EPS Basic for the period, discontinuing operations, DKK*	0.00	8.25	0.00	8.25
	EPS Diluted for the period, discontinuing operations, DKK*	0.00	8.25	0.00	8.25
	EPS Basic for the period, continuing operations, DKK*	17.17	20.20	17.17	20.20
	EPS Diluted for the period, continuing operations, DKK*	17.17	20.20	17.17	20.20
	EPS Basic for the perdiod, total, DKK*	17.17	28.46	17.17	28.46
	EPS Diluted for the perdiod, total, DKK*	17.17	28.46	17.17	28.46

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

Statement of comprehensive income - BankNordik

	Group		BankNordik	
DKK 1,000	**2022**	**2021**	**2022**	**2021**
Net profit	164,407	272,340	164,407	272,340
Other comprehensive income				
Items which will not subsequently be recycled:				
Revaluation of domicile property	10,083	-4,000	10,083	-4,000
Tax on other comprehensive income	-1,815	880	-1,815	880
Total other comprehensive income	**8,268**	**-3,120**	**8,268**	**-3,120**
Total comprehensive income	**172,675**	**269,220**	**172,675**	**269,220**

Note	DKK 1,000	Group Dec. 31 2022	Group Dec. 31 2021	BankNordik Dec. 31 2022	BankNordik Dec. 31 2021
	Assets				
17	Cash in hand and demand deposits with central banks	1,442,769	1,291,557	1,442,643	1,291,534
18, 19	Amounts due from credit institutions and central banks	389,894	445,411	389,894	445,411
14, 20, 21	Loans and advances at fair value	357,641	415,170	357,641	415,170
14, 20, 21	Loans and advances at amortised cost	7,725,702	7,208,922	7,725,702	7,208,922
22	Bonds at fair value	1,591,453	1,880,565	1,449,713	1,683,517
23	Shares, etc.	298,478	251,423	228,572	251,423
24, 50	Assets under insurance contracts	6,901	8,831	0	0
25	Holdings in associates	11,839	7,822	11,839	7,822
26	Holdings in subsidiaries	0	0	109,426	99,064
27	Assets under pooled schemes	24,078	0	24,078	0
28	Intangible assets	2,402	2,684	2,402	2,684
	Total land and buildings	124,975	140,019	122,386	137,402
29	Domicile property	61,522	72,565	58,933	69,948
29	Domicile property (lease asset)	63,453	67,454	63,453	67,454
30	Other property, plant and equipment	8,826	9,537	7,821	8,411
	Current tax assets	40,167	7,203	40,167	7,203
31	Deferred tax assets	6,888	8,207	6,666	7,648
32	Assets held for sale	24,200	0	24,200	0
33	Other assets	118,597	80,024	117,466	77,062
	Prepayments	15,421	32,370	14,070	31,291
	Total assets	**12,190,232**	**11,789,746**	**12,074,686**	**11,674,564**

Balance Sheet

Note	DKK 1,000	Group Dec. 31 2022	Group Dec. 31 2021	BankNordik Dec. 31 2022	BankNordik Dec. 31 2021
	Shareholders' equity and liabilities				
	Liabilities other than provisions				
34, 35	Amounts due to credit institutions and central banks	858,172	838,608	858,172	838,608
36, 37	Deposits and other debt	8,335,662	7,899,659	8,351,065	7,914,185
	Deposits under pooled schemes	24,078	2	24,078	2
40	Issued bonds at amortised cost	547,584	348,938	547,584	348,938
38, 50	Liabilities under insurance contracts	120,864	118,205	0	0
	Current tax liabilities	40,837	77,939	37,764	75,913
39	Other liabilities	183,709	188,170	177,244	180,036
	Deferred income	4,774	5,379	4,227	4,038
	Total liabilities other than provisions	**10,115,679**	**9,476,901**	**10,000,133**	**9,361,720**
	Provisions for liabilities				
14	Provisions for losses on guarantees etc	4,353	12,186	4,353	12,186
	Provisions for other liabilities	2,699	14,320	2,699	14,320
	Total provisions for liabilities	**7,052**	**26,505**	**7,052**	**26,505**
	Subordinated debt				
42	Subordinated debt	99,510	99,370	99,510	99,370
	Total liabilities	**10,222,241**	**9,602,776**	**10,106,696**	**9,487,595**
	Equity				
	Share capital	192,000	192,000	192,000	192,000
	Revaluation reserve	14,392	6,123	14,392	6,123
	Retained earnings	1,360,275	1,451,729	1,360,275	1,451,729
	Proposed dividends	250,000	386,000	250,000	386,000
	Shareholders of the Parent Company	**1,816,666**	**2,035,853**	**1,816,666**	**2,035,853**
41	Additional tier 1 capital holders	151,324	151,117	151,324	151,117
	Total equity	**1,967,991**	**2,186,970**	**1,967,991**	**2,186,970**
	Total liabilities and equity	**12,190,232**	**11,789,746**	**12,074,686**	**11,674,564**

Statement of capital - BankNordik Group

Changes in equity:

DKK 1,000	Shareholders equity Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2022	**192,000**	**6,123**	**386,000**	**1,451,730**	**2,035,853**	**151,117**	**2,186,970**
Revalution of assets		10,083			10,083		10,083
Tax on entries on income recognised as Other comprehensive income.		-1,815			-1,815		-1,815
Net profit			250,000	-92,550	157,450	6,958	164,407
Total comprehensive income		**8,268**	**250,000**	**-92,550**	**165,718**	**6,958**	**172,675**
Paid interest on additional tier 1 capital				0	0	-6,750	-6,750
Dividends paid			-386,000	1,096	-384,904		-384,904
Shareholders' equity at December 31, 2022	**192,000**	**14,392**	**250,000**	**1,360,275**	**1,816,666**	**151,324**	**1,967,991**

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2021	**192,000**	**9,243**	**48,000**	**2,021,781**	**2,271,024**	**150,909**	**2,421,933**
Revalution of assets		-4,000		0	-4,000		-4,000
Tax on entries on income recognised as Other comprehensive income		880			880		880
Net profit			386,000	-120,618	265,382	6,958	272,340
Total comprehensive income		**-3,120**	**386,000**	**-120,618**	**262,262**	**6,958**	**269,220**
Paid interest on additional tier 1 capital				**0**	**0**	**-6,750**	**-6,750**
Acquisition of own shares				-952	-952		-952
Extraordinary dividend			450,000	-450,000			0
Dividends paid			-498,000	1,519	-496,481		-496,481
Shareholders' equity at December 31, 2021	**192,000**	**6,123**	**386,000**	**1,451,730**	**2,035,853**	**151,117**	**2,186,970**

Regarding 2021: Proposed dividend per share DKK 40,2. Dividend payed out per share DKK 51,9.

Statement of capital - BankNordik P/F

Changes in equity:

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total (Shareholders equity)	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2022	**192,000**	**6,123**	**386,000**	**1,451,729**	**2,035,853**	**151,117**	**2,186,970**
Revalution of assets		10,083			10,083		10,083
Tax on entries on income recognised as Other comprehensive income.		-1,815			-1,815		-1,815
Revalution of assets, subsidiaries				0	0		0
Net profit			250,000	-92,550	157,450	6,958	164,407
Total comprehensive income		**8,268**	**250,000**	**-92,550**	**165,718**	**6,958**	**172,675**
Paid interest on additional tier 1 capital				**0**	0	**-6,750**	-6,750
Dividends paid			-386,000	1,096	-384,904		-384,904
Shareholders' equity at December 31, 2022	**192,000**	**14,392**	**250,000**	**1,360,275**	**1,816,666**	**151,324**	**1,967,991**

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2021	**192,000**	**9,243**	**48,000**	**2,021,781**	**2,271,024**	**150,909**	**2,421,933**
Revalution of assets		-4,000		0	-4,000		-4,000
Tax on entries on income recognised as Other comprehensive income		880			880		880
Net profit			386,000	-120,618	265,382	6,958	272,340
Total comprehensive income		**-3,120**	**386,000**	**-120,618**	**262,262**	**6,958**	**269,220**
Paid interest on additional tier 1 capital						-6,750	-6,750
Acquisition of own shares				-952	-952		-952
Extraordinary dividend			450,000	-450,000	0		0
Dividends paid			-498,000	1,519	-496,481		-496,481
Shareholders' equity at December 31, 2021	**192,000**	**6,123**	**386,000**	**1,451,729**	**2,035,853**	**151,117**	**2,186,970**

Regarding 2021: Proposed dividend per share DKK 40,2. Dividend payed out per share DKK 51,9.

Capital and Solvency - BankNordik

Solvency **DKK 1,000**	**Dec. 31 2022**	**Dec. 31 2021**
Core capital	1,705,429	1,779,869
Total capital	1,804,939	1,879,239
Risk-weighted items not included in the trading portfolio	6,044,057	5,959,209
Risk-weighted items with market risk etc.	506,894	269,125
Risk-weighted items with operational risk	644,527	612,724
Total risk-weighted items	**7,195,479**	**6,841,058**
CET 1 capital ratio	**21.6%**	**23.8%**
Core capital ratio	**23.7%**	**26.0%**
Total capital ratio	**25.1%**	**27.5%**
MREL capital ratio	**29.9%**	**29.6%**
Core Capital and Shareholders' equity		
Share capital	192,000	192,000
Reserves	14,392	6,123
Net profit	164,407	272,340
Retained earnings, previous years	1,449,624	1,569,218
Shareholders' equity, before deduction of holdings of own shares	**1,820,423**	**2,039,681**
Deduction of ordinary dividend	115,000	136,000
Deduction of extraordinary dividend	135,000	250,000
Deduction due to excess holdings of shares in the fincial sector	0	8,774
Deduction of holdings of own shares	3,757	3,828
Deduction of intangible assets	2,402	2,684
Deduction of deferred tax assets	6,666	7,648
Deduction regarding prudent valuation of financial instruments	1,806	1,993
CET 1 capital	**1,555,792**	**1,628,753**
Hybrid core capital	149,637	151,117
Core capital	**1,705,429**	**1,779,869**
Total capital		
Core capital	1,705,429	1,779,869
Subordinated loan capital	99,510	99,370
Total capital	**1,804,939**	**1,879,239**
MREL capital	349,954	149,016
Total capital incl. MREL capital	**2,154,893**	**2,028,255**

The BankNordik Group holds a license to operate as a bank and is therefore subject to a capital requirement under the Faroese Financial Business Act and to CRR. The Faroese provisions on capital requirements apply to both the Parent Company and the Group. The capital requirement provisions stipulate a minimum capital of 8% of the identified risks. A detailed body of rules determines the calculation of capital as well as risks (risk-weighted items). The capital comprises CET 1 capital, hybrid core capital and subordinated loan capital. The CET 1 capital corresponds to the carrying amount of equity, after deductions of holdings of own shares, tax assets and other minor deductions.

Cash flow statement - BankNordik Group

DKK 1,000	Group Full year 2022	Group Full year 2021
Cash flow from operations		
Profit before tax	206,579	339,563
Amortisation and impairment charges for intangible assets	364	212
Interest expense on leasing liabilities	2,138	2,292
Depreciation and impairment charges of tangible assets	3,579	6,812
Impairment of loans and advances/guarantees	-43,940	-72,983
Paid tax	-96,726	-29,599
Other non-cash operating items	13,092	16,177
Total	**85,087**	**262,474**
Changes in operating capital		
Change in loans at fair value	-4,401	39,426
Change in loans at amortised cost	-472,839	-1,395
Change in holding of bonds	227,637	2,567,081
Change in holding of shares	-47,972	76,471
Change in deposits	436,002	98,142
Due to credit institutions and central banks	19,564	810,654
Change in other assets / liabilities	15,875	-6,758
Assets/liabilities under insurance contracts	4,590	20,698
Prepayments	16,343	7,303
Cash flow from operations	**279,886**	**3,874,096**
Cash flow from investing activities		
Divestment of businesses, net of cash	0	-3,309,712
Dividends received	6,475	3,429
Acquisition of intangible assets	-82	-225
Acquisition of tangible assets	-1,646	-4,692
Sale of tangible assets	19	5,207
Cash flow from investing activities	**4,767**	**-3,305,992**
Cash flow from financing activities		
Issued bonds at amortised cost	207,757	350,000
Change in subordinated debt	0	-125,000
Interest paid on additional tier 1 capital	-6,750	-6,750
Acquisition of own shares	0	-952
Payment of dividends	-386,000	-498,000
Payment of dividends, own shares	1,096	1,519
Principal portion of lessee lease payments	-5,061	-5,588
Cash flow from financing activities	**-188,958**	**-284,771**
Cash flow	**95,695**	**283,333**
Cash in hand and demand deposits with central banks, and due from		
Credit institutions, etc. at the beginning of the year	1,736,968	1,453,635
Cash flow	95,695	283,333
Cash and due etc.	**1,832,663**	**1,736,968**
Cash and due etc.		
Cash in hand and demand deposits with central banks	1,442,769	1,291,557
Due from credit institutions, etc.	389,894	445,411
Total	**1,832,663**	**1,736,968**

Notes

Note 1

Accounting policies

Contents

1. Basis of preparation

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

The preparation of the consolidated financial statements requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable but that are inherently uncertain and unpredictable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off balance sheet items, as well as income and expenses in the financial statements presented. Changes and effects from implementation of new standards and amendments are explained in the following under the heading Adoption of new standards in 2022.

1) Estimates and assumptions

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

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

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

A) Impairment charges of loans and advances

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

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

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

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

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

Note 14 provides details on the amounts recognized and note 51 also provides further details on impairment charges on loans and advances.

In addition to model based impairment charges management applies judgement when determining the need for post-model adjustments in order to reflect uncertainty of the future cash flows not covered by the model, e.g. due to events like the corona pandemic.

B) Fair value of domicile properties

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

C) Fair value of financial instruments

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

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

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

The Group's loans and advances are not traded in an active market. Therefore there is no market price to determine fair value of loans. The fair value has to be determined using a valuation technique, which estimates the market price between qualified, willing and independent parties. The valuation technique has to include all the relevant elements such as credit risk, market rates etc. Note 3 and note 14 provide details on the amounts recognised for loans measured at fair value.

As part of its day-to-day operations, the Group has acquired strategic equity investments. These shares are measured at fair value based on the information available about trading in the relevant company's equity investments. Details on the amounts recognised are provided in note 23.

D) Fair value of assets held for sale

Assets held for sale are tangible assets and assets of group undertakings actively marketed for sale within 12 months, for example assets and businesses taken over under non-performing loan agreements and domicile property held for sale. Assets held for sale not expected to be sold within 12 months are reclassified to other items for example investment properties.

Such assets are measured at the lower of their carrying amount at the time of reclassification and their fair value less expected costs to sell and are no longer depreciated. Details on the amounts recognised are provided in note 32.

2) Adoption of new standards in 2022

IBOR reform phase 2

The amendment comprises changes to IFRS 9 and IFRS 7 and provides relief from applying modification accounting for required amendments to the terms of financial instruments and lease contracts arising from the IBOR reform. Further, the amendment provides relief from discontinuation of hedge accounting due to necessary changes in the terms of hedging instrument arising from the IBOR reform.

3) Changes in IFRSs not yet applied by BankNordik

The following New standards, amendments and interpretations issued and not yet endorsed by EU are relevant for the BankNordik Group:

IFRS 17 'Insurance contracts'

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising the effect of changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts. IFRS 17 is mandatory for accounting periods beginning on or after 1 January 2023. Management has estimated that the impact of IFRS 17 will not be significant on the result and equity.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2:

Disclosure of Accounting policies and Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates The amendments comprise improved accounting policy disclosure requirements for the purpose of providing more useful information and additional guidance changes in accounting estimates from changes in accounting policies

Amendments to IAS 12 Income Taxes:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Under the amendment, the exemption for recognition of deferred tax related to temporary differences arising at initial recognition of an asset or liability does not apply in a single transaction resulting in both a deferred tax asset and a deferred tax liability.

The amendments are mandatory for accounting periods beginning on or after 1 January 2023.

4) Consolidation

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

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

Acquired subsidiaries are included from the date of acquisition.

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

5) Segment information

The Group consists of a number of business units and resource and support functions. The business units are segmented according to legislation, product and services characteristics. The information provided on operating segments is regularly reviewed by the management making decisions about resources to be allocated to the segments and assessing their performance, and for which discrete financial information is available. Operating segments are not allocated. Amounts presented in the segment reporting are recognised and measured in accordance with the Group's significant accounting policies.

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

6) Foreign currency translation

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

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

7) Offsetting

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

2. Critical accounting policies

1. Income statement

1) Income criteria

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

2) Interest income and expenses

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

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

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

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

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

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

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

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

6) Premium income from non-life insurance, net of reinsurance
Gross premium from non-life insurance comprises insurance premiums due. Net premium income from non-life insurance comprises gross premiums for the period adjusted for changes in premium provisions less reinsurance.

7) Claims incurred related to non-life insurance, net of reinsurance
Claims incurred comprise the claims incurred for the year adjusted for changes in provisions for claims corresponding to known and expected claims incurred for the year. In addition, the item includes run-off results regarding previous years.

Amounts to cover internal and external costs for inspecting, assessing and containing claims and other direct and indirect costs associated with the handling of claims incurred are included in this item.

In addition, the item covers reinsurance coverage.

8) Fair value adjustments
Fair value adjustments comprise all value adjustments of financial assets and liabilities that are measured at fair value through profit or loss and investment property. Excluded are adjustments on loans and advances at fair value, recorded as fair value adjustments under Impairment charges on loans and advances and provisions for guarantees etc. note 14.

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

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

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

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

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

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

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

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

Current tax liabilities and current tax assets are recognised in the balance sheet as calculated tax on taxable profit for the year, adjusted for tax on taxable profit of previous years.

Provisions for deferred tax or deferred tax assets are based on the balance sheet liability method and include temporary differences between the carrying amounts and tax bases of the balance sheets of each consolidated entity as well as tax loss carry forwards that are expected to be realised. Calculation of deferred tax is based on current tax law and tax rates at the balance sheet date.

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

2. Balance sheet — Assets

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

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

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

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

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

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

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

Impairment charges

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

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

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

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

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

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

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

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

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

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

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

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

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

Since calculations are made in all stages of an expected credit loss, i.e. expectations as to the future, all statements and calculations reflect the Bank's best estimates and assessments as to future events. These estimates and assessments may therefore result in the calculation of a higher or lower credit loss than the credit losses actually incurred. Please refer to note 14 for further information.

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

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

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

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

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

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

Determination of fair value
The fair value of financial assets is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the balance sheet date. If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

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

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

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

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

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

4) Assets under insurance contracts
Assets under insurance contracts comprise reinsurance assets and receivables from insurance contracts. Reinsurance assets are measured by initial recognition at fair value and subsequently at amortised cost.

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

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

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

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

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

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

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

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

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

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

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

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

8.2) Leased domicile property

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

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

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

9) Other property, plant and equipment

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

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

10) Assets held for sale

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Assets related to disposal groups are presented in the item ‘Assets in disposal groups classified as held for sale’. Liabilities related to disposal groups are presented in the item ‘Liabilities directly associated with assets in disposal groups classified as assets held for sale’.

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

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

3. Balance sheet — Liabilities, provisions and equity

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

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

- Due to credit institutions and central banks, issued bonds and deposits measured at amortised cost
- Trading portfolio measured at fair value
- Other financial liabilities measured at cost

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

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

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

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

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

6) Liabilities under insurance contracts
Liabilities under insurance contracts consist of provisions for unearned premiums and claims provisions.

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

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

Claims provisions are discounted according to the expected settlement of the provisions on the basis of the discount rate issued by the Danish FSA.

7) Other liabilities

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

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

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

8) Provisions

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

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

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

9) Subordinated debt

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

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

10) Hybrid Capital (AT1 capital)

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

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

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

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

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

4. Cash flow statement

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

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

3. Accounting Policies — P/F BankNordik

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

The Executive Order no. 1597 of 9. November 2020 for the Faroe Islands on financial reports for financial institutions and brokerage companies has effect from 1. January 2021. According to its section 150 (2) the bank has selected to implement the Executive order in the Annual Report 2020.

Deviation from section 188 (1) in the Faroese Financial Business act.
In December 2020, the Bank signed an agreement with Spar Nord under which Spar Nord acquired the Bank's Danish activities. As a result, the Bank has discontinued all operations in Denmark. The transaction has received approval from all relevant authorities, and the transaction is thus expected to be completed as planned.

The Danish activities have been recognized in the consolidated financial statements as discontinued operations in accordance with IFRS 5. Accordingly, profit after tax from the Danish activities for 2021 are presented in a separate line item in the income statement. The individual items relating to the discontinued activities are listed in a note. All assets and liabilities of the discontinued activities are classified in a separate line under assets or liabilities respectively.

The parent company financial statements have been prepared in accordance with the provisions of the Faroese Financial Business Act, including the Executive Order on financial reports for credit institutions and investment firms, etc. The rules of this legislation do not specifically address the presentation of discontinued operations in the income statement, whereas the presentation in the balance sheet is identical to the presentation in the consolidated financial statements.

As a result of the abovementioned difference in the rules on the presentation of discontinued operations in the income statement, items in the parent company income statement will be significantly higher than the corresponding items in the consolidated income statement.

Management believes applying different accounting policies in the consolidated and the parent company financial statements for the presentation of discontinued operations will fail to give a true and fair view of the Bank's activities, as the higher values appearing in the parent company income statements would expectedly cause doubts and uncertainty with readers of the financial statements as to the correlation between the parent company and the Group. Management has therefore resolved to deviate from section 196(1) of the Faroese Financial Business Act on format requirements, cf. section 188(1) of the Faroese Financial Business Act in order to ensure a true and fair view of the Company's circumstances. As a result, the discontinued operations are presented according to the same principles as applied in the consolidated financial statements. The deviation has no effect on the net profit for the year or on shareholders' equity and is being made solely for presentation purposes.

Note 2

Operating segments

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

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

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

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

Discontinued operations comprise the selling of the Danish activities. As a consequence the discontinued operations no longer are a part of the Banking activities.

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

Note	Operating segments 2022		Banking			Non-life Insurance	Elimination	Continuing operations	Discontinued operations	Group
2	**DKK 1,000**	**Personal**	**Corporate**	**Other**	**Total**	**Faroe Islands**		**Total**		**Total**
	External interest income, Net	135,875	131,739	7,155	274,768	1,615		276,384		276,384
	Internal interest	0	0	0	0			0		0
	Net interest income	**135,875**	**131,739**	**7,155**	**274,768**	**1,615**		**276,384**		**276,384**
	Net Fee and dividends income	**79,461**	**29,051**	**-4,417**	**104,096**	**-9,508**		**94,588**		**94,588**
	Premium income, net of reinsurance	0	0	17,306	17,306	140,767	-966	157,108		157,108
	Net premium income of reinsurance and claims	**0**	**0**	**9,558**	**9,558**	**43,476**	**-966**	**52,068**		**52,068**
	Other income	21,057	972	-32,845	-10,817	-4,677	-3,433	-18,926		-18,926
	Total income	**236,393**	**161,761**	**-20,549**	**377,605**	**30,906**	**-4,399**	**404,113**		**404,113**
	Total operating expenses	**72,208**	**18,028**	**142,620**	**232,856**	**15,706**	**-4,399**	**244,164**		**244,164**
	of which depreciation and amortisation	*6,242*	*974*	*-3,762*	*3,454*	*489*		*3,943*		*3,943*
	Profit before impairment charges on loans	**164,184**	**143,734**	**-163,169**	**144,749**	**15,200**		**159,949**		**159,949**
	Impairment charges	-10,281	-37,121	772	-46,629	0		-46,629		-46,629
	Profit before tax	**174,465**	**180,854**	**-163,941**	**191,378**	**15,200**		**206,579**		**206,579**
	Total assets	**3,566,062**	**4,516,736**	**3,913,037**	**11,995,834**	**194,398**		**12,190,232**		**12,190,232**
	of which Loans and advances	*3,638,938*	*4,444,406*		*8,083,343*			*8,083,343*		*8,083,343*
	Total liabilities	**5,411,800**	**2,939,265**	**1,745,034**	**10,096,099**	**126,143**		**10,222,242**		**10,222,242**
	of which Deposits	*5,411,800*	*2,939,265*		*8,351,065*		*-15,403*	*8,335,662*		*8,335,662*
	of which Insurance liabilities			*5,800*		*115,064*		*120,864*		*120,864*

Operating segments 2021		Banking			Non-life Insurance	Elimination	Continuing operations	Discontinued operations	Group
DKK 1,000	**Personal**	**Corporate**	**Other**	**Total**	**Faroe Islands**		**Total**		**Total**
External interest income, Net	164,991	130,352	-29,059	266,283	1,012		267,295	8,554	275,849
Internal interest	0	0	0	0	*0*		0	0	0
Net interest income	**164,991**	**130,352**	**-29,059**	**266,283**	**1,012**		**267,295**	**8,554**	**275,849**
Net Fee and dividends income	**67,045**	**27,121**	**-3,037**	**91,130**	**-8,341**		**82,789**	**10,807**	**93,596**
Premium income, net of reinsurance	0	0	17,012	17,012	125,307	-876	141,442	0	141,442
Net premium income of reinsurance and claims	**0**	**0**	**10,891**	**10,891**	**23,880**	**-876**	**33,895**	**0**	**33,895**
Other income	15,207	6,143	455	21,805	-1,865	-3,424	16,516	255,173	271,689
Total income	**247,243**	**163,616**	**-20,749**	**390,110**	**14,687**	**-4,301**	**400,495**	**274,534**	**675,029**
Total operating expenses	**64,110**	**16,652**	**150,852**	**231,615**	**16,739**	**-4,301**	**244,054**	**184,390**	**428,443**
of which depreciation and amortisation	*5,322*	*857*	*38*	*6,217*	*279*		*6,496*	*528*	*7,024*
Profit before impairment charges on loans	**183,132**	**146,963**	**-171,601**	**158,494**	**-2,053**		**156,442**	**90,144**	**246,586**
Impairment charges	-16,778	-44,780	-15,003	-76,560	0		-76,560	-16,415	-92,976
Profit before tax	**199,910**	**191,743**	**-156,599**	**235,055**	**-2,053**	**0**	**233,002**	**106,560**	**339,562**
Total assets	**3,766,899**	**4,146,733**	**3,697,506**	**11,611,138**	**178,608**		**11,789,746**	**0**	**11,789,746**
of which Loans and advances	*3,582,700*	*4,041,393*		*7,624,093*	*0*		*7,624,093*	*0*	*7,624,093*
Total liabilities	**5,105,434**	**2,808,751**	**1,566,762**	**9,480,947**	**122,805**		**9,603,751**	**0**	**9,603,751**
of which Deposits	*5,105,434*	*2,808,751*		*7,914,185*		*-14,525*	*7,899,659*	*0*	*7,899,659*
of which Insurance liabilities			*5,851*		*112,353*		*118,205*	*0*	*118,205*

BankNordik Group - Geografical revenue information

Note 2 (cont'd) DKK 1,000

Geografical segments	Total income 2022	Total income 2021	Non.current assets 2022	Non.current assets 2021	Additions to tangible assets 2022	Additions to tangible assets 2021	Additions to intangible assets 2022	Additions to intangible assets 2021
Faroe Islands	337,781	328,859	110,394	118,362	-8,880	-1,960	-282	253
Denmark	-188	6,690	0	0	0	0	0	0
Greenland	66,520	64,947	37,649	44,896	-3,544	28	0	0
Total, continuing operations	**404,113**	**400,496**	**148,042**	**163,258**	**-12,424**	**-1,932**	**-282**	**253**
Denmark, discontinued operations	0	19,534	0	0	0	0	0	0
Total	**404,113**	**420,029**	**148,042**	**163,258**	**-12,424**	**-1,932**	**-282**	**253**

Geografical segments	Impairments (reversals) 2022	Impairments (reversals) 2021	Investment portfolio earnings 2022	Investment portfolio earnings 2021
Faroe Islands	9,486	24,718	-26,398	5,507
Denmark	19,894	51,699	0	0
Greenland	17,249	144	0	0
Total, continuing operations	**46,629**	**76,561**	**-26,398**	**5,507**
Denmark, discontinued operations	0	16,415	0	0
Total	**46,629**	**92,976**	**-26,398**	**5,507**

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 2022	Total income 2021	Profit before tax 2022	Profit before tax 2021	Tax 2022	Tax 2021	FTE 2022	FTE 2021
Faroe Islands, Banking, Other	306,875	314,172	126,305	132,231	26,061	43,927	160	156
Faroe Islands, Insurance	30,906	14,687	15,200	-2,053	2,748	-360	23	22
Denmark, Banking	-188	6,690	19,339	62,006	1,455	-10,708	0	0
Greenland, Banking	66,520	64,947	45,734	40,819	11,908	10,922	17	17
Total, continuing operations	**404,113**	**400,496**	**206,579**	**233,003**	**42,172**	**43,780**	**200**	**195**
Denmark, Banking, discontinued operations	0	19,534	0	106,560	0	23,443	0	0
Total	**404,113**	**420,029**	**206,579**	**339,563**	**42,172**	**67,223**	**200**	**195**

BankNordik Group

Note	DKK 1,000	Interest income[2]	Interest expenses	Net interest	Market value adjustment	Dividend	Total
3	**Net income, financial instruments 2022[1]**						
	Financial instruments at amortised cost	**292,491**	**34,366**	**258,125**			**258,125**
	Financial instruments at fair value:						
	Held for trading	10,993	0	10,993	-64,366	6,475	-46,898
	Loans and Advances Designated[3]	9,201	0	9,201	-61,930	0	-52,729
	Derivatives[4]	-1,936	0	-1,936	94,508		92,571
	Other	0	0	0	0		0
	Financial instruments at fair value total	**18,258**	**0**	**18,258**	**-31,789**	**6,475**	**-7,057**
	Total net income from financial instruments	**310,749**	**34,366**	**276,383**	**-31,789**	**6,475**	**251,070**
	Net income, financial instruments 2021						
	Financial instruments at amortised cost	**261,620**	**19,271**	**242,349**			**242,349**
	Financial instruments at fair value:						
	Held for trading	13,428	125	13,303	-1,081	3,429	15,651
	Loans and Advances Designated[3]	20,121	0	20,122	-18,761	0	1,361
	Derivatives[4]	-7,193	0	0	24,233		17,040
	Other	0	0	0	0		0
	Financial instruments at fair value Total	**26,356**	**125**	**33,425**	**4,391**	**3,429**	**34,051**
	Total net income from financial instruments	**287,977**	**19,396**	**275,774**	**4,391**	**3,429**	**276,401**

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

2 Interest income recognised on impaired financial assets amounts to DKK 1.3m (2021: DKK 3.7m)

3 Net gain/loss recognised on loans and advances designated amount to DKK -52.7 m (2021 DKK 1.4m). Of w hich DKK 9.2 m relate to interest income (2021 DKK 20.1m), and DKK -61.9m relate to Value adjustments (2021 DKK -18.8m).

4 Total value adjustments according to IFRS 7, including interest income on derivatives, amount to DKK 92.6m (2021 DKK 17.0m)

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
4	**Interest income and premiums on forwards**				
	Credit institutions and central banks	6,439	1,589	6,439	1,589
	Loans and advances	262,630	244,001	262,937	244,485
	Deposits	33,032	36,150	33,032	36,150
	Bonds	10,993	13,428	9,061	12,082
	Total derivatives of which:	-1,936	-7,193	-1,936	-7,193
	Interest rate contracts	*-1,936*	*-7,193*	*-1,936*	*-7,193*
	Other interest income	-409	2	-411	2
	Total interest income	**310,749**	**287,977**	**309,122**	**287,114**
5	**Interest expenses**				
	Credit institutions and central banks	15,716	6,469	15,716	6,469
	Deposits	3,465	644	3,465	644
	Issued bonds	8,958	2,121	8,958	2,121
	Subordinated debt	4,598	7,425	4,598	7,425
	Bonds	0	125	0	125
	Lease liabilities	2,138	2,292	2,138	2,292
	Other interest expenses	-510	321	-393	321
	Total interest expenses	**34,366**	**19,396**	**34,483**	**19,396**
6	**Net fee and commission income**				
	Fee and commission income				
	Securities trading and custody accounts	15,191	12,343	15,191	12,343
	Credit transfers	22,126	17,858	22,126	17,858
	Loan commissions	5,134	4,122	5,134	4,122
	Guarantee commissions	31,328	29,071	31,328	29,071
	Other fees and commissions of which:	21,055	23,555	34,717	35,948
	Total fee and commission income	**94,834**	**86,950**	**108,496**	**99,343**
	Fee and commissions paid				
	Securities trading and custody accounts	6,721	7,590	6,721	7,590
	Net fee and commission income	**88,113**	**79,360**	**101,775**	**91,754**
7	**Premium income, net of reinsurance**				
	Regular premiums, life insurance	17,920	17,523		
	Reinsurance premiums paid	614	511		
	Total life insurance	**17,306**	**17,012**		
	Gross premiums, non-life insurance	156,776	143,835		
	Reinsurance premiums paid	-14,036	15,426		
	Change in gross premium provisions	-2,293	-4,041		
	Total non-life insurance	**139,801**	**124,430**		
	Total	**157,108**	**141,442**		

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
8	**Claims, net of reinsurance**				
	Benefits paid	7,445	4,673		
	Change in life insurance provisions	303	1,448		
	Total life insurance	**7,748**	**6,120**		
	Gross claims paid	98,140	84,104		
	Claims handling costs	1,366	7,836		
	Reinsurance received	-5,725	-2,953		
	Change in gross claims provisions	3,644	13,643		
	Change in reinsurers' share relating to provisions	-134	-1,203		
	Total non-life insurance	**97,291**	**101,427**		
	Total	**105,039**	**107,547**		
9	**Market value adjustments**				
	Loans and advances	-61,930	-18,761	-61,930	-18,761
	Bonds	-70,828	-27,344	-64,650	-24,922
	Shares	-917	18,450	-917	18,450
	Foreign exchange	7,378	7,813	7,378	7,813
	Total derivatives of which:	94,508	24,233	94,508	24,233
	Currency contracts	3,780	2,082	3,780	2,082
	Interest Swaps	90,728	22,151	90,728	22,151
	Other Obligations	0	0	0	0
	Assets linked to pooled schemes	-2,371	0	-2,371	0
	Deposits in pooled schemes	2,371	0	2,371	0
	Total market value adjustments	**-31,789**	**4,391**	**-25,611**	**6,813**
10	**Other operating income**				
	Profit on sale of investment and domicile properties and assets held for sale	0	2,014	0	2,014
	- of which assets held for sale	0	*50*	0	*50*
	Profit on sale of operating equipment	28	139	28	139
	Other income	5,865	7,374	0	488
	Operation of properties:				
	Rental income	1,579	1,365	2,425	2,210
	Operating expenses	0	117	0	117
	- of which assets held for sale	0	*117*	0	*117*
	Total other operating income	**7,472**	**11,009**	**2,452**	**4,968**

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
11	**Staff costs and administrative expenses**				
	Staff costs:				
	Salaries	116,299	115,862	100,274	99,428
	Pensions	17,236	18,230	14,894	15,992
	Social security expenses	18,452	18,988	16,377	16,904
	Total staff costs	**151,987**	**153,080**	**131,545**	**132,324**
	Administrative expenses:				
	IT	54,423	52,936	49,570	48,372
	Marketing etc	8,102	8,311	6,810	6,933
	Education etc	2,576	1,929	2,134	1,479
	Advisory services	583	786	546	730
	Other expenses	30,810	23,361	28,745	22,018
	Total administrative expenses	**96,494**	**87,323**	**87,805**	**79,531**
	Total staff costs	151,987	153,080	131,545	132,324
	Staff costs incl. under the item "Claims, net of reinsurance"	-9,521	-7,836	0	0
	Total administrative expenses	96,494	87,323	87,805	79,531
	Total employee costs and administrative expenses	**238,960**	**232,567**	**219,350**	**211,855**
	Number of employees				
	Average number of full-time employees in the period	200	202	169	171
	Executive remuneration:				
	Board of Directors	2,050	2,425	2,050	2,425
	Executive Board:				
	Árni Ellefsen:				
	Salaries	2,981	2,981	2,981	2,981
	- less fees received from directorships	186	151	186	151
	The Bank's expense, salaries	2,795	2,831	2,795	2,831
	Pension	447	447	447	447
	Turið F. Arge: (from july 2022)				
	Salaries	1,242	0	1,242	0
	- less fees received from directorships	0	0	0	0
	The Bank's expense, salaries	1,242	0	1,242	0
	Pension	186	0	186	0
	Heini Thomsen: (from july 2022)				
	Salaries	1,242	0	1,242	0
	- less fees received from directorships	0	0	0	0
	The Bank's expense, salaries	1,242	0	1,242	0
	Pension	186	0	186	0
	Total executive board	**6,098**	**3,278**	**6,098**	**3,278**
	Total executive remuneration	**8,148**	**5,703**	**8,148**	**5,703**

The number of shares in P/F BankNordik held by the Board of Directors and the Executive Board at the end of 2022 totalled 3,040 and 19,321 respectively (end of 2021: 3,232 and 13,186).

Note	DKK 1,000	Group		BankNordik	
11	**Remuneration of the senior executives**	**2022**	**2021**	**2022**	**2021**
(cont'd)	The Board of Directors in P/F BankNordik				
	Birita S. Samuelsen	363	0	363	0
	Rúni V. Hansen	228	0	228	0
	Kristian R. Davidsen	185	0	185	0
	Birgir Durhuus	185	0	185	0
	Marjun Eystberg	135	0	135	0
	Sverre Bjerkeli (from March 2021 until March 2022)	50	352	50	352
	Ben Arabo (until March 2022)	50	350	50	350
	Barbara Vang (until March 2021)	0	50	0	50
	Jógvan Jespersen (until March 2022)	100	308	100	308
	John Henrik Holm (until March 2021)	0	100	0	100
	Hans A. Thomsen (until March 2021)	0	50	0	50
	Kenneth M. Samuelsen	185	200	185	200
	Alexandur Johansen	185	200	185	200
	Anja Rein (from March 2022)	135	0	135	0
	Dan Rasmussen (until January 2021)	0	17	0	17
	Gunnar Nielsen (until March 2021)	0	50	0	50
	Rúna Hentze (from February 2021 until March 2022)	50	183	50	183
	Jóhanna L. Køtlum (from March 2021 until March 2022)	150	365	150	365
	Michael Ahm (from March 2021 until March 2022)	50	200	50	200
	Total	**2,050**	**2,425**	**2,050**	**2,425**

In all the consolidated companies, the remuneration of the Board of Directors is a fixed monthly salary.

Note	DKK 1,000	Group		BankNordik	
11	**Remuneration of other executives**	**2022**	**2021**	**2022**	**2021**
(cont'd)	Fixed salary	2,134	3,499	2,134	3,499
	Pension	310	644	310	644
	Bonus	0	429	0	429
	Bonus, Share-based payment	0	429	0	429
	Total	**2,445**	**5,001**	**2,445**	**5,001**

The executives included in this group is:

Rune Nørregaard, Chief Credit Officer (until august 2022)

Turið F. Arge, Chief Commercial Officer (until june 2022)

	Group		BankNordik	
Total remuneration of executives	**2022**	**2021**	**2022**	**2021**
Total	**8,543**	**8,279**	**8,543**	**8,279**

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
12	**Audit fees**				
	Fees to audit firms elected at the general meeting	1,676	1,586	1,364	1,235
	Total audit fees	**1,676**	**1,586**	**1,364**	**1,235**
	Total fees to the audit firms elected at the general meeting break down as follows:				
	Statutory audit	1,236	1,200	955	900
	- of which PricewaterhouseCoopers	*1,112*	*690*	831	*567*
	- of which Januar	*124*	*510*	124	*333*
	Other assurance engagements	232	184	213	152
	- of which PricewaterhouseCoopers	*136*	*118*	136	*115*
	- of which Januar	*96*	*67*	77	*38*
	Tax and VAT advice	166	167	166	167
	- of which PricewaterhouseCoopers	*166*	*167*	166	*167*
	- of which Januar	*0*	*0*	0	*0*
	Other services	42	34	30	16
	- of which PricewaterhouseCoopers	*5*	*5*	0	*5*
	- of which Januar	*37*	*29*	30	*11*
	Total fees to the audit firms elected at the general meeting	**1,676**	**1,586**	**1,364**	**1,235**

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

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

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
13	**Other operating expenses**				
	The Guarantee Fund for Depositors and Investors	1,261	975	1,261	975
	Total operating expenses	**1,261**	**975**	**1,261**	**975**

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
14	**Impairment charges on loans and advances and provisions for guarantees etc.**				
	Impairment charges and provisions at 1 January	237,705	327,822	237,705	327,822
	New and increased impairment charges and provisions	89,474	94,571	89,474	94,571
	Reversals of impairment charges and provisions	131,855	164,101	131,855	164,101
	Written-off, previously impaired	9,343	20,588	9,343	20,588
	Interest income on impaired loans	2,749	*3,657*	2,749	*3,657*
	Total impairment charges and provisions at 31 December	**185,981**	**237,705**	**185,981**	**237,705**
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-39,098	-73,033	-39,098	-73,033
	Loans and advances at fair value	302	302	302	302
	Guarantiees and loan commitments	-7,833	-3,829	-7,833	-3,829
	Assets held for sale	0	0	0	0
	Total individual impairment charges and provisions	**-46,629**	**-76,561**	**-46,629**	**-76,561**
	Stage 1 impairment charges				
	Stage 1 impairment charges etc. at 1 January	45,089	33,844	45,089	33,844
	New and increased Stage 1 impairment charges	32,374	31,672	32,374	31,672
	Reversals, net of Stage 1 impairment charges	34,334	20,428	34,334	20,428
	Stage 1 impairment charges at 31 December	**43,128**	**45,089**	**43,128**	**45,089**
	Total net impact recognised in the income statement	*-1,961*	*11,245*	*-1,961*	*11,245*
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 1 January	18,468	36,509	18,468	36,509
	New and increased impairment charges	27,907	14,754	27,907	14,754
	Reversals, net of impairment charges	13,839	32,795	13,839	32,795
	Stage 2 impairment charges at 31 December	**32,535**	**18,468**	**32,535**	**18,468**
	Total net impact recognised in the income statement	*14,068*	*-18,041*	*14,068*	*-18,041*
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 1 January	33,720	39,548	33,720	39,548
	New and increased impairment charges	20,241	23,850	20,241	23,850
	Reversals, net of impairment charges	28,169	29,677	28,169	29,677
	Weak Stage 2 impairment charges at 31 December	**25,792**	**33,720**	**25,792**	**33,720**
	Total net impact recognised in the income statement	*-7,928*	*-5,828*	*-7,928*	*-5,828*

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
14	**Stage 3 impairment charges**				
(cont'd)	Stage 3 impairment charges etc. at 1 January	128,243	201,907	128,243	201,907
	New and increased impairment charges	6,177	18,503	6,177	18,503
	Reversals of impairment charges	44,904	71,579	44,904	71,579
	Written-off, previously impaired	9,343	20,588	9,343	20,588
	Write-offs charged directly to the income statement	1,191	203	1,191	203
	Received on claims previously written off	2,689	3,577	2,689	3,577
	Interest income on impaired loans	2,749	3,657	2,749	3,657
	Stage 3 impairment charges at 31 December	**80,172**	**128,243**	**80,172**	**128,243**
	Total net impact recognised in the income statement	*-42,975*	*-60,108*	*-42,975*	*-60,108*
	Purchased credit-impaired assets included in stage 3 above				
	Purchased credit-impaired assets at 1 January	22,751	57,476	22,751	57,476
	Reversals of impairment charges	12,029	34,725	12,029	34,725
	Purchased credit-impaired assets at 31 December	**10,722**	**22,751**	**10,722**	**22,751**
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 1 January	12,186	16,015	12,186	16,015
	New and increased provisions	2,776	5,792	2,776	5,792
	Reversals of provisions	10,608	9,621	10,608	9,621
	Provisions for guarantees etc at 31 December	**4,353**	**12,186**	**4,353**	**12,186**
	Total net impact recognised in the income statement	*-7,833*	*-3,829*	*-7,833*	*-3,829*
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	2,054	2,593	2,054	2,593
	Stage 2 provisions	1,247	1,575	1,247	1,575
	Weak Stage 2 provisions	0	0	0	0
	Stage 3 provisions	1,053	8,018	1,053	8,018
	Provisions for guarantees etc at 31 December	**4,353**	**12,186**	**4,353**	**12,186**

Note 14, (cont'd)

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

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

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

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

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

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

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

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

Note 14, (cont'd)

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

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

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

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

Changes to credit risks

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

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

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

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

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

Note 14, (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management applied judgements

Management applies judgement when determining the need for post-model adjustments. At the end of 2022, the post-model adjustments amounted to DKK 56m (2021: DKK 52m). The reaonsing behind the post-model adjustments in 2022 were based on three main factors. Firstly, the war in Ukraine has increased the level of economic risk in a general sense, and for some Faroese companies, the war creates uncertainties due to the large level of export to Russia that the Faroe Islands have had over the past years. Secondly, the general macroeconomic environment is uncertain for the bank's customers looking forward, for example due to inflation in general as well as interest rises driven by the need to fight this inflation, which may also have a dampening effect on housing prices in the bank's two geographical markets. Thirdly, the bank has cosen to increase the management provision to account for risks associated with climate change in acknowledgement of the likelihood that climate risks may have a financial effect on both corporate and personal customers in the longer term. For each of the three factors, the bank's assessment is that the forward-looking risks associated with each are not covered by the model output.

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

In note 51 (Risk Management) information on the split of the management judgement of DKK 56m between the stages and between Corporate and Private is included.

Note DKKm

14 (cont'd)

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

Purchased credit-impaired assets included in stage 3 above												
Denmark			4			4			0			0
Total			**4**			**4**			**0**			**0**

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

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

Note DKKm

14 (cont'd)

31 Dec. 2021	Gross Exposure[1]			Expected Credit Loss			Net Exposure			Net Exposure Deducted Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Public authorities	**780**			**0**			**780**			**777**		
Corporate sector:												
Fisheries, agriculture, hunting and forestry	890	249	91	11	2	26	880	247	66	123	26	25
Industry and raw material extraction	203	74	21	0	7	2	203	68	19	82	12	19
Energy supply	478			2			476			411		
Building and construction	899	42	7	4	0	1	895	41	7	334	8	1
Trade	475	161	16	0	1	2	475	160	14	101	12	4
Transport, hotels and restaurants	496	165	32	14	20	20	482	145	12	112	10	2
Information and communications	10	2	13	0	0	3	10	2	10	3	0	7
Financing and insurance	53	13	2	1	0	1	53	13	1	5	1	0
Real property	1,026	92	144	8	3	38	1,018	89	107	269	5	6
Other industries	331	167	17	3	3	10	328	164	6	233	133	0
Total corporate sector	**4,862**	**965**	**343**	**42**	**36**	**101**	**4,820**	**929**	**242**	**1,674**	**206**	**64**
Retail customers	**3,959**	**590**	**201**	**3**	**18**	**36**	**3,956**	**571**	**165**	**778**	**96**	**12**
Total	**9,601**	**1,554**	**544**	**46**	**54**	**136**	**9,556**	**1,500**	**407**	**3,229**	**303**	**76**
Credit institutions and central banks	**1,893**			**2**			**1,891**			**1,891**		
Total	**11,494**	**1,554**	**544**	**48**	**54**	**136**	**11,446**	**1,500**	**407**	**5,120**	**303**	**76**
Faroe Islands	9,311	1,258	305	29	36	66	9,282	1,222	240	4,141	116	34
Denmark	21	1	49	0	2	41	21	-1	8	21	1	1
Greenland	2,162	295	190	18	16	30	2,143	279	160	959	186	41
Total	**11,494**	**1,554**	**544**	**48**	**54**	**136**	**11,446**	**1,500**	**407**	**5,120**	**303**	**76**
Purchased credit-impaired assets included in stage 3 above												
Denmark			49			41			8			1
Total			**49**			**41**			**8**			**1**

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

Net exposure 2021 vs. balance sheet	
Credit institutions and central banks	1,891
Loans and advances	7,624
Guarantees	1,616
Unused credit facilities	2,223
Net exposure	**13,354**

Note DKKm

14 (cont'd)

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

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

31 Dec. 2021	Gross Exposure[1]			Expected Credit Loss			Net Exposure			Net Exposure Deducted Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Rating category												
1	3,933	0		4	0		3,929	0		2,936	0	
2	1,715	2		3	0		1,712	2		374	0	
3	2,081	56		9	1		2,071	55		585	6	
4	814	7		6	0		809	7		172	1	
5	1,100	211		4	2		1,096	209		219	21	
6	1,131	121		11	3		1,120	118		502	37	
7	292	208		1	2		291	206		73	27	
8	320	550		4	6		317	543		210	173	
9	58	80		5	3		52	77		15	10	
10	15	308		0	36		15	271		2	25	
11	12	11	495	0	0	95	12	11	400	12	1	75
Total	**11,473**	**1,553**	**495**	**48**	**52**	**95**	**11,425**	**1,501**	**400**	**5,099**	**302**	**75**

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

Note 14 (cont'd)

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

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

DKKm	Stage 1	Stage 2	Stage 3	Total
Impairment charges as at 1 January 2021	36	79	213	328
Transferred to stage 1 during the period	16	-12	-4	0
Transferred to stage 2 during the period	-5	5	0	0
Transferred to stage 3 during the period	0	-3	4	0
ECL on new assets	17	13	0	30
ECL on assets derecognised	-6	-27	-66	-99
Impact of net remeasurement of ECL	-10	-1	10	0
Write offs	0	0	-21	-21
Impairment charges as at 31 December 2021	**48**	**54**	**136**	**238**

DKKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2021	11,021	2,309	462	13,792
Transferred to stage 1 during the period	468	-457	-11	0
Transferred to stage 2 during the period	-540	541	-1	0
Transferred to stage 3 during the period	-121	-49	171	0
New assets	2,264	371	55	2,689
Assets derecognised	-1,798	-1,092	-79	-2,969
Other changes	202	-69	-54	79
Gross carrying amount as at 31 December 2021	**11,494**	**1,554**	**544**	**13,592**

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
15	**Tax**				
	Tax on profit for the year	42,171	44,946	38,762	44,062
	Total tax	**42,171**	**44,946**	**38,762**	**44,062**
	Tax on profit for the year				
	Profit before tax	206,579	238,302	203,170	237,418
	Current tax charge	40,837	56,535	37,764	55,287
	Change in deferred tax	-496	-11,105	-832	-10,742
	Adjustment of prior-year tax charges	1,831	-484	1,831	-484
	Total	**42,171**	**44,946**	**38,762**	**44,062**
	Effective tax rate				
	Faroese tax rate	18.0%	18.0%	18.0%	18.0%
	Deviation in foreign entities tax compared to Faroese tax rate	3.9%	3.4%	3.9%	3.4%
	Non-taxable income and non-deductible expenses	-2.3%	-2.3%	-3.8%	-2.6%
	Tax on profit for the year	19.5%	19.1%	18.2%	18.8%
	Adjustment on prior-year tax charges	0.9%	-0.2%	0.9%	-0.2%
	Effective tax rate	**20.4%**	**18.9%**	**19.1%**	**18.6%**

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
16	**Discontinued operations** On 22 December 2020 BankNordik entered into a contitional agreement w ith Spar Nord on the sale of BankNordik's Danish activities. The sale has been approved by the Danish FSA and the Danish Competition and Consumer Authority, and the acquisition w ill be completed w ith 1 February 2021 as the takeover date.				
	Interest income	0	7,268	0	7,268
	- of which interest income from deposits	0	2,067	0	2,067
	Interest expenses	0	0	0	0
	Net interest income	**0**	**7,268**	**0**	**7,268**
	Dividends from shares and other investments	0	0	0	0
	Fee and commission income	0	11,434	0	11,434
	Fee and commissions paid	0	627	0	627
	Net dividend, fee and commission income	**0**	**10,807**	**0**	**10,807**
	Net interest and fee income	**0**	**18,075**	**0**	**18,075**
	Interest and fee income and income from insurance activities, net	**0**	**18,075**	**0**	**18,075**
	Market value adjustments	0	0	0	0
	Other operating income	0	173	0	173
	Proceeds from sales of the Danish operations	0	255,000		255,000
	Staff costs and administrative expenses	0	187,813	0	187,813
	Amortisation, depreciation and impairment charges	0	528	0	528
	Other operating expenses	0	63	0	63
	Impairment charges on loans and advances etc.	0	-16,415	0	-16,415
	Profit before tax	**0**	**101,261**	**0**	**101,261**
	Tax	0	22,277	0	22,277
	Net profit	**0**	**78,983**	**0**	**78,983**

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
17	**Cash in hand and demand deposits with central banks**				
	Cash in hand	70,788	65,471	70,663	65,447
	Demand deposits with central banks	1,371,980	1,226,086	1,371,980	1,226,086
	Total	**1,442,769**	**1,291,557**	**1,442,643**	**1,291,534**
18	**Due from credit institutions and central banks specified by institution**				
	Credit instistutions	389,894	445,411	389,894	445,411
	Central banks	0	0	0	0
	Total	**389,894**	**445,411**	**389,894**	**445,411**
19	**Due from credit institutions and central banks specified by maturity**				
	On demand	389,894	445,411	389,894	445,411
	3 months and below	0	0	0	0
	Over 1 year to 5 years	0	0	0	0
	Total	**389,894**	**445,411**	**389,894**	**445,411**
20	**Loans and advances specified by sectors**				
	Public authorities	6%	7%	6%	7%
	Corporate sector:				
	Fisheries, agriculture, hunting and forestry	9%	6%	9%	6%
	Industry and raw material extraction	3%	6%	3%	6%
	Energy supply	5%	5%	5%	5%
	Building and construction	5%	4%	5%	4%
	Trade	5%	6%	5%	6%
	Transport, hotels and restaurants	6%	6%	6%	6%
	Information and communications	0%	0%	0%	0%
	Financing and insurance	1%	1%	1%	1%
	Real property	13%	11%	13%	11%
	Other industries	2%	2%	2%	2%
	Total corporate sector	**49%**	**48%**	**49%**	**48%**
	Retail customers	45%	46%	45%	46%
	Total	**100%**	**100%**	**100%**	**100%**
21	**Loans and advances specified by maturity**				
	On demand	1,032,384	87,299	1,032,384	87,299
	3 months and below	216,732	281,704	216,732	281,704
	3 months to 1 year	841,510	902,825	841,510	902,825
	Over 1 year to 5 years	1,891,561	2,761,237	1,891,561	2,761,237
	Over 5 years	4,101,157	3,591,028	4,101,157	3,591,028
	Total loans and advances	**8,083,343**	**7,624,093**	**8,083,343**	**7,624,093**
22	**Bonds at fair value**				
	Mortgage credit bonds	828,066	939,807	702,765	759,197
	Government bonds	763,387	940,758	746,948	924,320
	Other bonds	0	0	0	0
	Bonds at fair value	**1,591,453**	**1,880,565**	**1,449,713**	**1,683,517**
	All bonds form part of the Group's trading portfolio				
23	**Shares etc.**				
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	123,236	60,518	53,331	60,518
	Shares/unit trust certificates listed on other stock exchanges	126	404	126	404
	Other shares at fair value	175,116	190,501	175,116	190,501
	Total shares etc.	**298,478**	**251,423**	**228,573**	**251,423**
24	**Assets under insurance contracts**				
	Non-life insurance				
	Reinsurers' share of claims provisions	2,634	4,646		
	Receivables from insurance contracts	4,267	4,185		
	Total non-life insurance	**6,901**	**8,831**		
	Maturity within 12 months	**6,901**	**8,831**		

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
25	**Holdings in associates**				
	Cost at 1 January	8,845	8,845	8,845	8,845
	Cost at 31 December	**8,845**	**8,845**	**8,845**	**8,845**
	Revaluations at 1 January	-1,023	-2,139	-1,023	-2,139
	Share of profit	5,390	1,116	5,390	1,116
	Dividends	1,373	0	1,373	0
	Revaluations at 31 December	**2,994**	**-1,023**	**2,994**	**-1,023**
	Carrying amount at 31 December	**11,839**	**7,822**	**11,839**	**7,822**

Holdings in associates 2022	Income	Net profit	Total assets	Total liabilities	Total equity	Ownership %	The Groups share of equity
P/F Elektron	60,584	15,702	57,301	22,447	34,486	34%	11,839
Holdings in associates 2021							
P/F Elektron	53,778	3,251	62,903	40,120	22,784	34%	7,822

The information disclosed is extracted from the companies' most recent annual report (2021).

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
26	**Holdings in subsidiaries**				
	Cost at 1 January			144,000	144,000
	Cost at 31 December			**144,000**	**144,000**
	Revaluations at 1 January			-44,936	-914
	Share of profit			15,362	3,978
	Dividends			5,000	48,000
	Revaluations at 31 December			**-34,574**	**-44,936**
	Carrying amount at 31 December			**109,426**	**99,064**

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

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

Holdings in subsidiaries 2021	Ownership %	Share capital end of year	Shareholders' equity for the	Profit/loss for the year
P/F Trygd	100%	40,000	55,803	-1,692
P/F Skyn	100%	1,000	7,522	1,854
P/F NordikLív	100%	30,000	35,739	3,816

The information disclosed is extracted from the companies' annual reports 2021.

Note		Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
27	**Assets under pooled schemes**				
	Assets:				
	Cash deposits	178	0	178	0
	Bonds	8,795	0	8,795	0
	Shares	14,992	0	14,992	0
	Other assets	112	0	112	0
	Total assets	**24,078**	**0**	**24,078**	**0**
	Total liabilities	**24,078**	**2**	**24,078**	**2**

	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
28	**Intangible assets**				
	Cost at 1 January	3,238	2,773	3,238	2,773
	Additions	82	465	82	465
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Cost at 31 December	**3,319**	**3,238**	**3,319**	**3,238**
	Depreciation and impairment charges at 1 January	-553	-341	-553	-341
	Depreciation charges during the year	364	212	364	212
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Fair value at 31 December	**-917**	**-553**	**-917**	**-553**
	Carrying amount at 31 December	**2,402**	**2,684**	**2,402**	**2,684**

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

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
29	**Domicile property**				
	Cost at 1 January	78,130	78,255	76,085	76,210
	Additions	0	2,277	0	2,277
	Reclassification to held for sale	15,225	0	15,225	0
	Disposals	0	2,402	0	2,402
	Cost at 31 December	**62,906**	**78,130**	**60,860**	**76,085**
	Adjustments at 1 January	-5,565	-5,002	-6,137	-5,602
	Depreciation charges during the year	617	627	589	599
	Reversal of depreciation charges on disposals classified as held for sale	1,108	0	1,108	0
	Revaluations recognised in other comprehensive income	10,083	0	10,083	0
	Reversal of revaluations on disposals during the year	3,691	64	3,691	64
	Reclassification to held for sale	-10,083	0	-10,083	0
	Adjustments at 31 December	**-1,384**	**-5,565**	**-1,928**	**-6,137**
	Carrying amount at 31 December	**61,522**	**72,565**	**58,933**	**69,948**
	Lease assets				
	Cost at 1 January	79,403	79,403	79,403	79,403
	Cost at 31 December	**79,403**	**79,403**	**79,403**	**79,403**
	Adjustments at 1 January	-11,949	-7,968	-11,949	-7,968
	Depreciation charges during the year	4,001	3,981	4,001	3,981
	Adjustments at 31 December	**-15,950**	**-11,949**	**-15,950**	**-11,949**
	Carrying amount at 31 December	**63,453**	**67,454**	**63,453**	**67,454**
	Total land and buildings	**124,975**	**140,019**	**122,386**	**137,402**

Domicile property

Tangible assets include domicile property of DKK 61.5m (2021: DKK 72.6m). Carrying amount at 31 December if the property had not been revalued is DKK 60m (2021: DKK 70m).

The fair value is assessed by the group's internal valuers at least once a year on 31th December on the basis of an income based approach. Valuations rely substantially on non-observable input, i.e. level 3 measures. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at w hich the property can be exchanged betw een know ledgeable, w illing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition. At the end of 2022, the fair value of domicile property w as DKK 66.4m (2021: DKK 78.2m). The required rate of return is ranged betw een 5.9%-9.0% (2021: 5.9-10.3%). The depreciation period is 50 years. A decrease in rental rates of DKK 100 pr m2 w ould reduce fair value at end-2022 by DKK 3.8m. An increase in the required rate of return of 1.0 percentage point, w ould reduce fair value at the end of 2022 by DKK 7.0 m.

Leases

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

Leasing liabilities amounting DKK 68.5m are recognised w ithin the balance sheet item Other liabilities. In the 2021 annual report the leasing liabilities w ere reported to be DKK 71.5m. The Group has included the option to extend the lease period of the headquarter w ith 5 years thus added DKK 17.0m to the leasing assets and leasing liabilities. Interests amounting DKK 2.1m due to leasing obligations are charged to the income statement as Interest expense. Depreciation of leasing assets amounting DKK 4.0m are recognised under the item Depreciation and impairment charges in the income statement. The annual payment in respect of the leasingliabilities is DKK 5.1m. The banks estimated borrow ing rate used in the caluculation of the leasing assets and leasing liabilities is 3%.

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
30	**Other property, plant and equipment**				
	Cost at 1 January	37,044	33,684	30,103	26,853
	Additions	1,825	3,758	1,499	3,250
	Disposals	700	399	435	0
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Cost at 31 December	**38,168**	**37,044**	**31,167**	**30,103**
	Depreciation and impairment charges at 1 January	27,507	26,141	21,692	20,414
	Depreciation charges during the year	2,432	1,612	2,068	1,278
	Reversals of depreciation and impairment charges	597	246	414	0
	Reclassification to Assets in disposal groups classified as held for sale	0	0	0	0
	Depreciation and impairment charges at 31 December	**29,342**	**27,507**	**23,346**	**21,692**
	Carrying amount at 31 December	**8,826**	**9,537**	**7,821**	**8,411**

The depreciation period is 3-10 years.

Note	DKK 1,000	Group 2022	Group 2021
31	**Deferred tax**		
	Deferred tax assets	10,209	9,752
	Deferred tax liabilities	3,321	1,545
	Deferred tax, net	**6,888**	**8,207**

Change in deferred tax 2022	At 1 Jan.	Included in profit for the year	Included in sharholders' equity	At 31 Dec.
Intangible assets	-483	58	0	-425
Tangible assets	-1,062	-19	-1,815	-2,896
Other	9,752	457	0	10,209
Total	**8,207**	**496**	**-1,815**	**6,888**

Adjustment of prior-year tax charges included in preceding item

Intangible assets	-1,461	979	0	-483
Tangible assets	-2,450	1,387	0	-1,062
Other	1,013	8,739	0	9,752
Total	**-2,898**	**11,105**	**0**	**8,207**

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

DKK 1,000	BankNordik 2022	BankNordik 2021
Deferred tax		
Deferred tax assets	10,226	9,433
Deferred tax liabilities	3,561	1,785
Deferred tax, net	**6,666**	**7,648**

Change in deferred tax 2022	At 1 Jan.	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
Intangible assets	-483	58		-425
Tangible assets	-1,302	-19	-1,815	-3,136
Other	9,433	793		10,226
Total	**7,648**	**832**	**-1,815**	**6,666**

Adjustment of prior-year tax charges included in preceding item

2021				
Intangible assets	-1,461	979	0	-483
Tangible assets	-2,662	1,360	0	-1,302
Other	1,030	8,403	0	9,433
Total	**-3,093**	**10,742**	**0**	**7,648**

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
32	**Assets held for sale**				
	Total purchase price at 1 January	0	4,466	0	4,466
	Additions	0	0	0	0
	Reclassification from domicile properties	24,200	0	24,200	0
	Disposals	0	4,466	0	4,466
	Total purchase price at 31 December	**24,200**	**0**	**24,200**	**0**
	Impairment at 1 January	0	0	0	0
	Impairment charges for the year	0	0	0	0
	Reversal of impairment on disposals and write offs during the year	0	0	0	0
	Impairment at 31 December	**0**	**0**	**0**	**0**
	Total assets held for sale at 31 December	**24,200**	**0**	**24,200**	**0**
	Specification of assets held for sale				
	Real property taken over in connection with non-performing loans	0	0	0	0
	Domicile property for sale	24,200	0	24,200	0
	Total	**24,200**	**0**	**24,200**	**0**

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

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

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

Note	DKK 1,000	Group		BankNordik	
		2022	2021	2022	2021
33	**Other assets**				
	Interest and commission due	37,672	28,959	36,561	27,832
	Derivatives with positive fair value	72,520	11,971	72,520	11,971
	Other amounts due	8,406	39,094	8,386	37,259
	Total	**118,597**	**80,024**	**117,466**	**77,062**
34	**Due to credit institutions and central banks specified by institution**				
	Due to central banks	34,600	34,600	34,600	34,600
	Due to credit institutions	823,572	804,008	823,572	804,008
	Total	**858,172**	**838,608**	**858,172**	**838,608**
35	**Due to credit institutions and central banks specified by maturity**				
	On demand	58,665	39,208	58,665	39,208
	3 months to 1 year	125,000	0	125,000	0
	Over 1 year to 5 years	375,000	500,000	375,000	500,000
	Over 5 years	299,507	299,400	299,507	299,400
	Total	**858,172**	**838,608**	**858,172**	**838,608**
36	**Deposits specified by type**				
	On demand	7,312,481	7,137,891	7,327,884	7,140,559
	At notice	340,589	200,686	340,589	200,686
	Time deposits	181,173	105,717	181,173	105,717
	Special deposits	501,419	455,366	501,419	467,223
	Total deposits	**8,335,662**	**7,899,659**	**8,351,065**	**7,914,185**
37	**Deposits specified by maturity**				
	On demand	7,397,017	7,259,269	7,412,420	7,273,794
	3 months and below	232,888	85,226	232,888	85,226
	3 months to 1 year	331,378	204,904	331,378	204,904
	Over 1 year to 5 years	41,595	39,941	41,595	39,941
	Over 5 years	332,784	310,320	332,784	310,320
	Total deposits	**8,335,662**	**7,899,659**	**8,351,065**	**7,914,185**
38	**Liabilities under insurance contracts**				
	Non-life insurance				
	Provisions for unearned premiums	50,703	48,410		
	Claims provisions	64,362	63,944		
	Total	**115,064**	**112,353**		
	Life insurance				
	Life insurance provisions	5,800	5,851		
	Total provisions for insurance contracts	5,800	5,851		
	Total	**120,864**	**118,205**		
39	**Other liabilities**				
	Sundry creditors	34,396	31,152	27,931	25,721
	Accrued interest and commission	11,665	17,213	11,665	17,213
	Derivatives with negative value	43,085	39,645	43,085	39,645
	Accrued staff expenses	18,068	24,592	18,068	21,889
	Lease liabilities	68,532	71,455	68,532	71,455
	Other obligations	7,962	4,114	7,962	4,114
	Total	**183,708**	**188,170**	**177,244**	**180,036**

Note DKK 1,000

40 **Issued bonds**

	Currency	Principal	Interest rate	Remarks	Recieved	Maturity	2022	2021
Issued bond DK0030495312	DKK	200,000	CIBOR3 + 0,3%		24-09-2021	24-03-2023	199,922	199,922
Issued bond DK0030490271	DKK	150,000	2.345%	Tier 3 capital	18-06-2021	18-06-2026	149,482	149,016
Issued bond DK0030506530	SEK	300,000	STIBOR3 + 1,80%	Tier 3 capital / Hedged	31-03-2022	31-03-2027	198,180	0
At 31 December							**547,584**	**348,938**

Total repayment of principal and interest amounts to approximately DKK 622m.

41 **Additional Tier 1 capital**

	Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2022	2021
Additional Tier 1 capital	DKK	P/F BankNordik	150,000	4.500%	2019	Perpetual	Yes	100	151,324	151,117
At 31 December			**150,000**						**151,324**	**151,117**

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

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

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

42 **Subordinated capital**

	Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2022	2021
Subordinated capital	DKK	P/F BankNordik	100,000	2.970%	2021	24-06-2031	No	100	99,510	99,370
At 31 December			**100,000**						**99,510**	**99,370**

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

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

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

Note DKK 1,000		2022	2021
43	**BankNordik Shares**		
	Net profit	**164,407**	**272,340**
	Average number of shares outstanding	9,573	9,571
	Number of dilutive shares issued	0	0
	Average number of shares outstanding, including shares diluted	9,573	9,571
	Earnings per share, DKK	17.2	28.5
	Diluted net profit for the period per share, DKK	**17.2**	**28.5**

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

Average number of shares outstanding:	2022	2021
Issued shares at 1 January, numbers in 1,000	9,600	9,600
Reduction of share capital	0	0
Issued shares at end of period	9,600	9,600
Shares outstanding at end of period	9,573	9,571
Group's average holding of own shares during the period	27	29
Average shares outstanding	**9,573**	**9,571**

Holding of own shares	**Number 2022**	**Number 2021**	**Value 2022**	**Value 2021**
Investment portfolio	27,245	27,245	3,705	3,828
Trading portfolio	378	0	51	0
Total	**27,623**	**27,245**	**3,757**	**3,828**

	Investment portfolio	**Trading portfolio**	**Total 2022**	**Total 2021**
Holding at 1 January	3,828	0	3,828	4,738
Acquisition of own shares	0	45	45	0
Reduction of own shares	0	0	0	0
Sale of own shares	0	0	0	597
Value adjustment	-123	7	-116	-312
Holding at 31 December	**3,705**	**51**	**3,757**	**3,828**

Note	DKK 1,000	Group 2022	Group 2021	BankNordik 2022	BankNordik 2021
44	**Contingent liabilities**				
	The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan commitments and other credit facilities, guarantees and instruments that are not recognised on the balance sheet.				
	Guarantees				
	Financial guarantees	265,042	222,079	265,042	222,079
	Mortgage finance guarantees	591,723	585,483	591,723	585,483
	Registration and remortgaging guarantees	166,632	158,330	166,632	158,330
	Other guarantees	600,122	649,855	600,122	649,855
	Total guarantees	**1,623,519**	**1,615,746**	**1,623,519**	**1,615,746**

In addition, the Group has granted credit facilities related to credit cards and overdraft facilities that can be terminated at short notice. At the end of 2022, such unused credit facilities amounted to DKK 2.0bn (2021: DKK 2.0bn). Furthermore the Group has granted irrevocable loan commitments amounting to DKK 80m (2021: DKK 89m).

If the group desides to terminte the agreement w ith the banks main IT provider SDC, the group is obliged to pay DKK 161m i. e. the estimated next 5-years payment to SDC for IT-services.

45 **Assets deposited as collateral**

At the end of 2022 the Group had deposited bonds at a total market value of DKK 55m (2021: DKK 35m) w ith Danmarks Nationalbank (the Danish Central Bank) primarily in connection w ith cash deposits.

At the end of 2022 the Group had deposited cash at a total market value of DKK 12.5m (2021: DKK 75m) in connection w ith negative market value of derivatives.

Note DKK 1,000

Note	Related parties	Parties with significant influence 2022	Parties with significant influence 2021	Associated undertakings 2022	Associated undertakings 2021	Board of Directors 2022	Board of Directors 2021	Executive Board 2022	Executive Board 2021
46	**DKK 1.000**								
	Assets								
	Loans	6,173		2,032	2,000	32,897	2,319	366	52
	Total			**2,032**	**2,000**	**32,897**	**2,319**	**366**	**52**
	Liabilities								
	Deposits	122,008		20,318	44,081	38,527	1,761	1,648	231
	Total	**122,008**		**20,318**	**44,081**	**38,527**	**1,761**	**1,648**	**231**
	Off-balance sheet items								
	Guarantees issued								
	Guarantees and collateral received	10,341				32,537	847	681	
	Income Statement								
	Interest income	1,158		215	0	1,104	1	22	0
	Interest expense	-695		-201	622	-461	63	-1	1
	Fee income	305		37	0	153	1	5	5
	Total	**2,158**		**453**	**622**	**1,717**	**-61**	**28**	**4**

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

In 2022 interest rates on credit facilities granted to associated undertakings w ere betw een 2.98%-14.5% (2021: 4.6%-14.5%).

The Board of Directors and Executive Board columns list the personal facilities, deposits, etc., held by members of the Board of Directors and the Executive Board and their deposits, etc., held by members of the Board of Directors and the Executive Board and their dependants and facilities w ith businesses in w hich these parties have a controlling or significant interest. Loans and deposits are not comparable w ith last year due to the election of several new board members at last years annual general meeting in March 2022.

In 2022 interest rates on credit facilities granted to members of the Board of Directors and the Executive Board w ere betw een 1.0%-14.5% (2021: 1.0%-14.5%). Note 11 specifies the remuneration and note 47 specifies shareholdings of the management.

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

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

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

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

47

Holdings of the Board of Directors and the Executive Board	**Beginning of 2022**	**Additions**	**Disposals**	**End of 2022**
Board of directors				
Jóhanna Lava Køtlum	0			0
Sverre Bjerkeli	0			0
Michael Ahm	0			0
Ben Arabo	1,000		1,000	0
Rúna Hentze	793		793	0
Jógvan Jespersen	21		21	0
Birita Sandberg Samuelsen	0	53		53
Rúni Vang Poulsen	0	164		164
Kristian Reinert Davidsen	0	107		107
Marjun Eystberg	0	75		75
Birger Durhuus	0			0
Anja Rein	0			0
Kenneth M. Samuelsen	2,494			2,494
Alexandur Johansen	0	200		200
Total	**4,308**	**599**	**1,814**	**3,093**
Executive Board				
Árni Ellefsen	13,186			13,186
Turið F. Arge	0	6,135		6,135
Heini Thomsen	0	0		0
Total	**13,186**	**6,135**		**19,321**

Note DKK 1,000

48 **Financial instruments at fair value**

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

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

2022 **Financial assets and liabilities at fair value**	Quoted prices	Observable input	Non-observable input	Total
Financial assets held for trading				
Bonds at fair value	1,591,453			1,591,453
Shares, etc.	123,362			123,362
Derivatives w ith positive fair value		72,520		72,520
Total	**1,714,815**	**72,520**		**1,787,335**
Financial assets designated at fair value				
Loans and advances at fair value			357,641	357,641
Shares, etc.		173,680	1,347	175,027
Total		**173,680**	**358,988**	**532,668**
Finansial assets at fair value	**1,714,815**	**246,199**	**358,988**	**2,320,003**
Financial liabilities held for trading				
Derivatives w ith negative fair value		43,085		43,085
Total		**43,085**		**43,085**
Financial liabilities designated at fair value				
Subordinated debt		0		0
Total		**0**		**0**
Finansial liabilities at fair value		**43,085**		**43,085**

2021 **Financial assets and liabilities at fair value**	Quoted prices	Observable input	Non-observable input	Total
Financial assets held for trading				
Bonds at fair value	1,880,565			1,880,565
Shares, etc.	60,922			60,922
Derivatives w ith positive fair value		11,971		11,971
Total	**1,941,487**	**11,971**		**1,953,457**
Financial assets designated at fair value				
Loans and advances at fair value			415,170	415,170
Shares, etc.		188,009	1,347	189,356
Total		**188,009**	**416,517**	**604,526**
Finansial assets at fair value	**1,941,487**	**199,980**	**416,517**	**2,557,984**
Financial liabilities held for trading				
Derivatives w ith negative fair value		39,645		39,645
Total		**39,645**		**39,645**
Financial liabilities designated at fair value				
Subordinated debt		0		0
Total		**0**		**0**
Finansial liabilities at fair value		**39,645**		**39,645**

Note

48 (cont'd)

Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category. Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category. The category covers derivatives valued on the basis of observable yield curves or exchange rates. Furthermore the category covers sector shares with price-fixing-agreements according to the articles of association. Other financial assets are recognised in the Non-observable input. This category covers unlisted shares, loans and advances at fair value and domicile property (se note 30 for further information on Domicile property).

At 31 December 2022 financial assets valued on the basis of non-observable input comprised unlisted shares and loans and advances of DKK 357.6m (2021: DKK 416.5m). In 2022, the Group recognised unrealised value adjustments of unlisted shares and loans and advances valued on the basis of non-observable input in the amount of DKK -61.9m (2021: DKK -6.1m) and realised value adjustments of DKK 0.0m (2021: DKK 0.0m). Unlisted shares had a value adjustment of DKK 0.0m (2021: DKK 0.0m). A 10% increase or decrease in fair value of unlisted shares and loans and advances would amount to DKK 35.9m (2021: DKK 41.6m).

	2022	2021
Financial instruments at fair value valued on the basis of non-observable input		
Fair value at 1 January	416,517	474,704
Value adjustments through profit or loss	-61,930	-6,113
Acquisitions	0	0
Disposals	-4,401	52,074
Fair value at 31 December	**358,988**	**416,517**

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

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

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

Financial instruments at amortised cost	**Carrying amount 2022**	**Fair value 2022**	**Carrying amount 2021**	**Fair value 2021**
Financial assets				
Cash in hand and demand deposits with central banks	1,442,769	1,442,769	1,291,557	1,291,557
Due from credit institutions and central banks	389,894	389,894	445,411	445,411
Loans and advances at amortised cost	7,725,702	7,725,702	7,208,922	7,208,922
Assets under insurance contracts	6,901	6,901	8,831	8,831
Total	**9,565,266**	**9,565,266**	**8,954,722**	**8,954,722**
Financial liabilities				
Due to credit institutions and central banks	858,172	858,172	838,608	838,608
Deposits and other debt	8,335,662	8,335,662	7,899,659	7,899,659
Deposits under pooled schemes	24,078	24,078	0	0
Issued bonds at amortised cost	547,584	547,584	348,938	348,938
Liabilities under insurance contracts	120,864	120,864	118,205	118,205
Subordinated debt	99,510	99,510	99,370	99,370
Total	**9,985,870**	**9,985,870**	**9,304,780**	**9,304,780**

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

DKK 1,000

		Share capital	Functional currency	Net profit	Shareholders' equity	Share capital %
49	**Group holdings and undertakings**					
	P/F BankNordik	192,000	DKK	164,407	1,816,666	100%
	Insurance companies					
	P/F Trygd	40,000	DKK	12,452	68,255	100%
	P/F NordikLív	30,000	DKK	1,746	34,485	100%
	Real estate agency					
	P/F Skyn	1,000	DKK	1,164	6,686	100%

Note	DKK 1.000	2022			2021		
		Non-life	Life	Total	Non-life	Life	Total
50	**Reconciliations of changes in insurance liabilities**						
	Unearned premium provisions	50,703	0	50,703	48,410	0	48,410
	Outstanding claims provisions	64,361	5,800	70,162	63,944	5,851	69,795
	Liabilities under insurance contracts, year-end	**115,064**	**5,800**	**120,864**	**112,353**	**5,851**	**118,205**
	Unearned premium provisions						
	Beginning of year	48,410	0	48,410	44,369	0	44,369
	Premiums received	157,742	17,306	175,048	144,711	17,012	161,723
	Premiums recognised as income	-155,449	-17,306	-172,756	-140,671	-17,012	-157,682
	Unearned premium provisions, year-end	**50,703**	**0**	**50,703**	**48,410**	**0**	**48,410**
	Outstanding claims provisions						
	Beginning of year	63,944	5,851	69,795	50,299	3,563	53,862
	Claims paid regarding current year	-58,477	-7,445	-65,922	-48,275	-4,673	-52,948
	Claims paid regarding previous years	-30,022	-1,048	-31,070	-35,513	-100	-35,613
	Change in claims regarding current year	84,794	8,442	93,236	82,004	7,061	89,064
	Change in claims regarding previous years	4,123	0	4,123	15,429	0	15,429
	Outstanding claims provisions, year-end	**64,361**	**5,800**	**70,162**	**63,944**	**5,851**	**69,795**

	2022			2021		
	Non-life	Life	Total	Non-life	Life	Total
Reconciliations of changes in insurance assets						
Reinsurers' share of premium provisions	0	0	0	0	0	0
Reinsurers' share of claims provisions	2,067	0	2,067	3,997	0	3,997
Receivables from insurance contracts and reinsurers	4,834	0	4,834	4,834	0	4,834
Reinsurers' share of insurance contracts, year-end	**6,901**	**0**	**6,901**	**8,831**	**0**	**8,831**
Reinsurers' share of premium provisions						
Beginning of year	0	0	0	0	0	0
Premiums ceded	-14,036	-614	-14,650	-15,426	-514	-15,940
Payments to reinsurers	14,036	614	14,650	15,426	514	15,940
Reinsurers' share of premium provisions, year-end	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share of claims provisions						
Beginning of year	3,997	0	3,997	2,554	0	2,554
Claims ceded	3,795	0	3,795	4,396	0	4,396
Payments received from reinsurers	-5,725	0	-5,725	-2,953	0	-2,953
Reinsurers' share of claims provisions, year-end	**2,067**	**0**	**2,067**	**3,997**	**0**	**3,997**

Note 51

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

- **Credit risk:** Risk of loss as a result of counterparties failing to meet their payment obligations to the Group

- **Market risk:** Risk of loss as a result of changes in the fair value of the Group's assets or liabilities due to changes in market conditions

- **Liquidity risk:** Risk of loss as a result of a disproportionate increase in financing costs, the Group possibly being prevented from entering into new activities due to a lack of financing or in extreme cases being unable to pay its dues as a result of a lack of financing

- **Operational risk:** Risk of loss as a result of inadequate or faulty internal procedures, human errors or system errors, or because of external events, including legal risks

- **Insurance risk:** All types of risk in the non-life insurance company Trygd and the life insurance company NordikLív, including market risk, life insurance risk, business risk and operational risk

The Risk Management Report 2022 contains further information about the Group's approach to risk management.

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

The capital adequacy rules call for a minimum capital level of 8% of risk-weighted assets plus any additional capital needed. Detailed rules regulate the calculation of capital and risk-weighted assets. Capital comprises core capital, hybrid core capital and subordinated debt. Core capital largely corresponds to the carrying amount of shareholders' equity less proposed dividends, deferred tax assets etc. The solvency presentation in the section Statement of Capital in P/F BankNordik shows the difference between the carrying amount of shareholders' equity and the core capital. Note 41 and note 42 to the financial statements show P/F BankNordik's hybrid core capital and subordinated debt. At year-end 2021, the Bank's CET 1 capital, Core capital and Total capital ratios were 23.8%, 26.0% and 27.5%, respectively. At the end of 2022, the Bank's CET 1 capital, Core capital and Total capital ratio were 21.6%, 23.7% and 25.1%, respectively.

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

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

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

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

Risk exposure concentrations

Table 1

	2022		2021	
	DKKm	In %	DKKm	In %
Public authorities	794	6.8%	780	7.2%
Corporate sector:				
Agriculture and farming, others	76	0.6%	91	0.8%
Aquaculture	192	1.6%	130	1.1%
Fisheries	887	7.6%	1,010	8.6%
Manufacturing industries, etc.	324	2.8%	298	2.5%
Energy and utilities	542	4.6%	478	4.1%
Building and construction, etc	806	6.9%	947	8.1%
Trade	564	4.8%	652	5.6%
Transport, mail and telecommunications	519	4.4%	466	4.0%
Hotels and restaurants	159	1.4%	227	1.9%
Information and communication	10	0.1%	24	0.2%
Property administration, etc.	1,624	13.9%	1,263	10.8%
Financing and insurance	102	0.9%	68	0.6%
Other industries	327	2.8%	448	3.8%
Total corporate sector	**6,134**	**52.4%**	**6,102**	**52.2%**
Personal customers	4,773	40.8%	4,817	41.2%
Total	**11,701**	**100.0%**	**11,699**	**100.0%**
Credit institutions and central banks	2,023		1,891	
Total incl. credit institutions and central banks	**13,724**		**13,591**	

Credit exposure by geographical area — Table 2

(DKKm)	2022					2021				
	Exposures	in%	Loans / Credits	Guarantees	Unused credits	Exposures	in%	Loans / Credits	Guarantees	Unused credits
Faroe Islands	9,093	78%	6,952	1,027	1,114	9,002	77%	6,793	1,012	1,131
Denmark	23	0%	22	2	0	51	0%	33	13	5
Greenland	2,585	22%	1,290	508	786	2,646	23%	1,069	512	1,065
Total	**11,701**	**100%**	**8,264**	**1,537**	**1,900**	**11,699**	**100%**	**7,895**	**1,537**	**2,201**

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

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

Exposures to the fisheries sector were DKK 889m at the end of 2022. This represents 7.5% of total exposures. Property administration DKK 1.627m representing 13.7% of total exposures, and DKK 192m was related to the aquaculture industry. This represents 1.6% of total exposures. No single industry except property administration exceeded 10% of total exposures.

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

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

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

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

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

For further information on impaired portfolios, see table 8.

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

Under section 145 of the Faroese Financial Business Act, and according to CRR, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the Total capital. The Group submits quarterly reports to the Danish FSA on its compliance with these rules. In 2022, none of the Group's exposures exceeded these limits.

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

Quality of loan portfolio excl. financial institutions 2022

Table 3

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

Quality of loan portfolio excl. financial institutions 2021

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a)	Exposure in DKKm	4,040	1,433	5,473
Portfolio with some weakness (2b)	Exposure in DKKm	1,517	3,841	5,358
Portfolio with significant weakness (2c)	Exposure in DKKm	203	93	295
	Unsecured	35	16	51
Portfolio with OEI	Exposure in DKKm	210	220	431
	Unsecured	103	81	183
	Impairments/provisions	70	65	135
Portfolio without individual classification	Exposure in DKKm	109	34	142
Total	**Exposure in DKKm**	**6,079**	**5,621**	**11,699**

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

Collateral provided by the Group.
Table 4 shows collateral for exposures excluding exposures with impairment or past due exposures. Collateral amounts to DKK 8,115m. The types of collateral most frequently provided are real estate (83%), ships/ aircraft (9%) and motor vehicles (2%) (see table 5) in addition to guarantees provided by owners or, in the Faroese market, by floating charge.

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

Table 4 shows the Bank's total credit exposure and the collateral for the loans granted divided into personal, corporate and the public sector. Unsecured exposures accounted for 17% of personal exposures and 34% of corporate exposures at the end of 2022. The majority of the Bank's exposure is granted against collateral in real estate.

Credit exposure and collateral 2022

Table 4

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

Credit exposure and collateral 2021

(DKKm)	Personal customers	Corporate sector	Personal & corporate	Public	Total
Exposure	4,817	6,102	10,919	780	11,699
Loans, advances & guarantees	4,378	4,556	8,934	498	9,432
Collateral	3,810	4,090	7,900	3	7,903
**Hereof collateral for stage 3 exposures*	*19*	*8*	*26*	*0*	*26*
Impairments	57	178	235	0	236
Unsecured (of exposures)	1,007	2,014	3,021	778	3,799
Unsecured (loans, advances and guarantees)	656	1,085	1,742	496	2,237
Unsecured ratio	21%	33%	28%	100%	32%
Unsecured ratio, loans and advances	15%	24%	19%	99%	24%

Collateral

Table 5

(in %)	2022	2021
Cars	1.9%	2.3%
Real Estate	84.1%	83.0%
Aircrafts & Ships	8.9%	9.4%
Other	5.2%	5.3%
Total	**100.0%**	**100.0%**

Distribution of past due amount

Table 6

(DKKm)	2022 Exposure	2022 Past due total	2022 Past due > 90 days	2022 Total balance with past due	2021 Exposure	2021 Past due total	2021 Past due > 90 days	2021 Total balance with past due
Portfolio without weakness (3, 2a)	5,340	8	0	814	5,473	33	0	960
Portfolio with some weakness (2b, 2b)	5,807	22	0	1,650	5,358	12	0	1,274
Portfolio with significant weakness (2c)	213	2	0	58	295	1	0	87
Portfolio with impairment/provision (1)	290	7	1	155	431	4	1	183
Portfolio without individual classification	51	0	0	0	142	0	0	23
Total	**11,701**	**39**	**2**	**2,677**	**11,699**	**51**	**2**	**2,528**
Past due in % of exposure		**0.3%**	**0.0%**			**0.4%**	**0.0%**	

Loans and advances specified by maturity

Table 7

(DKKm)	2022	2021
On demand	1,032	87
3 months and below	217	282
3 months to 1 year	842	903
Over 1 year to 5 years	1,892	2,761
Over 5 years	4,101	3,591
Total	**8,083**	**7,624**

As shown in table 6, DKK 2m is more than 90 days past due.

The Group tests the entire loan portfolio for impairment four times per year.

The Group's impairments reflect the expected credit loss impairment model in IFRS 9 and Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. as valid in the Faroe Islands. The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). All expected credit loss impairments are allocated to individual exposures. For all exposures with objective indication of being subject to an impairment in creditworthiness, stage 3 exposures, the Group determines the expected credit losses individually.

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

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

Table 8 provides a breakdown of individual impairments, stage 3, and statistical based impairments, stage 1 and 2 including DKK 56m impaired at the Executive Management's discretion. Table 9 shows a breakdown of the mentioned DKK 56m impaired.

In connection with the acquisition of Sparbank (2010) and Amagerbanken (2011), the Group took over some of the exposures that were individually impaired. These impairments are recognised as part of the purchase price for the acquired exposures. In 2022 DKK 11m of the impairments reflected in the table below are individual impairments recognised up to 12 months after the acquisition of the relevant exposure.

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

Specification of individual and statistic impairments — Table 8

	2022			2021	
DKKm	Loans gross	Impairments	DKKm	Loans gross	Impairments
Individual impairments:			**Individual impairments:**		
Faroe Islands	151	43	Faroe Islands	198	65
Denmark	22	21	Denmark	32	41
Greenland	87	17	Greenland	159	30
Total	**259**	**81**	**Total**	**389**	**136**
Statistic impairments:			**Statistic impairments:**		
Faroe Islands	6,786	79	Faroe Islands	6,596	66
Denmark	0	0	Denmark	1	2
Greenland	1,195	26	Greenland	910	34
Total	**7,981**	**105**	**Total**	**7,506**	**101**

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

2022

(DKKm)

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

2021

(DKKm)

Country / Stage	1	2	2w	3	Total
Faroe Islands	23.7	5.8	1.0	0.0	30.6
Greenland	13.9	4.7	0.0	3.0	21.6
Denmark	0.0	0.2	0.0	0.0	0.2
Total	**37.6**	**10.7**	**1.0**	**3.0**	**52.4**

Market Risk

Organisation

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

Definition

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

BankNordik's market risks are

- Interest rate risk: risk of loss caused by a upward change in interest rates
- Exchange rate risk: risk of loss from positions in foreign currency when exchange rates change
- Equity market risk: risk of loss from falling equity values

Policy and responsibility

The Group's market risk management relates to the Group's assets, liabilities and off-balance-sheet items. The Board of Directors defines the overall policies / limits for the Group's market risk exposures, including the overall risk limits. The limits on market risks are set with consideration of the risk they imply, and how they match the Group's strategic plans. On behalf of the Executive Board, the Group Risk Committee is responsible for allocating the market risk to the Group's major business areas. Historically, lines have mainly been granted to Treasury. Treasury is responsible for monitoring and handling the Bank's market risks and positions. Markets have been granted small market risk lines for its daily operations. The Finance Department reports market risks to the Executive Board on a monthly basis.

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

Control and management

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

Market risk

Table 10 shows the likely after tax effects on the Bank's share capital from likely market changes.

- All equity prices fall by 10%
- All currencies change by 10% (EUR by 2,25%)
- Foreign exchange risk
- Upwards parallel shift of the yield curve of 100 bp

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

Interest rate risk

The Group's policy is to invest most of its excess liquidity in LCR compliant bonds. As a consequence, BankNordik

holds a large portfolio of bonds, and most of the Group's interest rate risk stems from this portfolio.

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

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

	Change	2022	% of Core Capital	2021	% of Core Capital
Equity risk DKKm (+/-)	10%	24	1.4%	20	1.1%
Exchange risk DKKm (+/-) EUR	2.25%	0	0.0%	0	0.0%
Exchange risk DKKm (+/-) Other currencies	10%	1	0.0%	1	0.0%
Exchange risk, Total		1	0.0%	1	0.0%
Interest rate risk DKKm (parallel shift)	100 bp	14	0.8%	6	0.3%

Market Risk Management

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

Exchange rate risk

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

Interest rate risk broken down by currency — Table 11

(DKKm)	2022	2021
DKK	17	8
SEK	0	0
EUR	0	0
Total	**17**	**8**

Foreign exchange position — Table 12

(DKKm)	2022	2021
Assets in foreign currency	13	15
Liabilities and equity in foreign currency	0	0
Exchange rate indicator 1	13	15
Exchange rate indicator 2	0	0

Equity risk — Table 13

(DKKm)	2022	2021
Share/unit trust certificates listed on the Copenhagen Stock Exchange	123	60
Other shares at fair value based on the fair-value option	175	191
Total	**298**	**251**

Equity market risk

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

Liquidity Risk

Definition

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

The Board of Directors has defined the Bank's liquidity limits for the daily operational level and for budgeting plans. The Danish FSA has designated BankNordik as a systematically important financial institution (SIFI). With a liquidity coverage ratio (LCR) of 225 % at 31. December 2022 BankNordik's liquidity position remains robust.

Control and management

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

Exposures related to trading and investment activities — Table 14

(DKKm)	2022	2021
Bonds at fair value	1,591	1,881
Derivatives with positive fair value	73	12
Equity	298	251
Total	**1,963**	**2,144**

Operational liquidity risk

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

Liquidity stress testing

BankNordik has incorporated a liquidity stress testing model based on LCR. This model is used at least monthly to forecast developments in the Bank's liquidity on a 3-month and a 3-12-month horizon. The test is based on the business-as-usual situation with outflows from undrawn committed facilities and further stress measures. If the 3-month target is not met, the Executive Board must implement a contingency plan.

Twelve-month liquidity
The Bank's 12-month funding requirements are based on projections for 2022 and takes the market outlook into account.

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

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

Collateral provided by the Group
As customarily used by financial market participants BankNordik has entered into standard CSA agreements with other banks. These agreements commit both parties to provide and daily adjust collateral for negative market values. The bank with negative value exposure receives collateral. Thereby reducing counterparty risk to daily market fluctuations of derivatives and pledged amount. As a consequence of these agreements BankNordik at yearend 2022 had pledged bonds and cash deposits valued at DKK 13m under these agreements. BankNordik also provides collateral to the Danish central bank to give the Bank access to the intraday draft facility with the central bank as part of the Danish clearing services for securities. At yearend 2022, this collateral amounted to DKK 55m.

Liquidity Management

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

Remaining maturity						Table 15
(DKK 1,000)						
2022	**0-1 months**	**1-3 months**	**3-12 months**	**More than 1 year**	**Without fixed maturity**	**Total**
Cash in hand and demand deposits with central banks	1,442,643					**1,442,643**
Due from Credit institution	389,894					**389,894**
Loans and advances	1,032,384	216,732	841,510	1,891,561	4,101,157	**8,083,343**
Bonds	144,000	0	92,000	1,213,713	0	**1,449,713**
Shares	228,572	0	0	0	0	**228,572**
Bonds and Shares	372,572	0	92,000	1,213,713	0	**1,678,285**
Derivatives	72,458					**72,458**
Other Assets	78,645	70,182	1,728		148	**150,702**
Total assets	**3,388,597**	**286,913**	**935,237**	**3,105,274**	**4,101,305**	**11,817,327**
2022						
Due to credit institutions and central banks	58,665		125,000	375,000	299,507	**858,172**
Deposits	7,397,017	232,888	331,378	374,379		**8,335,662**
Issued bonds		200,000		347,584		**547,584**
Other liabilities	14,406	43,191	2,504	69,230	47,914	**177,244**
Lease liabilities	244	488	2,198	68,524		**71,455**
Provisions for liabilities				7,052		**7,052**
Subordinated debt					99,510	**99,510**
Equity					1,967,991	**1,967,991**
Total	**7,470,332**	**476,567**	**461,080**	**1,241,769**	**2,414,922**	**12,064,670**
Off-balance sheet items						
Financial Guarantees	265,042					**265,042**
Other commitments	1,358,477					**1,358,477**
Total	**1,623,519**					**1,623,519**

Remaining maturity						
(DKK 1,000)						
2021	**0-1 months**	**1-3 months**	**3-12 months**	**More than 1 year**	**Without fixed maturity**	**Total**
Cash in hand and demand deposits with central banks	1,291,534					**1,291,534**
Due from Credit institution	445,411					**445,411**
Loans and advances	87,299	281,704	902,825	2,761,237	3,591,028	**7,624,093**
Bonds	574,465	0	606,462	502,418	0	**1,683,345**
Shares	251,423	0	0	0	0	**251,423**
Bonds and Shares	825,888	0	606,462	502,418	0	**1,934,768**
Derivatives	11,972					**11,972**
Other Assets	19,827	27,591	17,525	0	148	**65,091**
Total assets	**2,681,930**	**309,295**	**1,526,811**	**3,263,655**	**3,591,176**	**11,372,868**
2021						
Due to credit institutions and central banks	838,608					**838,608**
Deposits	7,259,269	85,226	204,904	350,261	0	**7,899,659**
Issued bonds				350,000		**350,000**
Other liabilities	15,820	51,077	3,160	72,153	40,277	**182,487**
Lease liabilities	244	488	2,198	68,524	0	**71,455**
Provisions for liabilities				26,505		**26,505**
Subordinated debt					99,370	**99,370**
Equity					2,185,994	**2,185,994**
Total	**8,113,941**	**136,792**	**210,262**	**867,443**	**2,325,641**	**11,654,078**
Off-balance sheet items						
Financial Guarantees	222,079					**222,079**
Other commitments	1,393,667					**1,393,667**
Total	**1,615,746**					**1,615,746**

Insurance Risk

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

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

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

Likely effects from changes in markets value			Table 16
(DKKm)	**Change**	**2022**	**2021**
Equity risk (+/-)	10%		
Exchange risk (+/-) in euro	2.25%		
Exchange risk (+/-) other currency	10%		
Interest rate risk (parallel shift) - Trygd	100 bp	1.9	1.2
Interest rate risk (parallel shift) Total	**100 bp**	**2.6**	**1.8**

Distrubution of Trygd's portfolio		Table 17
	2022	**2021**
Commercial lines	37.3%	34.7%
Personal lines	62.7%	65.3%

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

Insurance risk

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

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

Capital requirements

The effects on BankNordiks solvency, due to the ownership of the insurance companies Trygd and NordikLív, are considered low. According to CRR the risk weighted assets has increased DKK 257m. The negative effect on the Total capital ratio thus is 0.9% points.

Financial assets linked to insurance risk in Trygd		Table 18
(DKK 1,000)	**2022**	**2021**
Listed securities on stock exchange	175,578	159,660
Accounts receivable (total technical provisions)	2,634	4,646
Cash and cash equivalents	6,304	4,299
Total	**184,516**	**168,605**

Run-off gains/losses in Trygd					Table 19
(DKKm)					
Sector	**2022**	**2021**	**2020**	**2019**	**2018**
Industry	3.31	-0.01	0.67	1.04	-0.68
Private	-0.42	-0.06	0.34	-0.14	-0.10
Accidents	-3.55	-10.62	-5.55	-0.17	-1.05
Automobile	-2.79	1.45	3.31	3.56	3.11
Total	**-3.46**	**-9.24**	**-1.23**	**4.28**	**1.28**

Contractual maturity for the insurance segment

Table 20

(DKK 1,000)

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

Contractual maturity for the insurance segment

(DKK 1,000)

2021	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	159,660					159,660
Reinsurance assets		4,646				4,646
Accounts receivables		4,185				4,185
Restricted cash						
Cash and cash equivalents	4,299					4,299
Total financial assets	**163,959**	**8,831**				**172,790**
Liabilities						
Technical provision		112,353				112,353
Account payable		1,350				1,350
Total financial liabilities		**113,703**				**113,703**
Assets - liabilities	**163,959**	**-104,872**				**59,087**

Trygd non-life insurance

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

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

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

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

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

Trygd has organized a reinsurance program which ensures that e.g. large natural disasters and significant individual claims do not compromise Trygd´s ability to meet its obligations. For large natural disasters, the total cost to Trygd will amount to a maximum of DKK 6m. The reinsurance program is reviewed once a year and approved by the Board of Directors.

No significant change was made to the reinsurance programme in Trygd during 2022.

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

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

Trygd's investment policy is restrictive and during 2021 Trygd holds maynly government bonds and Danish mortgaged backed bonds limiting the primary financial risk to interest rate risk. During 2022 there was a change in the risk appetite, and therefore a small portion of the funds can be invested in shares through equity funds. There is no exchange rate risk, as all investments are based in DKK.

NordikLív — Life insurance

NordikLív issues regular life, disability and critical illness insurance covers as well as limited pension savings in the Faroese market.

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

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

NordikLív's investment policy is restrictive and at present NordikLív only holds government bonds and Danish mortgaged backed bonds limiting the primary financial risk to interest rate risk. There is no exchange rate risk, as all investments are based in DKK.

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

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

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

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

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

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

Note 52 **Highlights**[1]

DKK 1,000	2022	2021	Index 22 / 21	2020	2019	2018
Net interest income	276,384	268,580	103	278,220	258,853	374,143
Net fee and commision income	88,113	79,360	111	59,892	55,765	172,213
Net interest and fee income	370,972	351,370	106	341,384	318,307	557,752
Net insurance income	52,068	33,895	154	45,152	52,327	43,751
Interest and fee income and income from insurance activities, net	423,040	385,264	110	386,535	370,634	601,503
Market value adjustments	-31,789	4,391	-724	-16,968	1,370	7,113
Other operating income	7,472	11,009	68	7,086	12,470	19,947
Staff cost and administrative expenses	238,960	232,567	103	244,335	262,513	459,247
Impairment charges on loans and advances etc.	-46,629	-76,561	61	-4,962	-68,962	-110,782
Net profit continuing operations	164,407	193,356	85	103,150	144,159	262,097
Net profit discontinued operations	0	78,983	0	63,035	62,471	0
Net profit	164,407	272,340	60	166,186	206,631	262,097
Loans and advances	8,083,343	7,624,093	106	7,607,901	9,908,886	9,956,478
Bonds at fair value	1,591,453	1,880,565	85	4,472,621	5,599,529	4,565,087
Intangible assets	2,402	2,684	89	2,432	9,957	6,678
Assets held for sale	24,200	0		4,466	1,500	20,364
Assets in disposals groups classified as held for sale	0	0		3,217,940	0	0
Total assets	12,190,232	11,789,746	103	17,290,303	18,173,399	16,703,555
Amounts due to credit institutions and central banks	858,172	838,608	102	27,954	54,922	298,610
Issued bonds at amortised cost	547,584	348,938	157	0	0	0
Deposits and other debt	8,335,662	7,899,659	106	7,733,408	14,367,685	13,432,228
Liabilities directly associated with assets in disposal groups classified	0	0		6,520,004	0	0
Total shareholders' equity	1,816,666	2,035,853	89	2,271,024	2,112,335	1,981,742

Ratios and key figures	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Solvency	**2022**	**2021**	**2020**	**2019**	**2018**
Total capital ratio, incl. MREL capital, %	29.9	29.6	26.4	22.3	19.8
Total capital ratio, %	25.1	27.5	26.4	22.3	19.8
Core capital ratio, %	23.7	26.0	24.1	20.2	17.7
CET 1 capital	21.6	23.8	22.6	18.8	17.7
RWA, DKK mill	7,195	6,841	9,774	10,764	10,621
Profitability					
Return on shareholders' equity before tax, %	10.7	11.1	9.4	12.7	17.0
Return on shareholders' equity after tax, %	8.5	12.6	7.6	10.1	13.8
Income / Cost ratio	2.0	2.5	1.5	1.9	2.1
Cost / income, % (excl. value adjustm. and impairments)	56.0	60.4	64.1	70.5	67.0
Return on assets	1.3	2.3	1.0	1.1	1.6
Market risk					
Interest rate risk, %	1.0	-0.4	0.5	1.8	1.7
Foreign exchange position, %	0.7	0.8	1.0	1.4	1.3
Foreign exchange risk, %	0.0	0.0	0.0	0.1	0.1
Liquidity					
Loans and advances plus impairment charges as % of deposits	99.2	99.5	104.4	72.3	78.4
Liquidity Coverage Ratio (LCR), %	225.2	191.4	231.1	229.5	265.8
Credit risk					
Large exposures as % of capital base	25.8	25.9	20.5	10.0	10.5
Impairment and provisioning ratio, %	1.9	2.6	5.1	3.7	4.5
Write-off and impairments ratio, %	-0.5	-0.8	-0.1	-0.5	-0.8
Share of amounts due on which interest rates have been reduced, %	0.2	0.3	0.7	0.8	0.8
Growth on loans and advances, %	6.0	0.2	-23.2	-0.5	4.4
Gearing of loans and advances, %	4.4	3.7	3.3	4.7	5.0
Shares					
Earnings per share after tax, DKK	17.2	28.5	17.4	21.8	27.1
Book value per share, DKK	189.8	212.7	237.3	221.6	0.2
Proposed dividend per share DKK	26.0	40.2	5.0	7.0	7.0
Market price per share, DKK	136.0	140.5	152.0	109.0	108.5
Market price / earnings per share DKK	7.9	4.9	8.7	5.0	4.0
Market price / book value per share DKK	0.7	0.7	0.6	0.5	0.5
Other					
Number of full-time employees, end of period	200	195	352	377	393

1) The highlights in 2017-2019 are not comparable due to reclassificaton of discontinued operations in 2020

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

Note 52 **Highlights**[1]

(cont'd)

DKK 1,000	2022	2021	Index 22 / 21	2020	2019	2018
Net interest income	274,639	267,718	103	276,691	257,186	372,694
Net fee and commision income	101,775	91,754	111	71,406	66,652	182,209
Net interest and fee income	382,889	362,900	106	351,369	327,527	566,299
Market value adjustments	-25,611	6,813	-376	-13,923	6,943	9,531
Other operating income	2,452	4,968	49	2,978	6,679	13,940
Staff cost and administrative expenses	219,350	211,855	104	225,740	240,146	438,578
Depreciation and impairment of property, plant and equipment	3,331	6,088	55	6,941	6,971	-44,379
Impairment charges on loans and advances etc.	-46,629	-76,561	61	-4,962	-68,962	-110,782
Income from associated and subsidiary undertakings	20,752	5,094	407	14,285	19,501	14,565
Net profit continuing operations	164,407	193,356	85	103,150	144,159	262,097
Net profit discontinued operations	0	78,983	0	63,035	62,471	0
Net profit	164,407	272,340	60	166,186	206,631	262,097
Loans and advances	8,083,343	7,624,093	106	7,607,901	9,908,886	9,956,478
Bonds at fair value	1,449,713	1,683,517	86	4,255,519	5,404,445	4,374,064
Intangible assets	2,402	2,684	89	2,432	9,957	6,678
Assets held for sale	24,200	0		4,466	1,500	20,364
Assets in disposals groups classified as held for sale	0	0		3,217,940	0	0
Total assets	12,074,686	11,674,564	103	17,199,646	18,095,281	16,612,691
Amounts due to credit institutions and central banks	858,172	838,608	102	27,954	54,922	298,610
Issued bonds at amortised cost	547,584	348,938	157	0	0	0
Deposits and other debt	8,351,065	7,914,185	106	7,755,724	14,399,292	13,452,242
Liabilities directly associated with assets in Disposal groups classified	0	0		6,520,004	0	0
Total shareholders' equity	1,816,666	2,035,853	89	2,271,024	2,112,335	1,981,742

Ratios and key figures

	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019	Dec. 31 2018
Solvency					
Total capital ratio, incl. MREL capital, %	29.9	29.6	26.4	22.3	19.8
Total capital ratio, %	25.1	27.5	26.4	22.3	19.8
Core capital ratio, %	23.7	26.0	24.1	20.2	17.7
CET 1 capital	21.6	23.8	22.6	18.8	17.7
RWA, DKK mill	7,195	6,841	9,774	10,764	10,621
Profitability					
Return on shareholders' equity before tax, %	10.5	11.0	9.3	12.5	16.8
Return on shareholders' equity after tax, %	8.5	12.6	7.6	10.1	13.8
Income / Cost ratio	2.1	2.7	1.6	2.0	2.1
Cost / income, % (excl. value adjustm. and impairments)	55.1	58.7	63.3	70.0	66.4
Return on assets	1.4	2.3	1.0	1.2	1.6
Market risk					
Interest rate risk, %	0.9	0.5	0.4	1.8	1.6
Foreign exchange position, %	0.7	0.8	1.0	1.4	1.3
Foreign exchange risk, %	0.0	0.0	0.0	0.1	0.1
Liquidity					
Loans and advances plus impairment charges as % of deposits	99.0	99.3	104.1	72.1	78.3
Liquidity Coverage Ratio (LCR), %	225.2	191.4	231.1	229.5	265.8
Credit risk					
Large exposures as % of capital base	25.8	25.9	20.5	10.0	10.5
Impairment and provisioning ratio, %	1.9	2.6	4.9	3.7	4.5
Write-off and impairments ratio, %	-0.5	-0.8	-0.1	-0.5	-0.8
Share of amounts due on which interest rates have been reduced, %	0.2	0.3	0.7	0.8	0.8
Growth on loans and advances, %	6.0	0.2	-23.2	-0.5	4.4
Gearing of loans and advances	4.4	3.7	3.3	4.7	5.0
Shares					
Earnings per share after tax, DKK	17.2	28.5	17.4	22.1	27.1
Book value per share, DKK	189.8	212.7	237.3	221.6	207.2
Proposed dividend per share DKK	26.0	40.2	5.0	7.0	7.0
Market price per share, DKK	136.0	140.5	152.0	109.0	108.5
Market price / earnings per share DKK	7.9	4.9	8.7	4.9	4.0
Market price / book value per share DKK	0.7	0.7	0.6	0.5	0.5
Other					
Number of full-time employees, end of period	169	164	320	345	360

1) The highlights in 2017-2019 are not comparable due to reclassificaton of discontinued operations in 2020

Definitions of key financial ratios

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

Head Office

P/F BankNordik
Oknarvegur 5
P.O. Box 3048
FO-110 Tórshavn
Faroe Islands
Phone: +298 330 330
Fax: +298 330 001
E-mail: info@banknordik.fo
www.banknordik.fo

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

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

The company is listed on Nasdaq Copnhagen.

IR contact

Rúna N. Rasmussen
E-mail: rr@banknordik.fo
Tel. +298 330 330

Branches

Faroe Islands

Tórshavn
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Miðvágur
Jatnavegur 26
370 Miðvágur
Phone: +298 330 330

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

Saltangará
Heiðavegur 54
600 Saltangará
Phone: +298 330 330

Tvøroyri
Sjógøta 2
800 Tvøroyri
Phone: +298 330 330

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

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

Markets
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Ungdómsbankin
Oknarvegur 5
100 Tórshavn
Phone: +298 330 330

Greenland

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

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