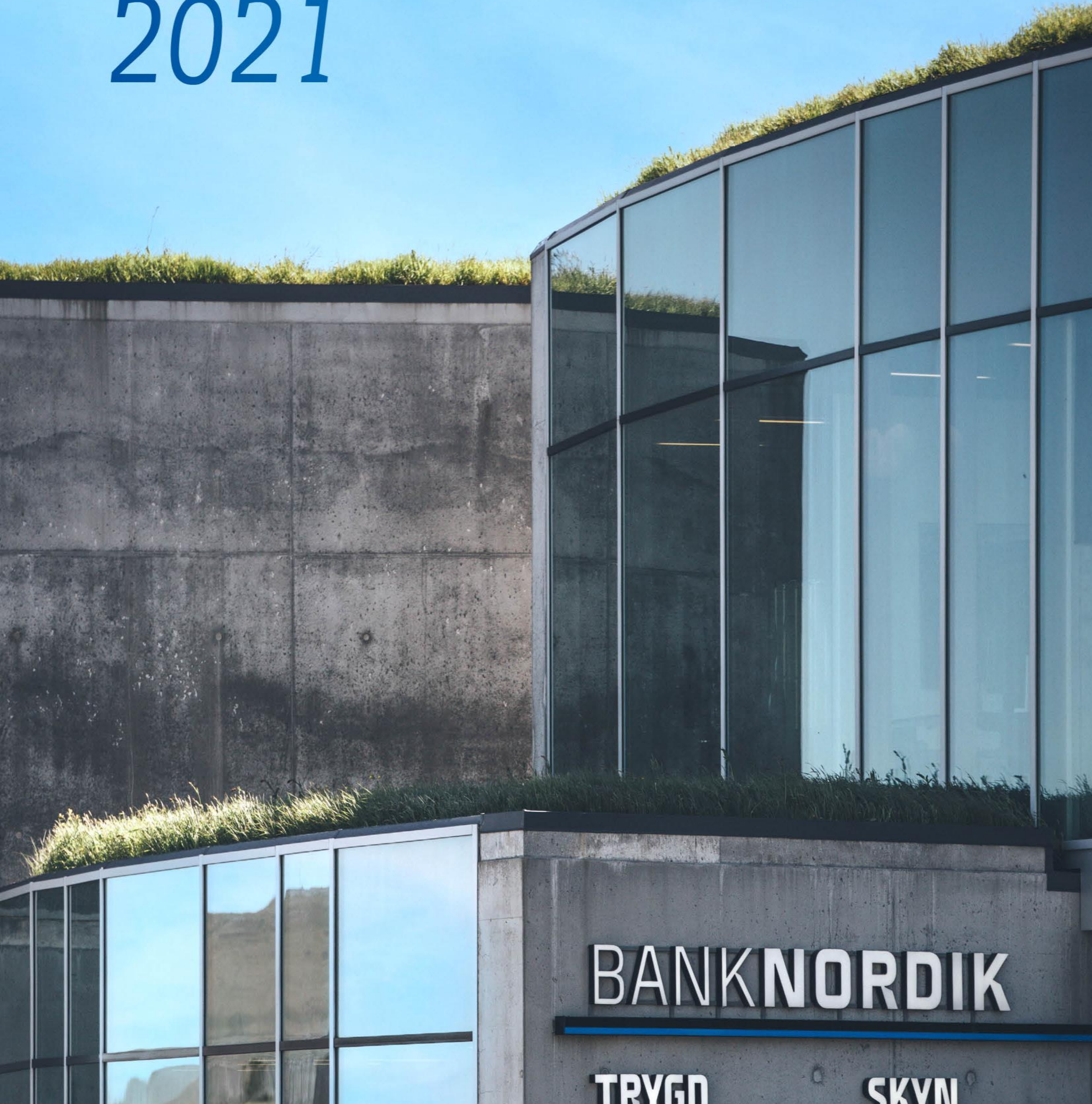
BANKNORDIK

Annual Report 2021



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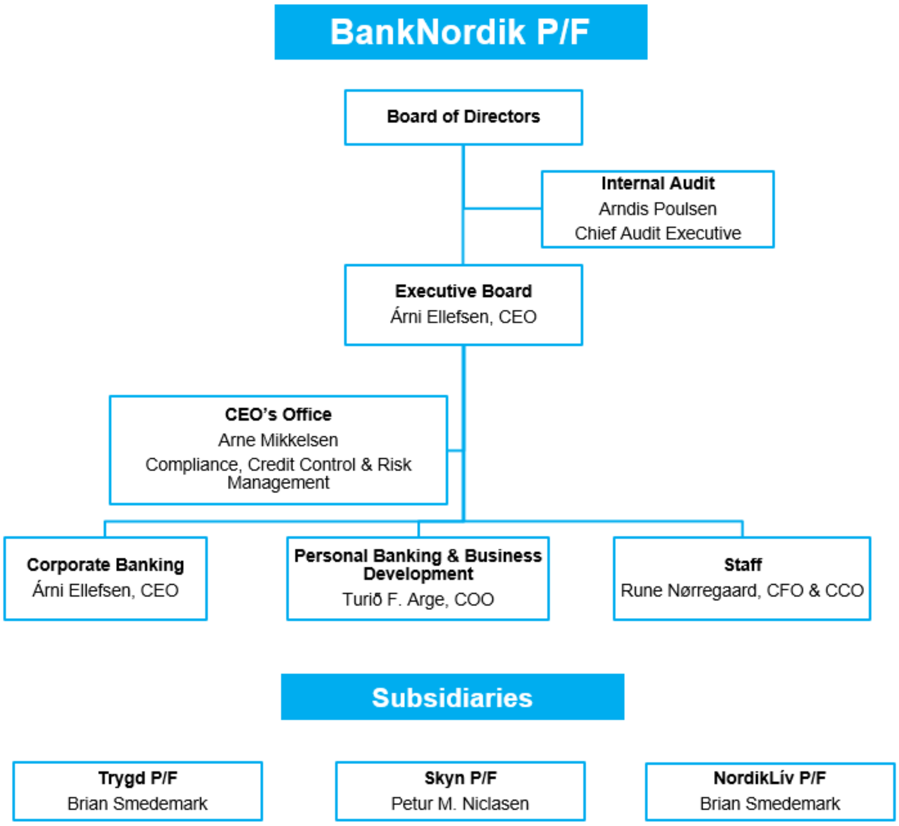
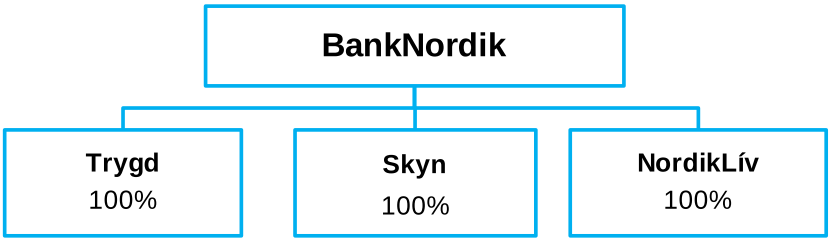

BankNordik P/F
Board of Directors
Internal Audit
Arndis Poulsen
Chief Audit Executive
Executive Board
Árni Ellefsen, CEO
CEO's Office
Arne Mikkelsen
Compliance, Credit Control & Risk Management
Corporate Banking
Árni Ellefsen, CEO
Personal Banking & Business Development
Turið F. Arge, COO
Staff
Rune Nørregaard, CFO & CCO
Subsidiaries
Trygd P/F
Brian Smedemark
Skyn P/F
Petur M. Niclasen
NordikLív P/F
Brian Smedemark

Overview of the Group



Banking is the principal 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.

Other activities include Skyn, a Faroese estate agency.

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

Financial highlights and ratios - BankNordik Group

Highlights DKK 1,000	Full year 2021	Full year 2020	*Index* 21/20	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net interest income	268,580	278,220	97	66,244	68,557	67,103	66,677	68,893
Dividends from shares and other investments	3,429	3,272	105	0	7	2,918	505	0
Net fee and commision income	79,360	59,892	133	22,549	18,923	19,368	18,520	15,979
Net interest and fee income	351,370	341,384	103	88,794	87,486	89,388	85,702	84,872
Net insurance income	33,895	45,152	75	5,909	6,844	13,940	7,202	11,583
Interest and fee income and income from insurance activities, net	385,264	386,535	100	94,703	94,329	103,329	92,904	96,455
Market value adjustments	4,391	-16,968		5,720	1,855	-4,554	1,371	2,389
Other operating income	11,009	7,086	155	3,456	2,666	3,436	1,452	3,103
Staff costs and administrative expenses	232,567	244,335	95	43,698	57,215	43,027	88,627	64,063
Impairment charges on loans and advances etc.	-76,561	-4,962	1,543	-40,216	-12,919	-11,008	-12,418	-9,557
Net profit continuing operations	193,356	103,150	187	80,655	41,417	67,771	3,514	36,448
Net profit discontinued operations	78,983	63,035	125	-4,134	1,241	-8,533	90,409	6,839
Net profit	272,340	166,186	164	76,521	42,658	59,238	93,922	43,287
Loans and advances	7,624,093	7,607,901	100	7,624,093	7,591,918	7,601,355	7,449,620	7,607,901
Bonds at fair value	1,880,565	4,472,621	42	1,880,565	2,225,511	2,357,080	2,835,773	4,472,621
Intangible assets	2,684	2,432	110	2,684	2,551	2,491	2,491	2,432
Assets held for sale	0	4,466		0	3,564	3,564	3,564	4,466
Assets in disposals groups classified as held for sale	0	3,217,940		0	0	0	0	3,217,940
Total assets	11,789,746	17,290,303	68	11,789,746	11,416,425	12,000,521	11,971,157	17,290,303
Amounts due to credit institutions and central banks	838,608	27,954	3,000	838,608	548,255	1,037,969	1,263,398	27,954
Issued bonds at amortised cost	348,938	0		348,938	349,008	148,875	0	0
Deposits and other debt	7,899,659	7,733,408	102	7,899,659	7,417,275	7,642,397	7,512,542	7,733,408
Liabilities directly associated with assets in disposal groups classified as held for sale	0	6,520,004		0	0	0	0	6,520,004
Total shareholders' equity	2,035,853	2,271,024	90	2,035,853	2,409,699	2,368,780	2,312,540	2,271,024

Ratios and key figures	Dec. 31 2021	Dec. 31 2020		Dec. 31 2021	Sept. 30 2021	June 30 2021	March 31 2021	Dec. 31 2020
Solvency								
Total capital ratio, incl. MREL capital, %	29.6	26.4		29.6	31.7	31.3	36.2	26.4
Total capital ratio, %	27.5	26.4		27.5	29.6	29.2	36.2	26.4
Core capital ratio, %	26.0	24.1		26.0	28.2	27.8	33.1	24.1
CET 1 capital	23.8	22.6		23.8	26.1	25.7	31.0	22.6
Risk-weighted Items, DKK mill	6,841	9,774		6,841	7,035	7,134	7,147	9,774
Profitability								
Return on shareholders' equity after tax, %	12.6	7.6		3.4	1.8	2.5	4.1	1.9
Cost / income, %	40.7	65.7		4.9	46.9	32.8	81.6	55.3
Cost / income, % (excl. value adjustm. and impairments)	60.4	64.1		46.2	61.1	41.7	95.9	66.2
Return on assets	2.3	1.0		0.6	0.4	0.5	0.8	0.3
Market risk								
Interest rate risk, %	-0.4	0.5		-0.4	-0.3	0.2	0.4	0.5
Foreign exchange position, %	0.8	1.0		0.8	0.6	0.7	0.7	1.0
Foreign exchange risk, %	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Liquidity								
Liquidity Coverage Ratio (LCR), %	191.4	231.1		191.4	185.9	202.5	211.7	231.1
Credit risk								
Change in loans and advances, %	0.2	-23.2		0.4	-0.1	2.0	-2.1	1.8
Gearing of loans and advances	3.7	3.3		3.7	3.2	3.2	3.2	3.3
Impairment and provisioning ratio, end of period, %	2.6	5.1		2.6	2.9	3.0	3.6	5.1
Write-off and provisioning ratio, %	-0.8	-0.1		-0.4	-0.1	-0.2	0.0	-0.1
Share of amounts due on which interest rates								
have been reduced, end of period, %	0.3	0.7		0.3	0.3	0.4	0.7	0.7
Shares								
Earnings per share after tax (nom. DKK 20), DKK	28.5	17.4		8.0	4.5	6.2	9.8	4.5
Market price per share (nom. DKK 20), DKK	140.5	152.0		140.5	160.5	168.5	156.0	152.0
Book value per share (nom. DKK 20), DKK	212.7	237.3		212.7	251.8	247.5	241.6	237.3
Other								
Number of full-time employees, end of period	195	352		195	199	195	218	352

CEO's letter to shareholders

It is safe to say that 2021 was an eventful year at BankNordik: We successfully improved our core banking operations and launched initiatives aiming to give sustainability a more prominent role at the Group and for our customers. The most important individual event of the year was the execution of the divestment of our Danish business, a move requiring a great deal of work and flexibility from our entire organisation.

Improving our core banking operations

The BankNordik Group's financial results for 2021 were satisfactory and in fact better than originally guided for. The better-than-expected performance was driven by improvements in our core banking operations following the divestment of the Danish business and reversals of impairment losses. During the summer, we implemented income-enhancing and cost-cutting measures, which have already produced results and will have additional positive effects on our earnings over the coming years. We delivered a profit after tax of DKK 272 million, and we expect to recommend a dividend of DKK 386 million (DKK 40,2 per share) to the shareholders at the annual general meeting on 25 March, consisting of an extraordinary dividend of DKK 250 million from the divestment of the Danish business and DKK 136 million representing 50% of the net profit for 2021.

BankNordik customers have come through the pandemic in good shape

COVID-19 continued to affect the global community in 2021, despite extensive vaccination efforts in our part of the world. We are pleased to see that our customers have generally managed to weather the challenges posed by the pandemic, and we note that it has had a limited impact on our financial results. However, a few of the industries in our markets remain challenged, and the sense of uncertainty remains.

Divestment of the Danish business completed as planned

In February, we executed the disposal of our Danish business to Spar Nord in a highly satisfactory deal. The decision to sell was based on the strict capital requirements, which posed a challenge to BankNordik's competitive strength in the Danish market. Both the sales process and the IT migration of the customer base were executed according to plan and the transaction was finalised in June. In order to ensure that, following the divestment, we will remain an efficient organisation, capable of keeping costs at a reasonable level, we have successfully reorganised the Group.

Updated targets for 2024

As part of our continuous efforts to optimise the business, we have raised our 2024 target for ROE after tax from 8% to more than 10% p.a. We expect to consistently improve our core banking operations over the next couple of years, thereby lowering our cost/income ratio to below 55% and boosting

our competitive strength. We also intend to optimise our capital structure and have adjusted our capital adequacy target for common equity tier 1 (CET 1) from 23% to 20% for the period to 2024. Further, we intend to maintain our target of a 50% payout ratio supplemented by share buybacks.

Focusing on providing better online customer experiences

Undoubtedly, we are looking into a future in which the digital agenda will become ever more important and our customers' expectations will rise accordingly, so in 2022, we will focus on creating even better digital customer experiences. Our goal is to give our customers access to handling all their banking business digitally, while always having the option to receive personal financial advice. In order to do that we need efficient processes, so automation and making our processes even more efficient will be a high priority for us over the coming years.

Sustainability efforts making a difference

As part of our efforts to contribute towards a more sustainable society, we announced our ESG targets when we released our 2020 Annual Report. Since then, we have launched various initiatives intended to reduce our negative footprint and enhance our positive footprint in society. Last autumn, we decided to revise our original targets, defining even more ambitious goals for our direct CO_2 emissions. This means we plan to eliminate all direct emissions from the combustion of oil and petrol in our operation by 2025. However, where we can make the biggest difference is by helping our customers choose sustainable solutions, and to do that we have taken new steps to enhance our green product offering and advise our customers accordingly.

Thank you to our employees for a tremendous effort

2021 was an eventful year that placed heavy demands on our team spirit and everyone's willingness to embrace change. Our skilled and committed employees have all made an exceptional effort, and they truly deserve credit and recognition for their contribution. We spent months of the year finding our feet in what is the new normal, and we are now looking to the future and into a year where we will make a dedicated effort to become a more sustainable banking group, running a profitable business and offering good digital customer experiences.

Árni Ellefsen
Chief Executive Officer

Financial Review

The following figures and comments are generally stated relative to 2020 and relate to the adjusted figures, see section “Applied calculation methods and alternative performance measures” on p. 15 for more information on the adjustments made.

Financial figures for Q1 – Q3 in 2021 are corrected as incorrect classification and periodisation of Net interest income and Operatings costs are identified. Effects of the corrections are a reduction of Operation costs of DKK 0.2m in each quarter for Q1 – Q3 2021, as well as a reduction af Net interest income of DKK 0.7m and DKK 1.6m respectively for Q1 2021 and Q3 2021. The net effect on the profit before tax was negative DKK 0.5m in Q1, positive DKK 0.5m in Q2 and negative DKK 1.4m in Q3 2021.

Adjusted Income statement, Group

DKKm	Q4 2021	Q3 2021	*Index*	Q2 2021	Q1 2021	Q4 2020	2021	2020	*Index*
Net interest income	66	65	*102*	66	63	65	260	258	*101*
Net fee and commission income	23	19	*119*	20	17	16	79	60	*133*
Net insurance income	6	7	*86*	14	7	12	34	45	*75*
Other operating income (less reclassification)	8	8	*96*	9	9	8	34	24	*139*
Operating income	**103**	**99**	***104***	**109**	**97**	**101**	**407**	**387**	***105***
Operating costs[1]	-57	-59	*96*	-61	-59	-62	-235	-238	*99*
Sector costs	0	0		0	0	0	-1	-1	*158*
Profit before impairment charges	**46**	**40**	***116***	**48**	**38**	**38**	**171**	**149**	***115***
Impairment charges, net	40	13	*311*	27	-3	10	77	5	
Operating profit	**86**	**53**	***164***	**75**	**34**	**48**	**248**	**154**	***161***
Non-recurring items[2]	6	2	*408*	4	77	0	89	0	
Profit before investment portfolio earnings and tax	**93**	**54**	***171***	**79**	**111**	**48**	**337**	**154**	***219***
Investment portfolio earnings[3]	2	-1	*-168*	-4	-3	1	-7	-2	
Profit before tax, continuing operations	**95**	**53**	***179***	**75**	**108**	**49**	**330**	**152**	***217***
Profit before tax, discontinued operations	**0**	**0**		**0**	**9**	**1**	**9**	**54**	***17***
Profit before tax, total	**95**	**53**	***179***	**75**	**117**	**51**	**340**	**206**	***164***
Tax	**17**	**11**	***148***	**15**	**24**	**7**	**67**	**40**	***167***
Net profit	**78**	**41**	***188***	**59**	**93**	**43**	**272**	**166**	***164***
Operating cost/income, %	55	59		56	60	62	58	61	
Number of FTE, end of period	195	199	*98*	195	218	228	195	228	*86*

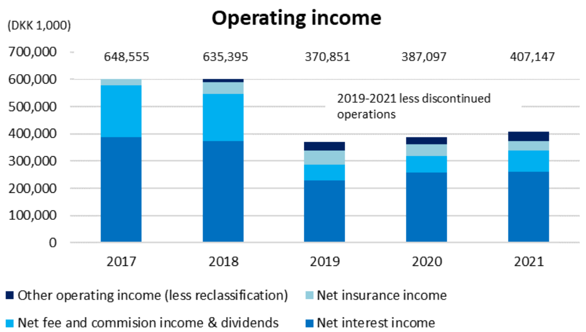
1 Comprises staff costs, administrative expenses and amortisation, depreciation and impairment charges (less reclassification to non-recurring items).
2 Reclassified from Other operating income, Staff costs and administrative expenses and from Amortisation, depreciation and impairment charges.
3 Incl. net income from investments accounted for under the equity method (excl. sector shares).

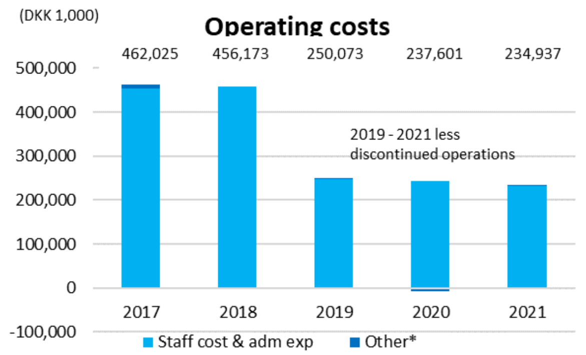
“We’re pleased to note that we managed to deliver strong financial results in 2021, which in fact proved better than our original guidance. At the same time, we launched initiatives intended to give sustainability a more prominent role within the Group and for our customers. The better-than-expected performance was driven by improvements in our core banking operations and reversals of impairment losses. The most important individual event of the year was the divestment of our Danish business, a move that set off a major reorganisation and required a great deal of flexibility from our organisation,” said BankNordik CEO Árni Ellefsen.

Income statement

Operating income

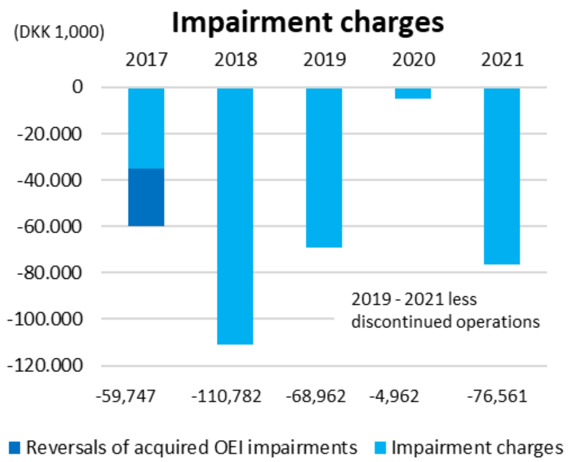
Net interest income amounted to DKK 260m in 2021 compared to DKK 258m in 2020, reflecting the bank’s stable interest rate margin. Net fee and commission income grew by DKK 19m, or almost one third, year on year to DKK 79m in 2021, due to adjustments in the Bank’s fee structure as well as higher mortgage and investment activity. Net insurance income fell from DKK 45m in 2020 to DKK 34m in 2021 due to a significant increase in claims expenses, mainly driven by significant increases in costs relating to the rebuilding of damaged properties. Other operating income came in at DKK 34m in 2021 compared to DKK 24m in 2020. The Group therefore recognised total operating income of DKK 407m in 2021, a 5% increase on 2020.





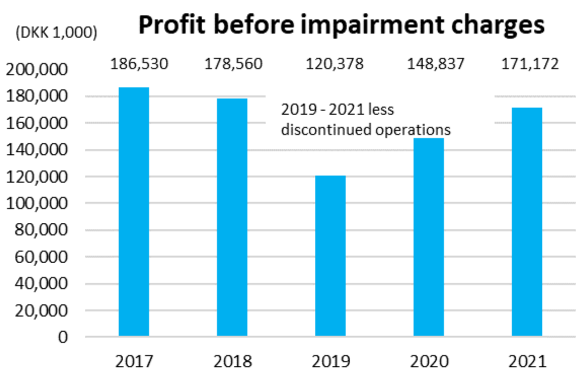
provision taken by management in 2020 for future impairments due to COVID-19 was not released in 2021.

The Group remains confident about its through-the-cycle credit policy and its healthy 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 or industries still affected by the COVID-19 pandemic. As a result, BankNordik expects to be able to keep impairments below the industry average going forward.



Operating costs

Operating costs overall fell by DKK 3m in 2021, to DKK 235m. Cost discipline remains a focus area for the Group, and the drive towards operational efficiency and automation will continue over the coming years towards the Group's cost/income target of <55% in 2024.



Net impairment charges

The BankNordik Group's low-risk approach in granting credits again came through in 2021 with net impairment charges being a reversal of DKK 77m. The DKK 52m

Operating profit

The Group's operating profit in 2021 came in at DKK 248m, DKK 94m more than in 2020.

Non-recurring items

The Group's non-recurring items in 2021 comprised the sale proceeds for the Group's Danish banking business less associated expenses. Gross sales proceeds amounted to DKK 255, and expenses were mainly made up of fees paid to the Bank's IT platform provider as well as compensation related to the organisational adjustments made in connection with the sale. Non-recurring items in 2021 thus totalled DKK 89m. No non-recurring items were recognised in 2020.

Investment portfolio earnings

Investment portfolio earnings amounted to a loss of DKK 7m in 2021 compared to a loss of DKK 2m in 2020, mainly due to the Group moving its investment portfolio to sovereign bonds and cash equivalents resulting in a low yield, but also in a lower capital allocation to cover market risks.

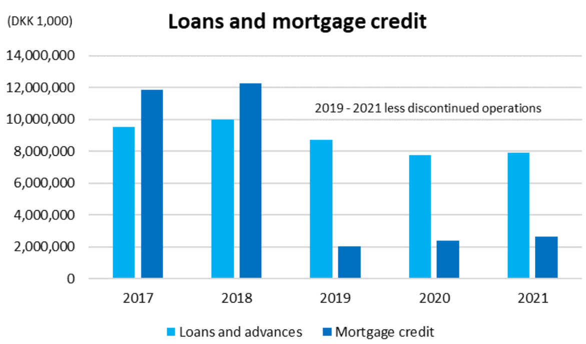
Profit before tax

The Group's continuing operations produced a profit before tax for 2021 of DKK 330m, a 117% increase from DKK 152m in 2020. The increase was driven by net impairments, increased net fee and commission income as well as the proceeds from the sale of the Group's Danish business. The Group's discontinued operations contributed DKK 9m in profit before tax in 2021 (1 month of operation) compared to DKK 54m in 2020 (12 months of operation). As a result, total profit before tax for the BankNordik Group was DKK 340m in 2021, an increase of DKK 133m compared to 2020.

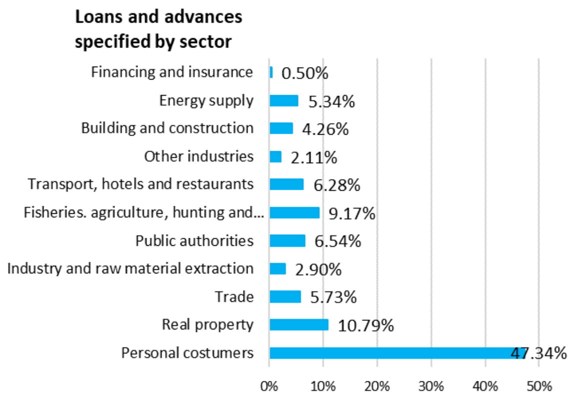
Balance sheet

Lending

Loans and advances amounted to DKK 7,624m in 2021, largely flat compared to DKK 7,608m in 2020. Corporate lending volumes increased by DKK 66m, and personal lending volumes decreased by DKK 4m. In addition, the Group increased its brokered mortgage volumes by DKK 282m in 2020.

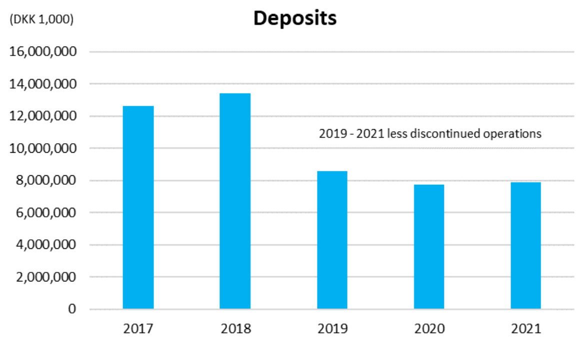


BankNordik places great emphasis on maintaining sound credit policy guidelines to ensure that lending growth does not come at the expense of financial sustainability of the group. Around half of the loan portfolio is allocated to personal lending and half is allocated to a well-diversified corporate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



Deposits

Total deposits amounted to DKK 7,900m at the end of 2021, an increase of DKK 166m from DKK 7,733m at year-end 2020.



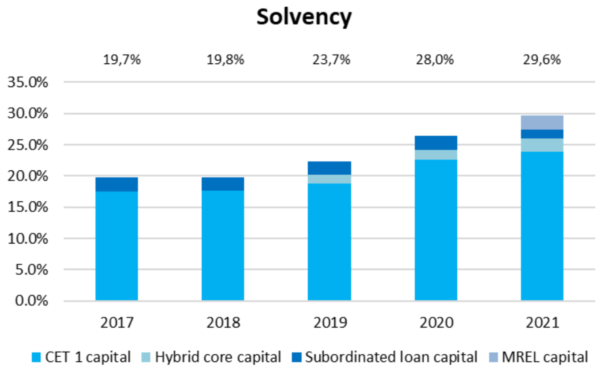
Solvency and liquidity

BankNordik held total capital of DKK 2,028m, incl. Minimum Requirement for own funds and Eligible Liabilities (MREL capital), at 31 December 2021 compared to 2,581m at 31 December 2020 reflecting the planned reduction of capital following the divestment of the Danish activities. Subordinated capital was refinanced during the year and amounted to DKK 99m at 31 December 2021 compared to DKK 225m in 2020, while hybrid core capital was stable DKK 151m at 31 December 2021 compared to 31 December 2020. Core capital amounted to DKK 1,780m at 31 December 2021, which was a decrease of DKK 577m from DKK 2,357m at 31 December 2020. CET1 capital amounted to DKK 1,629m at 31 December 2021, DKK 577m less than the CET1 capital of DKK 2,206m at 31 December 2020 due to the extraordinary dividend of DKK 450m paid out in 2021 and planned extraordinary dividend of DKK 250m to be paid out in 2022.

The Group's solvency requirement at the end of 2021 decreased to 9.4% from 10.6% at year-end 2020. The

Group's MREL ratio increased to 29.6% at 31 December 2021 compared to 26.4% a year earlier. The total capital ratio increased to 27.5% at the end of 2021 from 26.4% at the end of 2020. The core capital ratio increased to 26.0% at the end of 2021 from 24.1% at the end of 2020, while the Group's CET 1 ratio increased to 23.8% at the end of 2021 from 22.6% the previous year. The Group's total capital includes DKK 11.1m worth of subordinated debt (0.2 percentage point), which is not eligible to be included in the solvency surplus. As such, the solvency surplus at the end of 2021 was 18.0 percentage points compared to 16.3 percentage points in 2020. Compared to the external capital requirements, incl. MREL requirements, totalling 20.5% at the end of 2021, BankNordik had a solvency surplus of 9.1 percentage points.

The Group's liquidity coverage ratio was 191% at year-end 2021, well above the requirement of 100%, but below the LCR of 231.1% at 31 December 2020 due to the sale of the Group's Danish business.



Financial results for Q4 2021

Net interest income in Q4 2021 was DKK 66m, up DKK 1m compared to Q3 2021. Net fee and commission income was DKK 23m in Q4 compared to DKK 19m in Q3, while insurance income was DKK 6m in Q4 compared to DKK 7m in the previous quarter.

Operating costs amounted to DKK 57m in Q4 compared to DKK 59m in Q3. Impairment charges were a reversal of DKK 40m in Q4 vs. DKK 13m in Q3. As a result, profit before tax for continuing operations amounted to DKK 95m in Q4 2021 compared to a profit of DKK 53m in Q3 2021. Ownership of the Group's discontinued operations was finally transferred in Q1 2021 and as such have not had an impact on results in Q2-Q4.

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 be indicators of increased risk. As shown in the figure, the Bank meets all criteria by a comfortable margin. The sale of the Group's Danish business had a sizable effect on three of the indicators. The sum of large exposures and property exposure as a percentage of total exposures grew due to the divested portfolio consisting mostly of personal customers. The Group's liquidity indicator fell from 240.0% in 2020 to 194.3% at the end of 2021 due to the fact that the divested portfolio contained a fairly large deposit surplus. All indicators remain comfortably within both the FSA limits and the Group's own risk tolerance.

The Supervisory Diamond

	2021	2020	FSA limit
Sum of large exposures	141.7%	124.2%	< 175%
Liquidity indicator	194.3%	240.0%	>100 %
Loan growth	0.2%	-0.7%	< 20 %
Funding ratio	0.67	0.61	< 1.0
Property exposure	11.1%	8.5%	< 25 %

Dividends proposed

At the upcoming Annual General Meeting, to be held on 25 March 2022, the Board intends to propose total dividend payments of DKK 386m for 2021 (DKK 40,2 per share) to the shareholders, consisting of an extraordinary dividend of DKK 250 million due to the reduced REA resulting from the divestment of the Danish business and DKK 136 million representing 50% of the net profit for 2021.

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

Debt issuance

Due to the continuous focus on optimizing the capital structure and liquidity, BankNordik plans issuing of senior non-preferred (T3) and/or senior preferred loan capital in 2022.

Rating

BankNordik has requested Moody's to provide a deposit and issuer rating of the Bank going forward. Initial ratings are expected to be received during 1Q 2022.

Outlook

BankNordik expects to continue growing its overall lending and mortgage volumes in 2022 – 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 enhancing the user experience to attract new customers, for example by migrating the online and mobile banking systems to a new platform with enhanced funcionality. 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, and as such the mortgage credit business is expected to outgrow the direct lending business to personal customers. In Greenland, BankNordik expects to grow the 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 2022 due to continued investment activity in both the Faroe Islands and Greenland. 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 weighting of part of the corporate exposure in 2021, and the Group expects to continue utilising available programmes in 2022 whilst issuing additional MREL instruments.

Fee and commission income is expected to increase slightly in 2022, as changes to the Bank's fee structure made in 2021 have an effect across the full year.

Insurance premiums are expected to continue to grow both due to 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 higher net insurance income in 2022 than in 2021.

The Group's operating costs fell slightly in 2021, as the Group adjusted its organisation following the finalisation of the sale of the Danish business, resulting in a cost/income ratio of 58% (2020: 61%). The Group expects operating costs in 2022 to fall further, as the organisational adjustments take effect over the full year. The Group's impairment levels are expected to remain low in 2022.

The BankNordik Group is now focused solely 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 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.

In 2022, BankNordik expects to achieve net profit in the range of DKK 130-160m (2021: DKK 272m).

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.

Board of Directors' Review

We are proud to deliver an annual report for 2021 showing positive developments in all markets and a strong potential for continuing the trend.

We can look back on a satisfactory and eventful year in which we both delivered strong financial results and refocused the Group for a new, leaner organisation having divested the Danish business. We are pleased to note that our customers have only been affected by the global pandemic to a very limited extent, which also means that it has not impacted our financial results to any significant degree. The main driving forces underlying our positive performance for the year were our stronger core earnings as well as as reversed impairments. Over the coming years, we plan to intensify our focus on creating improved customer experiences, ensure efficient operations and continue the ongoing evolution of a competitive banking group contributing to a sustainable society.

Delivering exceptional customer experiences in a digital world

Digitalisation and efficiency enhancements have formed an integral part of our targeted efforts to improve customer satisfaction as well as our top line over the past several years. Maintaining our focus on these operational aspects remains crucial for running a competitive and financially viable business. Accordingly, we remain committed to strengthening the relationship between improved customer experiences and digitalisation, and it is in combining the two that we find the key to our future success.

We are now looking to a future in which our attention will be directed even more at creating sound digital customer experiences. Banking with us should be straightforward, and we need to offer our customers a cohesive, easily accessible digital customer experience. In order to do that, we will be simplifying our internal processes and task management, and through the use of robotic technology, we will automate more and more administrative tasks, which will improve our profitability and lead to speedier case processing, all contributing to the good customer experience.

The latest addition in this context is the launch of our new online banking service, which is our customers' most important tool in their day-to-day banking needs and therefore a top priority project for us. Our new online banking service is built on a state-of-the-art, future-proof platform that offers our customers a contemporary design with new functionality to give all customers an improved overview and better ways to manage their personal finances. In addition, the new platform allows for a wide range of new features going forward, and it will be a core element in our ongoing optimisation of the digital customer experience.

Our role in helping to build a sustainable society

Applying our skills and experience to contribute to creating progress and growth in the societies where we run our business is at the heart of our business culture and corporate identity. Throughout our history, we have helped businesspeople and personal customers achieve their ambitions and made every effort to make a positive difference for our customers, employees and local communities.

Being a strong financial player, we cannot rank our business or success on our financial performance alone, and we are very aware that we have a responsibility to contribute to the transition to a sustainable society and a sustainable economy. At BankNordik, we have a unique opportunity to make a difference by helping our customers choose sustainable solutions that will contribute to reducing emissions.

Solutions supporting the green transition

We already offer a range of green solutions that make it financially attractive for our customers to make green choices. For example, in 2021, we introduced a green housing loan offering an attractive mortgage rate to customers heating their homes with sustainable energy. This is part of our contribution to supporting the transition to a more sustainable society, and we are working continuously to develop our product offering and advisory services to meet customer demand.

During the year, we made an extra effort to inform our customers through various channels about the environmental and financial benefits of choosing sustainable solutions. We hosted in-person events and held webinars on building a new home, energy-upgrading and green sources of energy for the home; in addition, sustainable investment was a key topic on our own podcast channel. We will continue our efforts to build customer awareness of the topic and of our products offering sustainable solutions. For example, we plan to train our employees to strengthen their skills in advising our customers on sustainable investing, financing, etc.

Efforts to minimise our environmental footprint

Going forward, we will broaden our focus on contributing to reducing CO_2 emissions through our products and financing activities in order to minimise the negative environmental footprint of our business. We know that sustainable investments can help reduce CO_2 emissions, so this is one area where we must give sustainability a more prominent role. To that end, we have begun calculating the emissions of our investment activities and have drawn up an action plan to reduce emissions originating from investment products. This is consistent with the recommendations of the Forum for Sustainable Finance outlining how the financial sector can contribute to accelerating the transition to a sustainable society. Next year, we expect to draw up a similar action plan for CO_2 emissions relating to our lending operations.

In-house, we are committed to securing positive progress on the environmental, social and governance targets we first announced at the release of last year's annual report. During the autumn months, we reviewed our ESG targets, making them more ambitious, and our goal is now for the Group to eliminate all direct emissions from the combustion of oil and petrol by 2025. As a step in that direction, we have begun to phase out all petrol and diesel cars, and we expect to have completed this process by the end of 2022. We have also begun to convert from fossil fuels to sustainable sources of energy in all our buildings.

Increasing the focus on gender equality at the BankNordik Group

Being a banking group, we are part of an industry where gender equality in management has historically been a major challenge, given the generally small number of women in management positions throughout the sector. We believe we can create a better business and generate stronger results by working to enhance diversity. Accordingly, we emphasise that all employees, regardless of gender, have equal opportunities to develop and take on management positions in 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.

As part of these efforts, we launched a number of initiatives during the past year to ensure that all employees are offered the necessary opportunities to develop and take on new, challenging responsibilities. We have begun to measure and disclose the gender pay gap ratio and while we have an equal pay for equal work policy, the numbers reveal a gap that it will take considerable efforts to eliminate. In that connection, we have identified some focus areas with a view to improving our utilisation of the qualifications and skills available while also supporting gender equality. For example, we now encourage parents to share equally the transferable weeks of parental leave. At the same time, we offer employees with small children more flexibility when planning their working hours.

Optimising our capital structure

In our continuous efforts to optimise the business, we have raised our 2024 target for ROE after tax from 8% to more than 10% p.a. We also expect improvements in our core banking operations over the coming years that will see our cost/income ratio fall below 55% in 2024, and in our insurance business, we have lowered our combined ratio target from 90% to 85%. We have optimised our capital structure and adjusted our capital adequacy target for common equity tier 1 (CET 1) from 23% to 20% for the period to 2024. The target adjustments are based on the current interest rate environment and impairment charges at a normalised level. We will maintain our target of a 50% payout ratio supplemented by share buybacks.

As part of this process, we expect to pay dividends of DKK 386 million in 2022, consisting of an extraordinary dividend of DKK 250 million due to the reduced REA resulting from the divestment of the Danish business and DKK 136 million representing 50% of the net profit for 2021.

We look back on an eventful year in which we delivered strong financial results as well as an extraordinary dividend payout to our shareholders. We wish to thank every one of our employees for their huge efforts, exemplary dedication and commitment in a demanding transitionary period, while also thanking our customers and shareholders for their support. We stand well prepared to embark on a new year, in which we will remain focused on running a profitable, competitive and sustainable business that will continue to create value for our customers, employees, local communities and our shareholders.

Our external environment

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

The Faroe Islands and Greenland are not immune to economic developments on the global stage. Underlying growth has rebounded well, with world GDP rising above 2019-levels in 2021 after a steep decline in 2020. Growth will naturally start to taper in the coming years, but the expectation is 4.5% rate of real economic growth in 2022 for the global economy. Among Western economies, it is worth noting that the economic decline in terms of GDP has been less severe in the United States than in Europe, but European employment has been better protected than in the U.S. Many economies are still grappling with the effects of COVID-19, but due to the ever-increasing vaccination rates and potentially lower severity of new variants, economic activity is not expected to be as affected in the coming year as it was in 2020 and 2021.

The picture of the overarching risks facing BankNordik and the economies in which it operates has shifted somewhat in recent years. Notwithstanding the current wave of COVID-19 infections affecting both the Faroe Islands and Greenland, the pandemic's economic effects have not had much impact on overall activity apart from a still-stifled tourism industry, and its effects are expected to fade further in 2022. The risk focus has instead turned to the unexpectedly high and persistent inflation levels seen in the past few months, in part caused by COVID-19-related changes in demand and supply chain constraints. The resulting potential for rising interest rates has also been a big topic in financial markets. Whilst rate rises in the United States have the potential to 'spill over' into the Eurozone, rate hikes are likely to come at a more moderate pace and level in Europe than in America. Rising interest rates are seen as both a risk factor and a potential benefit for the financial industry. Inflation means that people's purchasing power will decrease, house prices will face downward pressure, and rate rises mean that borrowers with variable interest rate loans will take a financial hit, potentially threatening their ability to repay their debt. On the other hand, higher interest rates mean that banks will, other things being equal, earn more on their lending.

Shifting the perspective to the two North Atlantic economies on which BankNordik is now fully focused, we noted a number of similarities between the two countries in last year's annual report. Strong economic growth, fisheries exports accounting for a large share of GDP, small populations, and close political ties with Denmark characterise both countries. Both countries are considered exotic destinations for many tourists, and the economic opportunity for this sector is significant. BankNordik tracks a number of economic indicators for both economies, and trends are often similar. For example, both countries have seen sharp rises in export values over the last decade or so, and this has helped drive enviably high economic growth rates. There has been a slight divergence since the onset of the COVID-19 pandemic, however, in that Faroese exports have largely recovered whilst exports from Greenland remain 15% below their peak.

In general, however, economic movements in Greenland are more moderate than those seen in the Faroe Islands, part of the reason being the decreasing reliance on the Danish block grant in the Faroe Islands compared with Greenland. The block grant now corresponds to less than 3% of Faroese GDP whilst accounting for almost 25% in Greenland. The size of the block grant has a stabilising effect on the Greenlandic economy, mitigating the effects of both economic upturnes and declines. This particular characteristic was illustrated in 2020 and 2021 when real economic growth in Greenland came in at 0.9% and an estimated 1.8%, respectively, compared to an inflation-adjusted economic decline of 2.0% in 2020 followed by a growth rate of 6.7% in 2021 in the Faroe Islands. For the Faroese economy, the hope is that an increased diversification between fisheries, aquaculture, tourism and even IT will help stabilise future economic developments.

The level of economic self-reliance is one of a number of differences between the Faroe Islands and Greenland. In last year's report, we noted the relative difficulty in building Greenland's infrastructure, which means that it lags developed economies on parameters such as internet speed, ease of travel as well as economic divergence between central areas and provincial towns. There are a few of the structural issues affecting Greenland, which one might argue are reflected in the labour market participation rate, which whilst world-leading in the Faroe Islands is slightly below the Nordic average in Greenland, where it along with educational attainment continues to be a focus area for the government.

Looking ahead, BankNordik is optimistic about its future in the two markets. The economies and the Bank's customers are healthy, and lending demand is stable. Our strategic focus is solely on serving the North Atlantic market competitively and sustainably, as we aim to retain our leading position in the Faroese market and to grow organically in Greenland.

Applied calculation methods and alternative performance measures

Adjustments made to income and costs between the 2021 quarterly reports

Financial figures for Q1 – Q3 in 2021 are corrected as incorrect classification and periodisation of Net interest income and Operatings costs are identified. Effects of the corrections are a reduction of Operation costs of DKK 0.2m in each quarter for Q1 – Q3 2021, as well as a reduction af Net interest income of DKK 0.7m and DKK 1.6m respectively for Q1 2021 and Q3 2021. The net effect on the profit before tax was negative DKK 0.5m in Q1, positive DKK 0.5m in Q2 and negative DKK 1.4m in Q3 2021.

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

Note	Adjusted Income statement 2020, Group, DKK 1,000	Income statement	Restatement	Restated income statement
1, 8	Net interest income	278,220	-20,665	257,555
2	Net fee and commission income	63,164	-3,272	59,892
	Net insurance income	45,152	0	45,152
2, 6	Other operating income	7,086	17,412	24,498
	Operating income	**393,622**	**-6,525**	**387,097**
3, 7	Operating costs	251,928	-14,327	237,601
	Sector costs	659	0	659
	Profit before impairment charges	**141,035**	**7,802**	**148,838**
4	Impairment charges	-4,962	0	-4,962
	Operating profit	**145,997**	**7,802**	**153,799**
3, 4, 5	Non-recurring items	0	0	0
	Profit before investment portfolio earnings and tax	**145,997**	**7,802**	**153,799**
1, 6, 9	Investment portfolio earnings	-16,631	14,860	-1,771
	Profit before tax, continiuing operations	**129,366**	**22,662**	**152,028**
5, 7, 8, 9	**Profit before tax, discontinued operations**	**77,075**	**-22,662**	**54,413**
	Profit before tax, total	**206,441**	**0**	**206,441**

Note	Restatements made to the income statement, DKK 1,000	2021	2020
1	Reclassification of interest income from bonds from the item Interest income to Investment portfolio earnings.	7,533	25,517
2	Dividends reclassified from Net fee and commission income to Other operating income.	3,429	3,272
3	Reclassification of IT-costs, severance costs and other costs from Operating costs to Non-recurring items.	8,141	0
4	Reclassification of impairment charges to Non-recurring items.	0	0
5	Reclassification of provenue regarding the sale of the Danish activities Non-recurring items.	97,064	0
6	Reclassification of value adjustments related to sector shares and of profit or loss from currency transactions to Other operating income.	19,692	14,140
7	Operating costs allocated to the Greenland segment	0	14,327
8	Interests allocated to the Danish segment	0	4,852
9	Value adjustments allocated to the Danish segment	0	3,483

Management and directorships

Board of Directors

Jóhanna Lava Køtlum (Chairman) Elected by the General Meeting	
Date of birth	21 July, 1968
Gender	Female
Nationality	Faroese
First time elected to the Board:	2021
Term expires:	2022
Independent	
Educational background:	Master of Technical Scientific Environmental Assessment, University of Aalborg, Denmark. Cand. Scient in Biology, University of Aarhus, Denmark.
Competencies:	Working experiences and in-depth knowledge of management and strategy processes within the public as well as the private sector. Several years of working experience with administration and regulation of aquaculture, as well as administrative declarations, licences and binominal negotiations within the fishing industry. Experiences with Nordic and European collaborations regarding environmental and fishery related issued – for example as representative of MiFi (Nordic Environment and Fishery collaboration) and the Nordic BAT (Best Available Techniques) working-group.
Principal occupation:	Manager of the Aquaculture Research Station of the Faroe Islands.
Directorships and other offices:	None
Jógvan Jespersen (vice chairman) Elected by the General Meeting	
Date of birth	4 December, 1955
Gender	Male
Nationality	Faroese
First time elected to the Board:	1994-2006, and again in 2015
Most recently re-elected:	2021
Term expires:	2022
Independent	
Educational background:	HD - Finance and accounting from School of Business and Social Sciences, Aarhus University.
Competencies:	Broad and extensive knowledge of the Faroese economy as well as in-depth knowledge of the operation of Faroese companies.
Principal occupation:	Managing Director of Faroese Pelagic organization.
Directorships and other offices:	Forskerparken P/F iNOVA (Chairman). Faroe Shipowners Association, Security Fund for fisheries (Board member).
Ben Arabo Elected by the General Meeting	
Date of birth	1 September, 1973
Gender	Male
Nationality	Faroese
First time elected to the Board:	2020
Most recently re-elected:	2021
Term expires:	2022
Independent	
Educational background:	Cand.merc (Foreign Trade) from Aarhus Business Shool; Ha(Int) English/German from Aarhus Business School.
Competencies:	In-dept knowledge of the Faroese business environment and the financial sector. International working experience as well as manager and board member of financial as well as listed companies in Greenland and the Faroe Islands.
Principal occupation:	CEO at the Faroese investment-fund Framtak
Directorships and other offices:	Grønlandsbanken (Former Board member), P/F Atlantic Petroleum (Chairman), P/F Vest Pack (Chairman)
Michael Ahm Elected by the General Meeting	
Date of birth	29 May 1962
Gender	Male
Nationality	Danish
First time elected to the Board:	2021
Term expires:	2022
Independent	
Educational background:	ATV. Applied AL Academy. Board Academy, University of Copenhagen and Plesner Law firm. INSEAD, France, Strategic management in banking. INSEAD, France, Advanced management programme. Master in Economics, University of Copenhagen.
Competencies:	Several years of operational and strategic working experience from the Danish financial sector primarily from Danske Bank where he headed different departments within risk, credit, corporate finance, business development markets and finance.
Principal occupation:	Independant advisor within the Nordic financial sector. Assistant professor at Copenhagen Business School.
Directorships and other offices:	Coop Bank A/S (Board Member), BigeFinancials A/S (former Chairman), Danske Andelskassers Bank A/S (Former Vice Chairman)
Sverre Bjerkeli Elected by the General Meeting	
Date of birth	4 September 1959
Gender	Male
Nationality	Norwegian
First time elected to the Board:	2021
Term expires:	2022
Independent	
Educational background:	Financials for Executives Programme, INSEAD. MSc Business and Marketing, Handelsakademiet (BI), Norway.
Competencies:	Several years of experience and in-depth knowledge of company management and development of performance cultures within numerous sectors, including the insurance and banking sector. Knowledge and experience within IT software development from developing insurance and banking software with an international scope. Substantial competences regarding capital allocation and strategy processes within small, medium, and large companies.
Principal occupation:	Self-employed
Directorships and other offices:	Founder and former CEO of Protector Forsikring ASA. Former director at the non-life insurance company Storebrand/If Forsikring. Former CEO at Storebrand Bank. Founder and former CEO of the IT company Torinno. Insurance segment of the Norwegian finance

Alexandur Johansen	
Elected by the employees	
Date of birth	7 June, 1979
Gender	Male
Nationality	Faroese
First time elected to the Board:	2018
Term expires:	2022
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 - leader of corporate department.
Directorships and other offices:	None

Kenneth Samuelsen	
Elected by the employees	
Date of birth	July 21, 1966
Gender	Male
Nationality	Faroese
First time elected to the Board:	2010
Most recently re-elected:	2018
Term expires:	2022
Educational background:	Financial education
Competencies:	Broad knowledge of sector and labour market relationships. Customer and employer satisfaction. Experience within and knowledge of IT.
Principal occupation:	BankNordik - IT & Analyses department - unit Faroe Islands.
Directorships and other offices:	None

Rúna Hentze	
Elected by the employees	
Date of birth	17 February 1966
Gender	Female
Nationality	Faroese
First time elected to the Board:	2010
Most recently re-elected:	2021
Term expires:	2022
Educational background:	Financial education supplemented with different banking related courses.
Competencies:	Broad knowledge and experience within different aspects of Banking services. Experience within trade union work within the financial sector.
Principal occupation:	BankNordik - Back Office - unit Faroe Islands
Directorships and other offices:	None

Executive Management

Árni Ellefsen (CEO)	
Date of birth	6 January, 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 Associaion of Employers in the Financial Sector, Faroese Employer Association, BI Holding A/S, P/F Trygd (Chairman), P/F NordikLív (Chairman), P/F Skyn (Chairman) and the Faroese Banking Association (Chairman)

Segments

Banking

Adjusted Income statement, Banking

DKKm	Q4 2021	Q3 2021	*Index*	Q2 2021	Q1 2021	Q4 2020	Q3 2020	2021	2020	*Index*
Net interest income	66	64	*103*	66	63	65	65	260	258	*101*
Net fee and commission income	26	22	*118*	24	20	19	18	92	71	*128*
Other operating income	7	7	*95*	7	7	7	5	28	20	*138*
Operating income	**99**	**94**	***106***	**96**	**91**	**91**	**87**	**380**	**349**	***109***
Operating cost	-51	-53	*95*	-56	-54	-58	-52	-214	-218	*98*
Sector costs	0	0		0	0	0	0	-1	-1	*158*
Profit before impairment charges	**48**	**40**	***122***	**40**	**37**	**33**	**35**	**165**	**130**	***126***
Impairment charges, net	40	13	*311*	27	-3	10	-2	77	5	
Operating profit	**89**	**53**	***169***	**67**	**34**	**43**	**32**	**241**	**135**	***178***
Non-recurring items	6	2	*408*	4	77	0	0	89	0	
Profit before investment portfolio earnings and tax	**95**	**54**	***176***	**71**	**110**	**43**	**32**	**330**	**135**	***244***
Investment portfolio earnings	2	-1	*-216*	-4	-2	2	4	-5	0	
Profit before tax, continuing operations	**97**	**53**	***182***	**67**	**108**	**44**	**36**	**325**	**135**	
Profit before tax, discontinued operations	**0**	**0**		**0**	**9**	**1**	**35**	**9**	**54**	***17***
Profit before tax, total	**97**	**53**	***182***	**67**	**117**	**46**	**71**	**334**	**189**	***176***
Loans and advances	7,624	7,594	*100*	7,586	7,450	7,608	7,501	7,624	7,608	*100*
Deposits and other debt	7,914	7,435	*106*	7,660	7,536	7,756	7,531	7,914	7,756	*102*
Mortgage credit	2,657	2,609	*102*	2,502	2,443	2,375	2,284	2,657	2,375	*112*
Operating cost/income, %	51	56		59	59	63	60	56	62	
Number of FTE, end of period	164	167	*98*	166	186	196	199	164	196	*84*

The Bank's net interest income was up DKK 2m in 2021 compared to 2020, which is positive given the ever-present margin pressure the Bank faces along with a continuos change from traditional bank house loans towards mortgage lending. Net fee and commission income rose significantly from DKK 71m in 2020 to DKK 92 in 2021 due to fee adjustments and increased mortgage credit and investment volumes. Other operating income rose by DKK 8m relative to 2020 to DKK 28m. As a result, the Bank's non-interest income increased by DKK 28m year on year in 2021, and operating income as a whole rose by DKK 30m. Operating costs fell by DKK 5m in 2021 compared to 2020, mainly due to the organisational adjustments following the sale of the Group's Danish business. As a result, profit before impairment charges rose by DKK 34m compared to 2020 to DKK 165m in 2021.

BankNordik maintains its through-the-cycle credit policy, and due to the good financial health of its customers, the Bank saw a net reversal of impairments of DKK 77m while maintaining provisions of DKK 52m for future losses. In 2020, the Bank reversed DKK 5m of previously impaired loans while making the above-mentioned provision. The resulting operating profit for the banking segment in 2021 was DKK 241m, 106m more than in 2020.

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 2020. As a result, the Bank's profit before tax on continuing operations was DKK 330m in 2021 compared to DKK 135m in 2020. Profit before tax from discontinued operations came in at DKK 9m in 2021 compared to DKK 54m in 2020, as the sale of the Group's Danish business was finalised on 1 February 2021. The Bank's total profit before tax in 2021 was DKK 334m, compared to DKK 189m in 2020.

Loans and advances to customers were fairly flat, rising DKK 16m in 2021 to DKK 7,624m, and the portfolio of the Bank's brokered mortgage credit rose by DKK 282m to DKK 2,657m. Customer deposits rose by DKK 158m to DKK 7,914m.

Personal Banking

Adjusted Income statement, Personal banking

DKKm	Q4 2021	Q3 2021	*Index*	Q2 2021	Q1 2021	Q4 2020	Q3 2020	2021	2020	*Index*
Net interest income	34	33	*103*	33	32	32	32	131	127	*103*
Net fee and commission income	19	15	*127*	16	14	14	14	65	54	*119*
Other operating income	5	5	*94*	5	5	5	4	20	16	*122*
Operating income	**58**	**54**	***109***	**53**	**51**	**51**	**49**	**216**	**198**	***109***
Operating costs	-39	-44	*89*	-45	-43	-46	-42	-172	-174	*99*
Sector costs	0	0		0	0	0	0	-1	0	
Profit before impairment charges	**19**	**9**	***211***	**8**	**8**	**5**	**7**	**43**	**24**	***182***
Impairment charges, net	5	3		0	14	5	-4	22	-4	- *582*
Operating profit	**24**	**12**	***207***	**8**	**22**	**10**	**3**	**65**	**20**	***326***
Non-recurring items	-4	2	*-235*	4	77	0	0	79	0	
Profit before investment portfolio earnings and tax	**21**	**13**	***154***	**12**	**98**	**10**	**3**	**144**	**20**	***719***
Investment portfolio earnings	2	-1	*-305*	-3	-2	1	3	-3	0	
Profit before tax, continuing operations	**23**	**13**	***178***	**9**	**97**	**11**	**6**	**141**	**21**	***687***
Profit before tax, discontinued operations	**0**	**0**		**0**	**9**	**1**	**35**	**9**	**54**	***17***
Profit before tax, total	**23**	**13**	***178***	**9**	**106**	**12**	**40**	**150**	**75**	***200***
Loans and advances	3,583	3,603	*99*	3,584	3,559	3,587	3,581	3,583	3,587	*100*
Deposits and other debt	5,105	5,125	*100*	5,269	5,205	5,140	5,144	5,105	5,140	*99*
Mortgage credit	2,292	2,252	*102*	2,205	2,152	2,074	2,003	2,292	2,074	*110*
Operating cost/income, %	68	82		85	85	90	85	80	88	
Number of FTE, end of period	71	73	*97*	72	77	80	79	71	80	*88*

BankNordik's operating income from personal banking customers increased by 9% in 2021, driven by stable lending volumes and increased net fee and commission income. Both net interest income and non-interest income grew year on year. Net interest income was up by DKK 4m to DKK 131m in 2021, and net fee and commission income grew by DKK 11m year on year to DKK 65m. Other operating income rose to 20m in 2021 from DKK 16m in 2020, resulting in operating income as a whole increasing from DKK 198m in 2020 to DKK 216m in 2021.

Operating costs fell to DKK 172m in 2021 from DKK 174m in 2020. As a result, profit before impairment charges was up by DKK 19m year on year in 2021 to DKK 43m. Impairment charges were a net reversal of DKK 22m in 2021 compared to a charge of DKK 4m in 2020. Non-recurring items amounted to DKK 79m in 2021, whereas no non-recurring items were posted in 2020. Investment portfolio losses were DKK 3m compared to DKK 0m in 2020. Profit before tax for continuing operations were thus DKK 141m in 2021 compared to DKK 21m in 2020. Profit before tax from discontinued operations fell from DKK 54m in 2020 to DKK 9m in 2021. This resulted in total profit before tax for the personal banking segment increasing from DKK 75m in 2020 to DKK 150m in 2021.

DKK direct lending to personal customers was largely flat at DKK 3,583m at year-end 2021 compared to DKK 3,587m in 2020. Brokered mortgage credit again saw healthy growth, up by DKK 218m to DKK 2,292m at year-end 2021.

Corporate Banking

Adjusted Income statement, Corporate Banking

DKKm	Q4 2021	Q3 2021	Index	Q2 2021	Q1 2021	Q4 2020	Q3 2020	2021	2020	Index
Net interest income	32	31	*103*	33	32	33	33	128	130	*99*
Net fee and commission income	7	7	*97*	8	6	5	4	27	17	*158*
Other operating income	2	2	*116*	2	2	2	1	9	4	*210*
Operating income	**41**	**40**	***103***	**43**	**40**	**40**	**38**	**164**	**151**	***108***
Operating costs	-11	-9	*123*	-11	-11	-12	-10	-42	-44	*94*
Sector costs	0	0		0	0	0	0	0	0	
Profit before impairment charges	**30**	**31**	***97***	**32**	**29**	**28**	**28**	**122**	**107**	***114***
Impairment charges, net	35	10	*343*	27	-17	5	2	54	9	*622*
Operating profit	**65**	**41**	***158***	**59**	**12**	**33**	**30**	**176**	**115**	***153***
Non-recurring items	0	0		0	0	0	0	0	0	
Profit before investment portfolio earnings and tax	**65**	**41**	***158***	**59**	**12**	**33**	**30**	**176**	**115**	***153***
Investment portfolio earnings	1	0		-1	-1	0	1	-1	-1	
Profit before tax	**66**	**41**	***162***	**58**	**11**	**33**	**31**	**175**	**115**	***153***
Loans and advances	4,041	3,960	*102*	3,962	3,856	3,974	3,847	4,041	3,974	*102*
Deposits and other debt	2,808	2,300	*122*	2,384	2,323	2,607	2,347	2,808	2,607	*108*
Mortgage credit	365	357	*102*	297	291	301	281	365	301	*121*
Operating cost/income, %	28	23		26	27	30	27	25	29	
Number of FTE, end of period	13	14	*93*	14	15	16	17	13	16	*81*

Developments on the income side of corporate banking were positive in 2021. Even though net interest income fell slightly to DKK 128m, net fee and commission income and other operating income rose by DKK 10m to DKK 27m and by DKK 5m to DKK 9m year on year, respectively. Total operating income was thus up by 8%, or DKK 13m, in 2021 at DKK 164m.

Operating costs fell by 6% from DKK 44m in 2020 to DKK 42m in 2021, resulting in profit before impairment charges coming in at DKK 122m, an increase of DKK 15m compared to 2020.

Impairments charges were a net reversal of DKK 54m in 2021, compared to a reversal of DKK 9m in 2020. As both non-recurring items and investment portfolio earnings were flat between 2020 and 2021, profit before tax was DKKm 61m higher in 2021 at DKK 175m compared to 2020.

The corporate lending portfolio grew by 2% during the year and was at DKK 4,041m at 31 December 2021. It remains well diversified and not overly exposed to either historically riskier sectors or the sectors still affected by the COVID-19 situation. Corporate deposits were up by DKK 201m over year-end 2020 to stand at DKK 2,808m at year-end 2021.

Insurance

Adjusted Income statement, Trygd

DKKm	Q4 2021	Q4 2020	*Index*	Q3 2021	Q2 2021	Q1 2021	Q3 2020	2021	2020	*Index*
Premium income, net of reinsurance	32	30	*105*	32	31	30	31	125	121	*104*
Claims, net of reinsurance	-28	-23	*122*	-28	-19	-26	-14	-101	-84	*120*
Net insurance income	**4**	**7**	***53***	**4**	**12**	**4**	**16**	**24**	**37**	***65***
Net income from investment activities	0	0	*-64*	0	0	-1	0	-1	-1	*77*
Operating income	**4**	**7**	***58***	**3**	**12**	**4**	**16**	**23**	**35**	***65***
Operating cost	-7	-5	*130*	-6	-6	-6	-6	-25	-23	*109*
Profit before tax	**-3**	**2**		**-3**	**6**	**-2**	**11**	**-2**	**12**	***-16***
Combined ratio	109	93		65	81	106	65	101	89	
Claims ratio	88	76		46	62	85	46	81	70	
Number of FTE, end of period	22	25	*87*	25	22	24	25	22	25	*87*

The Group's insurance company, Trygd, reported another year of growth in insurance premiums. Net premiums grew by 4% in 2021 to DKK 125m due to price rises and a continued inflow of new customers.

Claims, which can vary significantly from year to year, e.g. due to Faroese weather conditions or an unusual number of larger claims, were DKK 101m in 2021, an increase of DKK 8m compared to 2020, which also saw unusually high claims. The increased level of claims was the result of a sharp increase in costs of repairing damaged property, mostly due to the effect of the COVID-19 situation on the price of building materials.

Operating costs increased DKK 3m relative to 2020 and came in at DKK 25m. As a result, Trygd posted a loss before tax of DKK 2m compared to a profit before tax of DKK 4m in 2020.

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 2022, as it has done for the past several years, and management has taken steps to increase profitability compared to 2021.

Other activities

Skyn

Due to the low interest rate environment, economic growth and net positive immigration, the Faroese housing market has experienced strong activity in recent years and continuous price increases.

Despite the challenging conditions, housing prices continued to increase, and transaction volumes exceeded the high level seen in previous years. The Group's estate agency, Skyn, performed well during the period, being involved in a total of 224 transactions in 2021 compared to 176 in 2020. Skyn's revenues amounted to DKK 9.5m compared to DKK 7.8m in 2020, while profit before tax amounted to DKK 2.3m compared to DKK 0.7m in 2020. Skyn is expected to pay a dividend of DKK 2m to BankNordik for the 2021 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 2021, premium income was DKK 17.0m compared to DKK 15.3m in 2020, while profit before tax amounted to DKK 4.7m in 2021 compared to DKK 3.8m in 2020.

NordikLív is expected to pay a dividend of DKK 3m to BankNordik for the 2021 financial year.

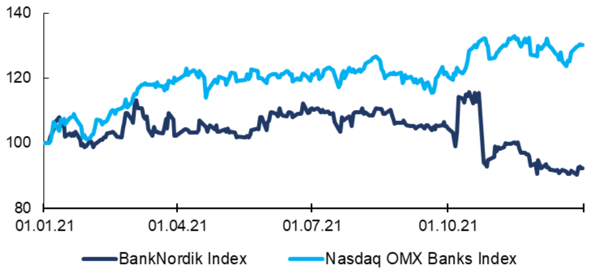
Shareholders

BankNordik share performance

The closing price of BankNordik's shares on Nasdaq Copenhagen at 31 December 2021 was DKK 140.50 compared to a closing price of DKK 152 at 31 December 2020. This was a decrease of 7.87% compared to an increase of 30.21% for the Copenhagen Bank Index. Note that BankNordik's total return in 2021 was 26.5%, as a total dividend of DKK 51.8 per share was paid out during the year. The turnover in BankNordik's shares on Nasdaq Copenhagen was DKK 250m in 2021 compared to 106m in 2020.

Performance of BankNordik shares vs the Nasdaq Copenhagen Bank Index in 2021:

BankNordik share vs.
Copenhagen Bank Index in 2021



Shareholder structure

At the time of publication of the Annual Report 2021, the following shareholders had notified the relevant authorities that they held 5% or more of the Bank's shares:

- Faroese Government, holds 35% of the shares.
- Lind Invest, Aarhus, holds 12% of the shares.
- Protector Forsikring ASA, Oslo, holds 11% of the shares.
- P/F Tjaldur, Tórshavn, holds 5% of the shares.
- Sp/f Framherji, Fuglafjørður, holds 5% of the shares.

At 31 December 2021, BankNordik had approximately 8,100 shareholders. The Faroese government held 35% of the share capital, institutional and other large investors held 50%, private investors held 15%, while the Bank held 0.3% as treasury shares. The majority of BankNordik's shareholders are based in the Faroe Islands.

Country	Pct. of nominal shareholdings
Faroe Islands	59
Denmark	21
Norway	11
Other nationalities	9
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 during the period to 1 March 2024.

BankNordik´s investor relations policy can be found on the Bank's website www.banknordik.com/ir

Organisation and management

Corporate governance at BankNordik

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

BankNordik is a Faroese public limited company listed on NASDAQ Copenhagen A/S. Corporate governance at BankNordik follows generally adopted principles of corporate governance. The external framework that governs the Bank's corporate governance approach to includes the rules of NASDAQ Copenhagen A/S, relevant legislation and instructions and guidance issued by the Danish Financial Supervisory Authority and 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 2022, the meeting will be held on 25 March in Tórshavn, Faroe Islands. The minutes of the meeting will be available at www.banknordik.com.

Voting rights

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

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

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

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

Board of Directors

The Board currently comprises eight members, five of whom were elected at the General Meeting and three by and among the employees. Board members elected at the General Meeting hold office until the next annual general meeting. As prescribed by statutory provisions on employee representation in Faroese legislation, members elected by and among the employees serve on the Board of Directors for four-year terms, with the next election to be held in 2022. The age limit for the election or re-election of board members is 70 years.

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

The primary duty of the Bank's Board of Directors is to determine the strategic framework for the Bank and its activities. The Bank places emphasis on ensuring that the Board of Directors possesses the necessary and relevant experience and qualifications to adequately perform its duties as a board of directors. Members of the Board are subject to a performance evaluation, which includes questionnaire and a personal dialogue with the Chairman. The aim of the evaluation is to ensure, among other things, that the composition of the Board of Directors as well as the special competencies of each Board member enable the Board of Directors to perform its duties. As the Board of Directors operates as a collegial body, its overall competencies and experience are the sum of the individual board members' competencies and experience. The composition of the Board of Directors is intended to ensure the 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, which is available at BankNordik.com. Please refer to page 17 for information on the competencies of the individual Board members.

Executive Board

The Executive Board consists of Árni Ellefsen, Chief Executive Officer, Rune Nørregaard, Chief Finance and Credit Officer and Turið F. Arge, Chief Operating Officer.

Diversity

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

Remuneration

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

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

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

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

Additional information on the remuneration of the Board of Directors, the CEO 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 take in order to pursue the approved strategy on behalf of the shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders. The Board of Directors is ultimately responsible for the Group's overall risk appetite, and for setting principles for how risk appetite is managed.

The Group's Risk Manager is responsible for the risk management framework and processes, including identifying; controlling and monitoring the Bank's various risks for the purpose of making risk assessments at both individual and aggregated levels. For further information on the Bank's risk management, see the Group's Risk Management Report 2021 at www.banknordik.com/rmr.

Corporate responsibility

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

BankNordik reports on corporate social responsibility in the 2021 CSR Report, which has been prepared in compliance with the Group's CSR policy and the Danish FSA's requirements on corporate responsibility reporting. The report is available at www.banknordik.com/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 2021.

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 2021 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 2021. 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 2021 identified as with the file name banknordik-2021-12-31-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, 25 February 2022

Executive Board

Árni Ellefsen
CEO

Board of Directors

Jóhanna Lava Køtlum Chairman	Jógvan Jespersen Deputy Chairman	Ben Arabo
Sverre Bjerkeli	Michael Ahm	Kenneth M. Samuelsen
Rúna Hentze	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 2021 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 2021 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 2021. 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, 25 February 2022

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 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 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 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 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 2021 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
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab were first appointed auditors of P/F BankNordik on 29 March 2010 for the financial year 2010. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of twelve years including the financial year 2021.

Januar P/F Løggilt grannskokanarvirki were first appointed auditors of P/F BankNordik on 26 March 2013 for the financial year 2013. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of nine years including the financial year 2021.

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 2021. 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 Stockbroker 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 covid19 situation management has made a substantial provision to impairment charges as an accounting estimate (management judgement). The consequences of the covid-19 situation for the Group's customers are uncertain still, 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 on initial and subsequent recognition. ■ Model-based impairment charges in stages 1 and 2, including Management's determination of model variables adapted to the Group's loan portfolio. ■ The Group's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2, underperforming). ■ Most significant assumptions and estimates applied by Management in the calculations of impairment charges, including principles for the assessment of various outcomes of the customer's financial position (scenarios) and for the assessment of collateral values of e.g. ships and real estate included in the calculations of impairment. ■ Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in market conditions and which are not included in the model-based calculations or individually assessed impairment charges including in particular the consequences for the Groups customers of the covid-19 situation. Reference is made to note 1 of the Parent Company Financial statements and the Consolidated Financial	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 2021 and the accumulated impairment charges recognised in the balance sheet at 31 December 2021. Our review included an assessment of the applied impairment model prepared by SDC, including di-vision of responsibilities between the data centre and the Group. An independent auditor appointed by SDC has provided the model with a reasonable assurance report as to whether the descriptions comply with the interpretation options regarding the impairment principles according to IFRS 9, and whether the model calculates in accordance with the model descriptions. We assessed whether the assurance report identified a need for adjustments to the Group's application of the model. 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 covid-19 situation.

Statements, ”Estimates and assumptions”, ”IFRS 9, Financial Instruments” and “Impairment charges”, note 14, ”Credit risk management”, ”Changes to credit risks” and ”Calculation of expected credit risk” and “Management applied judgements as well as note 50, ”Risk management”, addressing matters that may affect loan impairment charges.	We reviewed and challenged Management’s esti-mates 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 Group’s calculation of the management estimates to cover expected credit losses as a result of the covid-19 situation. We also assessed whether the matters 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2021 with the filename banknordik-2021-12-31-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.

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;
- 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 2021 with the file name banknordik-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 25 February 2022	Tórshavn, 25 February 2022
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab	Januar P/F Løggilt grannskokanarvirki
Business registration no 33 77 12 31	Business registration no. 5821
Christian Fredensborg Jakobsen State Authorised Public Accountant mne16539	Fróði Sivertsen State Authorised Public Accountant mne32257

Financial statement BankNordik

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Income statement

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
3, 4	Interest income	287,977	297,909	287,114	296,379
	- of which interest income from deposits	*36,150*	*30,695*	*36,150*	*30,695*
3, 5	Interest expenses	19,396	19,689	19,396	19,689
	- of which interest expenses from assets	*5,422*	*4,157*	*5,422*	*4,157*
	Net interest income	**268,580**	**278,220**	**267,718**	**276,691**
3	Dividends from shares and other investments	3,429	3,272	3,429	3,272
6	Fee and commission income	86,950	64,559	99,343	76,072
6	Fee and commissions paid	7,590	4,666	7,590	4,666
	Net dividend, fee and commission income	**82,789**	**63,164**	**95,183**	**74,678**
	Net interest and fee income	**351,370**	**341,384**	**362,900**	**351,369**
7	Premium income, net of reinsurance	141,442	135,276		
8	Claims, net of reinsurance	107,547	90,124		
	Interest and fee income and income from insurance activities, net	**385,264**	**386,535**	**362,900**	**351,369**
3.9	Market value adjustments	4,391	-16,968	6,813	-13,923
10	Other operating income	11,009	7,086	4,968	2,978
11, 12	Staff costs and administrative expenses	232,567	244,335	211,855	225,740
27, 28, 29	Amortisation, depreciation and impairment charges	6,497	7,592	6,088	6,941
13	Other operating expenses	975	659	975	659
14	Impairment charges on loans and advances etc.	-76,561	-4,962	-76,561	-4,962
25, 26	Income from investments accounted for under the equity method	1,116	337	5,094	14,285
	Profit before tax from continuing operations	**238,302**	**129,366**	**237,418**	**126,331**
15	Tax	44,946	26,215	44,062	23,180
	Net profit from continuing operations	**193,356**	**103,150**	**193,356**	**103,150**
16	Discontinued operations, net of tax	78,983	63,035	78,983	63,035
	Net profit	**272,340**	**166,186**	**272,340**	**166,186**
	Portion attributable to				
	Shareholders of BankNordik P/F	272,340	166,186	272,340	166,186
	Net profit	**272,340**	**166,186**	**272,340**	**166,186**
	EPS Basic for the period, discontinuing operations, DKK*	8.25	6.61	8.25	6.61
	EPS Diluted for the period, discontinuing operations, DKK*	8.25	6.61	8.25	6.61
	EPS Basic for the period, continuing operations, DKK*	20.20	10.82	20.20	10.82
	EPS Diluted for the period, continuing operations, DKK*	20.20	10.82	20.20	10.82
	EPS Basic for the perdiod, total, DKK*	28.46	17.43	28.46	17.43
	EPS Diluted for the perdiod, total, DKK*	28.46	17.43	28.46	17.43

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

Statement of comprehensive income - BankNordik

	Group		BankNordik	
DKK 1,000	**2021**	**2020**	**2021**	**2020**
Net profit	272,340	166,186	272,340	166,186
Other comprehensive income				
Items which will not subsequently be recycled:				
Revaluation of domicile property	-4,000	0	-4,000	0
Tax on other comprehensive income	880	0	880	0
Total other comprehensive income	**-3,120**	**0**	**-3,120**	**0**
Total comprehensive income	**269,220**	**166,186**	**269,220**	**166,186**
Portion attributable to				
Shareholders of BankNordik P/F	262,262	159,280	262,262	159,280
Additional Tier 1 capital holders	6,958	6,906	6,958	6,906
Total comprehensive income	**269,220**	**166,186**	**269,220**	**166,186**

Balance Sheet

Note	DKK 1,000	Group Dec. 31 2021	Group Dec. 31 2020	BankNordik Dec. 31 2021	BankNordik Dec. 31 2020
	Assets				
17	Cash in hand and demand deposits with central banks	1,291,557	208,010	1,291,534	207,843
18, 19	Amounts due from credit institutions and central banks	445,411	1,177,515	445,411	1,177,515
14, 20, 21	Loans and advances at fair value	415,170	473,357	415,170	473,357
14, 20, 21	Loans and advances at amortised cost	7,208,922	7,134,544	7,208,922	7,134,544
22	Bonds at fair value	1,880,565	4,472,621	1,683,517	4,255,519
23	Shares, etc.	251,423	309,443	251,423	309,443
24, 49	Assets under insurance contracts	8,831	9,556	0	0
25	Holdings in associates	7,822	6,706	7,822	6,706
26	Holdings in subsidiaries	0	0	99,064	143,086
27	Intangible assets	2,684	2,432	2,684	2,432
	Total land and buildings	140,019	144,688	137,402	142,043
28	Domicile property	72,565	73,253	69,948	70,608
28	Domicile property (lease asset)	67,454	71,436	67,454	71,436
29	Other property, plant and equipment	9,537	7,543	8,411	6,439
	Current tax assets	7,203	13,604	7,203	13,604
30	Deferred tax assets	8,207	195	7,648	0
31	Assets held for sale	0	4,466	0	4,466
32	Other assets	80,024	69,190	77,062	67,297
	Prepayments	32,370	38,491	31,291	37,412
16	Assets in disposal groups classified as held for sale	0	3,217,940	0	3,217,940
	Total assets	**11,789,746**	**17,290,303**	**11,674,564**	**17,199,646**

Balance Sheet

Note	DKK 1,000	Group Dec. 31 2021	Group Dec. 31 2020	BankNordik Dec. 31 2021	BankNordik Dec. 31 2020
	Shareholders' equity and liabilities				
	Liabilities other than provisions				
33, 34	Amounts due to credit institutions and central banks	838,608	27,954	838,608	27,954
35, 36	Deposits and other debt	7,899,659	7,733,408	7,914,185	7,755,724
39	Issued bonds at amortised cost	348,938	0	348,938	0
37, 49	Liabilities under insurance contracts	118,205	98,231	0	0
	Current tax liabilities	77,939	31,136	75,913	28,060
38	Other liabilities	188,170	205,995	180,036	195,264
	Deferred income	5,379	4,198	4,038	3,263
16	Liabilities directly associated with assets in Disposal groups classified as assets held for sale	0	6,520,004	0	6,520,004
	Total liabilities other than provisions	**9,476,901**	**14,620,926**	**9,361,720**	**14,530,269**
	Provisions for liabilities				
30	Provisions for deferred tax	0	3,093	0	3,093
14	Provisions for losses on guarantees etc	12,186	16,015	12,186	16,015
	Provisions for other liabilities	14,320	3,641	14,320	3,641
	Total provisions for liabilities	**26,505**	**22,749**	**26,505**	**22,749**
	Subordinated debt				
41	Subordinated debt	99,370	224,695	99,370	224,695
	Total liabilities	**9,602,776**	**14,868,370**	**9,487,595**	**14,777,713**
	Equity				
	Share capital	192,000	192,000	192,000	192,000
	Revaluation reserve	6,123	9,243	6,123	9,243
	Retained earnings	1,451,729	2,021,781	1,451,729	2,021,781
	Proposed dividends	386,000	48,000	386,000	48,000
	Shareholders of the Parent Company	**2,035,853**	**2,271,024**	**2,035,853**	**2,271,024**
40	Additional tier 1 capital holders	151,117	150,909	151,117	150,909
	Total equity	**2,186,970**	**2,421,933**	**2,186,970**	**2,421,933**
	Total liabilities and equity	**11,789,746**	**17,290,303**	**11,674,564**	**17,199,646**

Statement of capital - BankNordik Group

Changes in equity:

Shareholders equity

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 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.

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2020	**192,000**	**9,243**	**67,200**	**1,843,891**	**2,112,335**	**150,754**	**2,263,088**
Net profit			48,000	111,280	159,280	6,906	166,186
Total comprehensive income			**48,000**	**111,280**	**159,280**	**6,906**	**166,186**
Paid interest on additional tier 1 capital					**0**	**-6,750**	**-6,750**
Acquisition of own shares				-591	-591		-591
Dividends paid			-67,200	67,200	0		0
Shareholders' equity at December 31, 2020	**192,000**	**9,243**	**48,000**	**2,021,781**	**2,271,024**	**150,909**	**2,421,933**

Regarding 2020: Proposed dividend per share DKK 5. Dividend payed out per share DKK 0.

Statement of capital - BankNordik P/F

Changes in equity:

	Shareholders equity						
DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 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		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.

DKK 1,000	Share capital	Revaluation Reserve	Proposed dividends	Retained earnings	Total	Additional tier 1 capital	Total
Shareholders' equity at January 1, 2020	**192,000**	**9,243**	**67,200**	**1,843,891**	**2,112,335**	**150,754**	**2,263,088**
Net profit			48,000	111,280	159,280	6,906	166,186
Total comprehensive income			**48,000**	**111,280**	**159,280**	**6,906**	**166,186**
Paid interest on additional tier 1 capital						-6,750	-6,750
Acquisition of own shares				-591	-591		-591
Suspended dividend payment			-67,200	67,200	0		0
Shareholders' equity at December 31, 2020	**192,000**	**9,243**	**48,000**	**2,021,781**	**2,271,024**	**150,909**	**2,421,933**

Regarding 2020: Proposed dividend per share DKK 5. Dividend payed out per share DKK 0.

Capital and Solvency - BankNordik

Solvency	Dec. 31	Dec. 31
DKK 1,000	**2021**	**2020**
Core capital	1,779,869	2,356,719
Total capital	1,879,239	2,581,414
Risk-weighted items not included in the trading portfolio	5,959,209	8,120,941
Risk-weighted items with market risk etc.	269,125	584,300
Risk-weighted items with operational risk	612,724	1,068,984
Total risk-weighted items	**6,841,058**	**9,774,225**
CET 1 capital ratio	**23.8%**	**22.6%**
Core capital ratio	**26.0%**	**24.1%**
Total capital ratio	**27.5%**	**26.4%**
MREL capital ratio	**29.6%**	**26.4%**
Core Capital and Shareholders' equity		
Share capital	192,000	192,000
Reserves	6,123	9,243
Net profit	272,340	166,186
Retained earnings, previous years	1,569,218	1,908,332
Shareholders' equity, before deduction of holdings of own shares	**2,039,681**	**2,275,762**
Deduction of ordinary dividend	136,000	48,000
Deduction of extraordinary dividend	250,000	0
Deduction due to excess holdings of shares in the fincial sector	8,774	0
Deduction of holdings of own shares	3,828	4,738
Deduction of intangible assets	2,684	12,572
Deduction of deferred tax assets	7,648	0
Deduction regarding prudent valuation of financial instruments	1,993	4,642
CET 1 capital	**1,628,753**	**2,205,809**
Hybrid core capital	151,117	150,909
Core capital	**1,779,869**	**2,356,719**
Total capital		
Core capital	1,779,869	2,356,719
Subordinated loan capital	99,370	224,695
Total capital	**1,879,239**	**2,581,414**
MREL capital	149,016	0
Total capital incl. MREL capital	**2,028,255**	**2,581,414**

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	2021	2020
Cash flow from operations		
Profit before tax, including discontinued operations	339,563	206,441
Amortisation and impairment charges for intangible assets	212	653
Interest expense on leasing liabilities	2,292	3,299
Depreciation and impairment charges of tangible assets	6,812	17,754
Impairment of loans and advances/guarantees	-72,983	-12,241
Paid tax	-29,599	-40,537
Other non-cash operating items	16,177	-4,796
Total	**262,474**	**170,573**
Changes in operating capital		
Change in loans at fair value	39,426	40,878
Change in loans at amortised cost	-1,395	45,998
Change in holding of bonds	2,567,081	1,100,638
Change in holding of shares	76,471	12,519
Change in deposits	98,142	-1,004,537
Due to credit institutions and central banks	810,654	-26,631
Change in other assets / liabilities	-6,758	-7,023
Assets/liabilities under insurance contracts	20,698	1,929
Prepayments	7,303	1,946
Cash flow from operations	**3,874,096**	**336,290**
Cash flow from investing activities		
Divestment of businesses, net of cash	-3,309,712	0
Dividends received	3,429	12,559
Acquisition of intangible assets	-225	-3,268
Acquisition of tangible assets	-4,692	-4,014
Sale of tangible assets	5,207	30
Cash flow from investing activities	**-3,305,992**	**5,307**
Cash flow from financing activities		
Issued bonds at amortised cost	350,000	0
Change in subordinated debt	-125,000	0
Interest paid on additional tier 1 capital	-6,750	-6,750
Acquisition of own shares	-952	-591
Payment of dividends	-498,000	0
Payment of dividends, own shares	1,519	0
Principal portion of lessee lease payments	-5,588	-10,505
Cash flow from financing activities	**-284,771**	**-17,846**
Cash flow	**283,333**	**323,751**
Cash in hand and demand deposits with central banks, and due from		
Credit institutions, etc. at the beginning of the year	1,453,635	1,129,884
Cash flow	283,333	323,751
Cash and due etc.	**1,736,968**	**1,453,635**
Cash and due etc.		
Cash in hand and demand deposits with central banks	1,291,557	223,320
Due from credit institutions, etc.	445,411	1,230,315
Total	**1,736,968**	**1,453,635**

Total cash include cash from Discontinued operations

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 2021.

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 50 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 2021

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:

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. The standard is effective for annual periods beginning on or after 1 January 2021. Management has not yet assessed the impact of IFRS 17.

IFRS 17 is mandatory for accounting periods beginning on or after 1 January 2023

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 aggregated. 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 will discontinue 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 and 2020 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 planned 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.

Notes - BankNordik Group

Note	Operating segments 2021	Banking				Non-life Insurance	Elimination	Continuing operations	Discontinued operations	Group
2	**DKK 1,000**	**Private**	**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**		**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**	**1,689,567**	**9,603,752**	**0**		**9,603,752**	**0**	**9,603,752**
	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*

Operating segments 2020	Banking				Non-life Insurance	Elimination	Continuing operations	Discontinued operations	Group
DKK 1,000	**Private**	**Corporate**	**Other**	**Total**	**Faroe Islands**		**Total**		**Total**
External interest income, Net	137,080	137,386	2,176	276,643	1,577		278,220	101,815	380,035
Internal interest	0	0	0	0	*0*		0	0	0
Net interest income	**137,080**	**137,386**	**2,176**	**276,643**	**1,577**		**278,220**	**101,815**	**380,035**
Net Fee and dividends income	**57,308**	**17,370**	**-3,623**	**71,055**	**-7,891**		**63,164**	**146,767**	**209,931**
Premium income, net of reinsurance	0	0	15,329	15,329	120,786	-840	135,276	0	135,276
Net premium income of reinsurance and claims	**0**	**0**	**9,463**	**9,463**	**36,529**	**-840**	**45,152**	**0**	**45,152**
Other income	12,993	3,683	-19,888	-3,212	-2,682	-3,652	-9,545	3,354	-6,191
Total income	**207,381**	**158,439**	**-11,871**	**353,949**	**27,533**	**-4,492**	**376,991**	**251,936**	**628,927**
Total operating expenses	**60,763**	**18,568**	**162,670**	**242,002**	**15,077**	**-4,492**	**252,587**	**182,141**	**434,728**
of which depreciation and amortisation	*2,743*	*0*	*4,432*	*7,174*	*418*		*7,593*	*10,815*	*18,407*
Profit before impairment charges on loans	**146,618**	**139,871**	**-174,541**	**111,947**	**12,457**		**124,404**	**69,795**	**194,199**
Impairment charges	4,903	-8,009	-1,856	-4,962	0		-4,962	-7,280	-12,241
Profit before tax	**141,714**	**147,880**	**-172,686**	**116,909**	**12,457**	**0**	**129,365**	**77,075**	**206,440**
Total assets	**3,785,613**	**4,070,959**	**6,008,298**	**13,864,870**	**207,493**		**14,072,363**	**3,217,940**	**17,290,304**
of which Loans and advances	*3,611,083*	*3,996,818*		*7,607,901*	*0*		*7,607,901*	*2,230,722*	*9,838,623*
Total liabilities	**5,144,118**	**2,611,606**	**592,642**	**8,348,366**	**0**		**8,348,366**	**6,520,004**	**14,868,370**
of which Deposits	*5,144,118*	*2,611,606*		*7,755,724*		*-22,316*	*7,733,408*	*5,629,740*	*13,363,147*
of which Insurance liabilities			*3,535*		*94,696*		*98,231*	*0*	*98,231*

BankNordik Group - Geografical revenue information

Note 2 DKK 1,000

(cont'd)

Geografical segments	Total income Q1-Q4 2021	Total income Q1-Q4 2020	Non.current assets Q4 2021	Non.current assets Q4 2020	Additions to tangible assets Q4 2021	Additions to tangible assets Q4 2020	Additions to intangible assets Q4 2021	Additions to intangible assets Q4 2020
Faroe Islands	328,859	309,504	118,362	118,976	-1,960	-1,309	253	280
Denmark	6,690	6,356	0	0	0	0	0	0
Greenland	64,947	61,131	44,896	45,360	28	79	0	0
Total, continuing operations	**400,496**	**376,991**	**163,258**	**164,336**	**-1,932**	**-1,230**	**253**	**280**
Denmark, discontinued operations	19,534	251,936	0	72,711	0	16,006	0	2,335
Total	**420,029**	**628,927**	**163,258**	**237,047**	**-1,932**	**14,776**	**253**	**2,615**

Geografical segments	Impairments Q1-Q4 2021	Impairments Q1-Q4 2020	Investment portfolio earnings Q1-Q4 2021	Investment portfolio earnings Q1-Q4 2020
Faroe Islands	24,718	-2,237	5,507	-16,631
Denmark	51,699	27,111	0	0
Greenland	144	-19,912	0	0
Total, continuing operations	**76,561**	**4,962**	**5,507**	**-16,631**
Denmark, discontinued operations	16,415	7,280	0	0
Total	**92,976**	**12,241**	**5,507**	**-16,631**

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 Q1-Q4 2021	Total income Q1-Q4 2020	Profit before tax Q1-Q4 2021	Profit before tax Q1-Q4 2020	Tax Q1-Q4 2021	Tax Q1-Q4 2020	FTE Q4 2021	FTE Q4 2020
Faroe Islands, Banking, Other	314,172	281,971	132,231	85,256	43,927	20,974	156	181
Faroe Islands, Insurance	14,687	27,533	-2,053	12,457	-360	2,220	22	25
Denmark, Banking	6,690	6,356	62,006	18,156	-10,708	0	0	1
Greenland, Banking	64,947	61,131	40,819	13,497	10,922	3,022	17	21
Total, continuing operations	**400,496**	**376,991**	**233,003**	**129,366**	**43,780**	**26,215**	**195**	**228**
Denmark, Banking, discontinued operations	19,534	251,936	106,560	77,075	23,443	14,039	0	124
Total	**420,029**	**628,927**	**339,563**	**206,441**	**67,223**	**40,255**	**195**	**352**

BankNordik Group

Note	DKK 1,000	Interest income[2]	Interest expenses	Net interest	Market value adjustment	Dividend	Total
3	**Net income, financial instruments 2021[1]**						
	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]	20,122	0	20,122	-18,761	0	1,361
	Derivatives[4]	0	0	0	17,040		17,040
	Other	0	0	0	0		0
	Financial instruments at fair value total	**33,550**	**125**	**33,425**	**-2,802**	**3,429**	**34,051**
	Total net income from financial instruments	**295,171**	**19,396**	**275,774**	**-2,802**	**3,429**	**276,401**
	Net income, financial instruments 2020						
	Financial instruments at amortised cost	**248,964**	**17,698**	**231,266**			**231,266**
	Financial instruments at fair value:						
	Held for trading	27,507	1,990	25,237	-17,129	3,272	11,380
	Loans and Advances Designated[3]	21,716	0	21,716	4,371	0	26,087
	Derivatives[4]	0	0	0	-4,210		-4,210
	Other	0	0	0	0		0
	Financial instruments at fair value Total	**49,223**	**1,990**	**46,953**	**-16,968**	**3,272**	**33,258**
	Total net income from financial instruments	**298,188**	**19,689**	**278,220**	**-16,968**	**3,272**	**264,524**

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

2 Interest income recognised on impaired financial assets amounts to DKK 3.7m (2020: DKK 4.7m)

3 Net gain/loss recognised on loans and advances designated amount to DKK 1.4m (2020 DKK 16.8m). Of which DKK 20.1m relate to interest income (2020 DKK 21.7m). and DKK -18.8m relate to Value adjustments (2020 DKK 4.4m).

4 Total value adjustments according to IFRS 7, including interest income on derivatives, amount to DKK 17.0m (2020 DKK -4.2m)

Notes - BankNordik

Note	DKK 1,000	Group		BankNordik	
		2021	2020	2021	2020
4	**Interest income and premiums on forwards**				
	Credit institutions and central banks	1,589	440	1,589	440
	Loans and advances	244,001	249,341	244,485	249,669
	Deposits	36,150	30,695	36,150	30,695
	Bonds	13,428	27,507	12,082	25,650
	Total derivatives of which:	-7,193	-9,262	-7,193	-9,262
	Interest rate contracts	*-7,193*	*-9,262*	*-7,193*	*-9,262*
	Other interest income	2	-813	2	-813
	Total interest income	**287,977**	**297,908**	**287,114**	**296,379**
5	**Interest expenses**				
	Credit institutions and central banks	6,469	1,705	6,469	1,705
	Deposits	644	1,133	644	1,133
	Issued bonds	2,121	0	2,121	0
	Subordinated debt	7,425	12,226	7,425	12,226
	Bonds	125	1,990	125	1,990
	Lease liabilities	2,292	2,302	2,292	2,302
	Other interest expenses	321	332	321	332
	Total interest expenses	**19,396**	**19,689**	**19,396**	**19,689**
6	**Net fee and commission income**				
	Fee and commission income				
	Securities trading and custody accounts	12,343	5,116	12,343	5,116
	Credit transfers	17,858	14,698	17,858	14,698
	Loan commissions	4,122	4,825	4,122	4,825
	Guarantee commissions	29,071	21,406	29,071	21,406
	Other fees and commissions of which:	23,555	18,515	35,948	30,028
	Total fee and commission income	**86,950**	**64,559**	**99,343**	**76,072**
	Fee and commissions paid				
	Securities trading and custody accounts	7,590	4,666	7,590	4,666
	Net fee and commission income	**79,360**	**59,892**	**91,754**	**71,406**
7	**Premium income, net of reinsurance**				
	Regular premiums, life insurance	17,523	15,843		
	Reinsurance premiums paid	511	514		
	Total life insurance	**17,012**	**15,329**		
	Gross premiums, non-life insurance	143,835	134,977		
	Reinsurance premiums paid	15,426	12,663		
	Change in gross premium provisions	-4,041	-2,955		
	Change in reinsurers' share of premiums	62	587		
	Total non-life insurance	**124,430**	**119,946**		
	Total	**141,442**	**135,276**		

Notes - BankNordik

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
8	**Claims, net of reinsurance**				
	Benefits paid	4,673	6,150		
	Change in life insurance provisions	1,448	-283		
	Total life insurance	**6,120**	**5,867**		
	Gross claims paid	84,104	78,369		
	Claims handling costs	7,836	8,381		
	Reinsurance received	-2,953	-4,780		
	Change in gross claims provisions	13,643	4,226		
	Change in reinsurers' share relating to provisions	-1,203	-1,938		
	Total non-life insurance	**101,427**	**84,258**		
	Total	**107,547**	**90,124**		
9	**Market value adjustments**				
	Loans and advances	-18,761	4,371	-18,761	4,371
	Bonds	-27,344	-31,633	-24,922	-28,588
	Shares	18,450	9,788	18,450	9,788
	Investment properties	0	0	0	0
	Foreign exchange	7,813	4,716	7,813	4,716
	Total derivatives of w hich:	24,233	-4,210	24,233	-4,210
	Currency contracts	2,082	2,982	2,082	2,982
	Interest Swaps	22,151	-7,192	22,151	-7,192
	Total market value adjustments	**4,391**	**-16,968**	**6,813**	**-13,923**
10	**Other operating income**				
	Profit on sale of investment and domicile properties and assets held for sale	2,014	37	2,014	37
	- of which assets held for sale	*50*	*37*	*50*	*37*
	Profit on sale of operating equipment	139	4	139	4
	Other income	7,374	5,707	488	753
	Operation of properties:				
	Rental income	1,365	1,407	2,210	2,252
	Operating expenses	117	-68	117	-68
	- of which assets held for sale	*117*	*-68*	*117*	*-68*
	Total other operating income	**11,009**	**7,086**	**4,968**	**2,978**

Notes - BankNordik

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
11	**Staff costs and administrative expenses**				
	Staff costs:				
	Salaries	115,862	125,169	99,428	109,809
	Pensions	18,230	17,793	15,992	15,746
	Social security expenses	18,988	19,994	16,904	17,977
	Total staff costs	**153,080**	**162,956**	**132,324**	**143,532**
	Administrative expenses:				
	IT	52,936	52,890	48,372	48,582
	Marketing etc	8,311	7,063	6,933	6,259
	Education etc	1,929	861	1,479	746
	Advisory services	786	882	730	882
	Other expenses	23,361	28,064	22,018	25,739
	Total administrative expenses	**87,323**	**89,761**	**79,531**	**82,208**
	Total staff costs	153,080	162,956	132,324	143,532
	Staff costs incl. under the item "Claims, net of reinsurance"	-7,836	-8,381	0	0
	Total administrative expenses	87,323	89,761	79,531	82,208
	Total employee costs and administrative expenses	**232,567**	**244,335**	**211,855**	**225,740**
	Number of employees				
	Average number of full-time employees in the period	202	228	171	196
	Executive remuneration:				
	Board of Directors	2,425	2,550	2,425	2,550
	Executive Board:				
	Árni Ellefsen:				
	Salaries	2,981	2,650	2,981	2,650
	- less fees received from directorships	151	333	151	333
	The Bank's expense, salaries	2,831	2,317	2,831	2,317
	Pension	447	398	447	398
	Bonus	0	199	0	199
	Bonus, Share-based payment	0	199	0	199
	Total executive board	**3,278**	**3,112**	**3,278**	**3,112**
	Total executive remuneration	**5,703**	**5,662**	**5,703**	**5,662**

The number of shares in P/F BankNordik held by the Board of Directors and the Executive Board at the end of 2021 totalled 3,232 and 13,186 respectively (end of 2020: 5,361 and 11,996).

Note	DKK 1,000	Group		BankNordik	
11	**Remuneration of the senior executives**				
(cont'd)		**2021**	**2020**	**2021**	**2020**
	The Board of Directors in P/F BankNordik				
	Sverri Bjerkeli (from March 2021)	352	0	352	0
	Stine Bosse (until March 2020)	0	125	0	125
	Ben Arabo (from March 2020)	350	500	350	500
	Barbara Vang (until March 2021)	50	250	50	250
	Jógvan Jespersen	308	250	308	250
	Kim Jacobsen (until March 2020)	0	50	0	50
	John Henrik Holm (until March 2021)	100	375	100	375
	Hans A. Thomsen (until March 2021)	50	175	50	175
	Kenneth M. Samuelsen	200	200	200	200
	Alexander Johansen	200	200	200	200
	Dan Rasmussen (until January 2021)	17	200	17	200
	Gunnar Nielsen (until March 2021)	50	225	50	225
	Rúna Hentze (from February 2021)	183	0	183	0
	Jóhanna L. Køtlum (from March 2021)	365	0	365	0
	Michael Ahm (from March 2021)	200	0	200	0
	Total	**2,425**	**2,550**	**2,425**	**2,550**

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

Note	DKK 1,000	Group		BankNordik	
11	**Remuneration of other executives**	**2021**	**2020**	**2021**	**2020**
(cont'd)	Fixed salary	3,499	3,307	3,499	3,307
	Pension	644	487	644	487
	Bonus	429	114	429	114
	Bonus, Share-based payment	429	114	429	114
	Total	**5,001**	**4,022**	**5,001**	**4,022**

The executives included in this group are:

Rune Nørregaard, Chief Credit Officer

Turið F. Arge, Chief Commercial Officer

	Group		BankNordik	
Total remuneration of executives	**2021**	**2020**	**2021**	**2020**
Total	**8,279**	**7,135**	**8,279**	**7,135**

Variable/performance-based renumeration

Remuneration of members of the Executive Management Team consists of a fixed salary including pension contributions and any variable/performance-based remuneration based on business and value creation targets.

The yearly variable/performance-based remuneration to members of the Executive Management Team cannot exceed 25% of the yearly fixed salary excluding pension contributions.

The variable/performance-based remuneration of members of the Executive Management Team is determined on the basis of an assessment of the Group's financial results and a number of key performance indicators (KPIs) reflecting the Group's principal strategic, business and value creation priorities.

Variable/performance-based remuneration components to members of the Executive Management Team only consist of cash bonus payments and BankNordik shares.

Variable/performance-based remuneration components awarded to members of the Executive Management Team must at the calculation moment consist of not less than 50% BankNordik shares.

Shares allocated to the members of the Executive Management Team are allocated at a price corresponding to the average closing-rate for the BankNordik share on Nasdaq Copenhagen the last five trading days after the publication of the Group's Annual Report.

Notes - BankNordik Group

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
12	**Audit fees**				
	Fees to audit firms elected at the general meeting	1,586	1,648	1,235	1,274
	Total audit fees	**1,586**	**1,726**	**1,235**	**1,381**
	Total fees to the audit firms elected at the general meeting break down as follows:				
	Statutory audit	1,200	1,501	900	1,195
	- of which PricewaterhouseCoopers	*690*	*1,043*	567	*906*
	- of which Januar	*510*	*458*	333	*289*
	Other assurance engagements	184	59	152	51
	- of which PricewaterhouseCoopers	*118*	*51*	115	*51*
	- of which Januar	*67*	*8*	38	*0*
	Tax and VAT advice	167	135	167	135
	- of which PricewaterhouseCoopers	*167*	*135*	167	*135*
	- of which Januar	*0*	*0*	0	*0*
	Other services	34	31	16	0
	- of which PricewaterhouseCoopers	*5*	*0*	5	*0*
	- of which Januar	*29*	*31*	11	*0*
	Total fees to the audit firms elected at the general meeting	**1,586**	**1,726**	**1,235**	**1,381**
13	**Other operating expenses**				
	The Guarantee Fund for Depositors and Investors	975	659	975	659
	Other operating expenses	0	0	0	0
	Total operating expenses	**975**	**659**	**975**	**659**

		Group		BankNordik	
Note	**DKK 1,000**	**2021**	**2020**	**2021**	**2020**
	Continuing operations				
14	**Impairment charges on loans and advances and provisions for guarantees etc.**				
	Impairment charges and provisions at 1 January	327,822	347,113	327,822	347,113
	New and increased impairment charges and provisions	94,571	98,090	94,571	98,090
	Reversals of impairment charges and provisions	164,101	92,244	164,101	92,244
	Written-off, previously impaired	20,588	25,137	20,588	25,137
	Interest income on impaired loans	3,657	*4,718*	3,657	*4,718*
	Total impairment charges and provisions at 31 December	**237,705**	**327,822**	**237,705**	**327,822**
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-73,033	-5,643	-73,033	-5,643
	Loans and advances at fair value	302	0	302	0
	Guarantiees and loan commitments	-3,829	682	-3,829	682
	Assets held for sale	0	0	0	0
	Total individual impairment charges and provisions	**-76,561**	**-4,962**	**-76,561**	**-4,962**
	Stage 1 impairment charges				
	Stage 1 impairment charges etc. at 1 January	33,844	7,878	33,844	7,878
	New and increased Stage 1 impairment charges	31,672	29,984	31,672	29,984
	Reversals, net of Stage 1 impairment charges	20,428	4,018	20,428	4,018
	Stage 1 impairment charges at 31 December	**45,089**	**33,844**	**45,089**	**33,844**
	Total net impact recognised in the income statement	*11,245*	*25,966*	*11,245*	*25,966*
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 1 January	36,509	17,159	36,509	17,159
	New and increased impairment charges	14,754	33,680	14,754	33,680
	Reversals, net of impairment charges	32,795	14,330	32,795	14,330
	Stage 2 impairment charges at 31 December	**18,468**	**36,509**	**18,468**	**36,509**
	Total net impact recognised in the income statement	*-18,041*	*19,349*	*-18,041*	*19,349*
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 1 January	39,548	35,663	39,548	35,663
	New and increased impairment charges	23,850	18,588	23,850	18,588
	Reversals, net of impairment charges	29,677	14,703	29,677	14,703
	Weak Stage 2 impairment charges at 31 December	**33,720**	**39,548**	**33,720**	**39,548**
	Total net impact recognised in the income statement	*-5,828*	*3,884*	*-5,828*	*3,884*

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
14	**Stage 3 impairment charges**				
(cont'd)	Stage 3 impairment charges etc. at 1 January	201,907	271,079	201,907	271,079
	New and increased impairment charges	18,503	11,329	18,503	11,329
	Reversals of impairment charges	71,579	55,363	71,579	55,363
	Written-off, previously impaired	20,588	25,137	20,588	25,137
	Write-offs charged directly to the income statement	203	858	203	858
	Received on claims previously written off	3,577	6,948	3,577	6,948
	Interest income on impaired loans	3,657	4,718	3,657	4,718
	Stage 3 impairment charges at 31 December	**128,243**	**201,907**	**128,243**	**201,907**
	Total net impact recognised in the income statement	*-60,108*	*-54,843*	*-60,108*	*-54,843*
	Purchased credit-impaired assets included in stage 3 above				
	Purchased credit-impaired assets at 1 January	57,476	72,964	57,476	72,964
	Reversals of impairment charges	34,725	15,488	34,725	15,488
	Purchased credit-impaired assets at 31 December	**22,751**	**57,476**	**22,751**	**57,476**
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 1 January	16,015	15,333	16,015	15,333
	New and increased provisions	5,792	4,510	5,792	4,510
	Reversals of provisions	9,621	3,828	9,621	3,828
	Provisions for guarantees etc at 31 December	**12,186**	**16,015**	**12,186**	**16,015**
	Total net impact recognised in the income statement	*-3,829*	*682*	*-3,829*	*682*
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	2,593	1,828	2,593	1,828
	Stage 2 provisions	1,575	2,948	1,575	2,948
	Weak Stage 2 provisions	0	200	0	200
	Stage 3 provisions	8,018	11,039	8,018	11,039
	Provisions for guarantees etc at 31 December	**12,186**	**16,015**	**12,186**	**16,015**

Note	DKK 1.000	Group		BankNordik	
14	**Discontinued activities**				
(cont'd)		**2021**	**2020**	**2021**	**2020**
	Impairment charges on loans and advances and provisions for guarantees etc.				
	Impairment charges and provisions at 31 December	140,736	149,178	140,736	149,178
	New and increased impairment charges and provisions	0	45,884	0	45,884
	Reversals of impairment charges and provisions	16,270	45,123	16,270	45,123
	Reversals of impairments of sold activities	124,466			
	Written-off, previously impaired	0	9,203	0	9,203
	Interest income on impaired loans	*0*	*3,333*	*0*	*3,333*
	Total impairment charges and provisions at 31 December	**0**	**140,736**	**0**	**140,736**
	Impairment charges and provisions recognised in the income statement				
	Loans and advances at amortised cost	-16,131	-6,722	-16,131	-6,722
	Loans and advances at fair value	0	0	0	0
	Guarantiees and loan commitments	-139	-557	-139	-557
	Assets held for sale	0	0	0	0
	Total individual impairment charges and provisions	**-16,270**	**-7,280**	**-16,270**	**-7,280**
	Stage 1 impairment charges				
	Stage 1 impairment charges etc. at 31 December	7,235	6,527	7,235	6,527
	New and increased Stage 1 impairment charges	0	4,613	0	4,613
	Reversals, net of Stage 1 impairment charges of sold activities	7,235	3,904	7,235	3,904
	Stage 1 impairment charges at 31 December	**0**	**7,235**	**0**	**7,235**
	Total net impact recognised in the income statement	*0*	*709*	*0*	*709*
	Stage 2 impairment charges				
	Stage 2 impairment charges etc. at 31 December	13,199	15,853	13,199	15,853
	New and increased impairment charges	0	8,045	0	8,045
	Reversals, net of stage 2 impairment charges of sold activities	13,199	10,698	13,199	10,698
	Stage 2 impairment charges at 31 December	**0**	**13,199**	**0**	**13,199**
	Total net impact recognised in the income statement	*0*	-2,654	*0*	*-2,654*
	Weak Stage 2				
	Weak Stage 2 impairment charges etc. at 31 December	17,518	5,637	17,518	5,637
	New and increased impairment charges	0	14,607	0	14,607
	Reversals, net of impairment charges	7,372			
	Reversals, net of stage 2 w eak impairment charges sold activities	10,146	2,726	10,146	2,726
	Weak Stage 2 impairment charges at 31 December	**0**	**17,518**	**0**	**17,518**
	Total net impact recognised in the income statement	*-7,372*	*11,881*	*-7,372*	*11,881*

Note	DKK 1.000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
14	**Stage 3 impairment charges**				
(cont'd)	Stage 3 impairment charges etc. at 31 December	100,227	118,048	100,227	118,048
	New and increased impairment charges	0	17,696	0	17,696
	Reversals of impairment charges of sold activities	91,468	26,314	91,468	26,314
	Written-off, previously impaired	0	9,203	0	9,203
	Write-offs charged directly to the income statement	*0*	1,464	*0*	1,464
	Received on claims previously written off	*8,759*	6,172	*8,759*	6,172
	Interest income on impaired loans	*0*	3,333	*0*	3,333
	Stage 3 impairment charges at 31 December	**0**	**100,227**	**0**	**100,227**
	Total net impact recognised in the income statement	*-8,759*	-16,658	*-8,759*	-16,658
	Purchased credit-impaired assets included in stage 3 above				
	Purchased credit-impaired assets at 1 January	*17,788*	26,018	17,788	26,018
	Reversals of impairment charges of sold activities	*17,788*	8,230	17,788	8,230
	Write-offs charged directly to the income statement	*0*	0	0	0
	Purchased credit-impaired assets at 31 December	**0**	**17,788**	**0**	**17,788**
	Provisions for guarantees and undrawn credit lines				
	Individual provisions at 31 December	2,556	3,114	2,556	3,114
	New and increased provisions	0	923	0	923
	Reversals of provisions	139			
	Reversals of provisions of sold activies	2,417	1,480	2,417	1,480
	Provisions for guarantees etc at 31 December	**0**	**2,556**	**0**	**2,556**
	Total net impact recognised in the income statement	*-139*	-557	*-139*	*-557*
	Provisions for guarantees and undrawn credit lines				
	Stage 1 provisions	0	312	0	312
	Stage 2 provisions	0	86	0	86
	Weak Stage 2 provisions	0	0	0	0
	Stage 3 provisions	0	2,158	0	2,158
	Provisions for guarantees etc at 31 December	**0**	**2,556**	**0**	**2,556**

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 and 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

Note 14, (cont'd)

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

Management applied judgements

Management applies judgement when determining the need for post-model adjustments. At the end of 2021, the post-model adjustments amounted to mDKK 52 (2020: mDKK 52) and continue to include the risks arising from the corona crisis due to the continued uncertainty related to the economic effects of the pandemic.

Based on the continued uncertainty related to the spread of new corona virus variants during 2021, not only domestically, but on a worldwide scale, and thereby affecting the exports markets but various degree of lock-downs, the Bank maintained its applied judgement, as the effect of these lockdowns is not covered by the model output.

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

In note 50 (Risk Management) information on the split of the management judgement of mDKK 52 between the stages and between Corporate and Private is included.

Note	DKKm												
14	**31 December 2021**	**Gross Exposure[1]**			**Expected Credit Loss**			**Net Exposure**			**Net Exposure Deducted Collateral**		
(cont'd)	**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												
	Denmark			49			41			8			1
	Total			**49**			**41**			**8**			**1**

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

Note 14 (cont'd)

DKKm

Continuing operations

31 December 2020	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	**860**			**0**			**859**			**857**		
Corporate sector:												
Fisheries, agriculture, hunting and forestry	987	174	106	4	10	31	983	164	76	426	6	27
Industry and raw material extraction	181	151	2	0	16	5	181	135	-2	98	29	0
Energy supply	383	0		1	0		383	0		318	0	
Building and construction	894	79	25	2	4	18	892	75	7	370	42	1
Trade	636	115	14	0	3	2	636	112	12	197	13	1
Transport, hotels and restaurants	504	125	33	11	9	20	493	116	13	147	9	2
Information and communications	13	3	16	0	0	3	13	3	13	4	1	0
Financing and insurance	97	36	3	0	4	1	96	32	1	54	31	0
Real property	979	176	78	8	9	74	971	167	4	250	26	2
Other industries	253	38	17	3	3	13	250	35	4	97	7	0
Total corporate sector	**4,927**	**896**	**294**	**29**	**57**	**166**	**4,899**	**840**	**128**	**1,960**	**162**	**34**
Retail customers	**4,136**	**637**	**168**	**5**	**22**	**46**	**4,131**	**615**	**121**	**859**	**89**	**5**
Total	**9,923**	**1,533**	**462**	**34**	**78**	**213**	**9,889**	**1,455**	**249**	**3,675**	**251**	**39**
Credit institutions and central banks	**1,028**	**801**		**2**	**1**		**1,027**	**800**		**1,027**	**800**	
Total	**10,951**	**2,334**	**462**	**36**	**79**	**213**	**10,915**	**2,255**	**249**	**4,702**	**1,051**	**39**
Faroe Islands	8,861	2,067	275	21	50	95	8,839	2,017	180	3,958	957	18
Denmark	44	38	99	0	4	92	44	34	7	8	15	3
Greenland	2,046	230	88	14	25	26	2,032	205	62	736	79	19
Total	**10,951**	**2,334**	**462**	**36**	**79**	**213**	**10,915**	**2,255**	**249**	**4,702**	**1,051**	**39**
Purchased credit-impaired assets included in stage 3												
Denmark			67			57			1			1
Total			**67**			**57**			**1**			**1**

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

Note DKKm
14 **Discontinued operations**
(cont'd)

31 December 2020	**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												
Corporate sector:												
Fisheries, agriculture, hunting and forestry	2	2					2	2		1	1	
Industry and raw material extraction												
Energy supply												
Building and construction	7	1					7	1		4		
Trade	6	2	1			1	6	2	1	3	1	
Transport, hotels and restaurants	2	1					2	1		2		
Information and communications	12	1					12	1		8	1	
Financing and insurance	8	7	1			1	8	7		7	3	
Real property	14	2					14	2		4	1	
Other industries	39	9	1			1	39	9		25	3	
Total corporate sector	**92**	**25**	**4**	**0**	**1**	**3**	**91**	**23**	**1**	**54**	**10**	
Retail customers	**4,066**	**329**	**181**	**7**	**30**	**99**	**4,058**	**299**	**82**	**1,548**	**105**	**15**
Total	**4,157**	**353**	**185**	**8**	**31**	**102**	**4,150**	**323**	**83**	**1,602**	**115**	**15**
Credit institutions and central banks	**53**			**0**			**53**			**53**		
Total	**4,210**	**353**	**185**	**8**	**31**	**102**	**4,203**	**323**	**83**	**1,655**	**115**	**15**
Denmark	4,210	353	185	8	31	102	4,203	323	83	1,655	115	15
Total	**4,210**	**353**	**185**	**8**	**31**	**102**	**4,203**	**323**	**83**	**1,655**	**115**	**15**
Purchased credit-impaired assets included in stage 3												
Denmark			25			18			5			5
Total			**25**			**18**			**5**			**5**

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

Note 14 (cont'd)

DKKm

31 December 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.

Continuing operations

31 December 2020

	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	2,690	801		2	1		2,688	800		2,215	800	
2	1,888	6		3	0		1,885	6		466	0	
3	2,140	99		7	0		2,132	99		830	6	
4	1,230	63		2	0		1,228	62		291	1	
5	1,210	128		8	0		1,202	128		324	41	
6	1,072	166		9	10		1,062	157		383	57	
7	262	257		1	3		261	254		79	33	
8	390	199		2	8		388	191		103	49	
9	41	163		0	3		41	160		2	21	
10	20	346		1	42		19	304		8	35	
11	10	106	462	0	12	213	9	94	249	1	7	39
Total	**10,951**	**2,334**	**462**	**36**	**79**	**213**	**10,915**	**2,255**	**249**	**4,702**	**1,051**	**39**

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

Discontinued operations

31 December 2020

	Gross Exposure[1]			Loss			Net Exposure			Collateral		
Stage	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Rating category												
1	701	0		0	0		701	0		381	0	
2	1,026	0		1	0		1,025	0		354	0	
3	806	7		1	0		805	7		294	0	
4	538			1			538			196		
5	625	59		1	0		624	59		215	26	
6	339	52		1	0		338	52		151	20	
7	133	77		1	1		132	76		56	27	
8	14	71		0	4		14	67		4	31	
9	2	16		0	2		2	14		0	8	
10	20	51		1	18		20	33		3	3	
11	5	19	185	0	5	102	5	14	83	0	1	15
Total	**4,210**	**353**	**185**	**8**	**31**	**102**	**4,203**	**323**	**83**	**1,655**	**115**	**15**

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 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	0.0
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 1 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	0.0
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**

DKKm				
Continuing operations				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment charges as at 1 January 2020	9	56	281	347
Transferred to stage 1 during the period	12	-12	-1	0
Transferred to stage 2 during the period	-1	4	-3	0
Transferred to stage 3 during the period	0	-3	3	0
ECL on new assets	12	15	0	28
ECL on assets derecognised	-1	-10	-47	-58
Impact of net remeasurement of ECL	4	28	4	36
Write offs	0	0	-25	-25
Impairment charges as at 31 December 2020	**36**	**79**	**213**	**328**

DKKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2020	9,972	1,944	505	12,420
Transferred to stage 1 during the period	764	-757	-7	0
Transferred to stage 2 during the period	-1,128	1,136	-8	0
Transferred to stage 3 during the period	-6	-45	50	0
New assets	3,461	169	1	3,631
Assets derecognised	-1,759	-289	-55	-2,103
Other changes	-352	177	-25	-200
Gross carrying amount as at 31 December 2020	**10,951**	**2,334**	**462**	**13,748**

Note 14 (cont'd)

DKKm				
Discontinued operations				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment charges as at 1 January 2020	7	22	120	149
Transferred to stage 1 during the period	8	-6	-2	0
Transferred to stage 2 during the period	0	2	-2	0
Transferred to stage 3 during the period	0	-2	2	0
ECL on new assets	2	3	1	6
ECL on assets derecognised	-2	-5	-13	-20
Impact of net remeasurement of ECL	-7	16	5	14
Write offs	0	0	-9	-9
Impairment charges as at 31 December 2020	**8**	**31**	**102**	**141**

DKKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	4,349	610	204	5,162
Transferred to stage 1 during the period	273	-271	-3	0
Transferred to stage 2 during the period	-131	135	-4	0
Transferred to stage 3 during the period	-16	-17	33	0
New assets	1,391	94	3	1,489
Assets derecognised	-1,559	-190	-20	-1,769
Other changes	-97	-8	-28	-133
Gross carrying amount as at 31 December 2020	**4,210**	**353**	**185**	**4,749**

Note	DKK 1,000	Group		BankNordik	
		2021	2020	2021	2020
15	**Tax**				
	Tax on profit for the year	44,946	26,215	44,062	23,180
	Total tax	**44,946**	**26,215**	**44,062**	**23,180**
	Tax on profit for the year				
	Profit before tax	238,302	129,366	237,418	126,331
	Current tax charge	56,535	18,218	55,287	15,127
	Change in deferred tax	-11,105	7,997	-10,742	8,053
	Adjustment of prior-year tax charges	-484	0	-484	0
	Total	**44,946**	**26,215**	**44,062**	**23,180**
	Effective tax rate				
	Faroese tax rate	18.0%	18.0%	18.0%	18.0%
	Deviation in foreign entities tax compared to Faroese tax rate	3.4%	1.0%	3.4%	1.0%
	Non-taxable income and non-deductible expenses	-2.3%	1.3%	-2.6%	-0.7%
	Tax on profit for the year	19.1%	20.3%	18.8%	18.3%
	Adjustment on prior-year tax charges	-0.2%	0.0%	-0.2%	0.0%
	Effective tax rate	**18.9%**	**20.3%**	**18.6%**	**18.3%**

Note	DKK 1,000	Group		BankNordik	
		2021	2020	2021	2020
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 as completed w ith 1 February 2021 as the takeover date.				
	Interest income	7,268	104,501	7,268	104,501
	- of which interest income from deposits	*2,067*	*10,588*	*2,067*	*10,588*
	Interest expenses	0	2,686	0	2,686
	Net interest income	**7,268**	**101,815**	**7,268**	**101,815**
	Dividends from shares and other investments	0	9,287	0	9,287
	Fee and commission income	11,434	145,376	11,434	145,376
	Fee and commissions paid	627	7,897	627	7,897
	Net dividend, fee and commission income	**10,807**	**146,767**	**10,807**	**146,767**
	Net interest and fee income	**18,075**	**248,581**	**18,075**	**248,581**
	Interest and fee income and income from insurance activities, net	**18,075**	**248,581**	**18,075**	**248,581**
	Market value adjustments	0	2,082	0	2,082
	Other operating income	173	1,272	173	1,272
	Proceeds from sales of the Danish operations	255,000	0	255,000	0
	Staff costs and administrative expenses	187,813	170,522	187,813	170,522
	Amortisation, depreciation and impairment charges	528	10,815	528	10,815
	Other operating expenses	63	804	63	804
	Impairment charges on loans and advances etc.	-16,415	-7,280	-16,415	-7,280
	Profit before tax	**101,261**	**77,075**	**101,261**	**77,075**
	Tax	22,277	14,039	22,277	14,039
	Net profit	**78,983**	**63,035**	**78,983**	**63,035**

Proceeds from sales of the Danish operations relates to Goodw ill

Note	DKK 1,000	Group		BankNordik	
		2021	2020	2021	2020
16	**Assets**				
(cont'd)	Cash in hand and demand deposits with central banks	0	15,310	0	15,310
	Amounts due from credit institutions and central banks	0	52,800	0	52,800
	Loans and advances at amortised cost	0	2,230,722	0	2,230,722
	Assets under pooled schemes	0	800,402	0	800,402
	Intangible assets	0	10,141	0	10,141
	Total land and buildings	0	59,386	0	59,386
	Other property, plant and equipment	0	6,544	0	6,544
	Other assets	0	15,537	0	15,537
	Prepayments	0	27,100	0	27,100
	Total assets	**0**	**3,217,940**	**0**	**3,217,940**
	Liabilities other than provisions				
	Amounts due to credit institutions and central banks	0	338	0	338
	Deposits and other debt	0	5,629,740	0	5,629,740
	Deposits under pooled schemes	0	800,402	0	800,402
	Current tax liabilities	0	1,158	0	1,158
	Other liabilities	0	83,380	0	83,380
	Deferred income	0	1,154	0	1,154
	Total liabilities other than provisions	**0**	**6,516,171**	**0**	**6,516,171**
	Provisions for liabilities				
	Provisions for losses on guarantees etc	0	2,556	0	2,556
	Provisions for other liabilities	0	1,277	0	1,277
	Total provisions for liabilities	**0**	**3,833**	**0**	**3,833**
	Total liabilities	**0**	**6,520,004**	**0**	**6,520,004**
	Contingent liabilities The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments thar are not recognised on the balance sheet.				
	Guarantees				
	Financial guarantees	0	297,636	0	297,636
	Mortgage finance guarantees	0	546,131	0	546,131
	Registration and remortgaging guarantees	0	537,481	0	537,481
	Other guarantees	0	53,158	0	53,158
	Total	**0**	**1,434,406**	**0**	**1,434,406**
	Cash flow statement				
	Cash flow from operations	0	9,138	0	9,138
	Cash flow from investing activities	0	4,199	0	4,199
	Cash flow from financing activities	0	-5,556	0	-5,556
	Cash flow	**0**	**7,781**	**0**	**7,781**

Notes - BankNordik

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
17	**Cash in hand and demand deposits with central banks**				
	Cash in hand	65,471	58,890	65,447	58,723
	Demand deposits with central banks	1,226,086	149,120	1,226,086	149,120
	Total	**1,291,557**	**208,010**	**1,291,534**	**207,843**
18	**Due from credit institutions and central banks specified by institution**				
	Credit instistutions	445,411	377,256	445,411	377,256
	Central banks	0	800,259	0	800,259
	Total	**445,411**	**1,177,515**	**445,411**	**1,177,515**
19	**Due from credit institutions and central banks specified by maturity**				
	On demand	445,411	377,256	445,411	377,256
	3 months and below	0	800,259	0	800,259
	Over 1 year to 5 years	0	0	0	0
	Total	**445,411**	**1,177,515**	**445,411**	**1,177,515**
20	**Loans and advances specified by sectors**				
	Public authorities	7%	6%	7%	6%
	Corporate sector:				
	Fisheries, agriculture, hunting and forestry	6%	6%	6%	6%
	Industry and raw material extraction	6%	6%	6%	6%
	Energy supply	5%	3%	5%	3%
	Building and construction	4%	3%	4%	3%
	Trade	6%	6%	6%	6%
	Transport, hotels and restaurants	6%	6%	6%	6%
	Information and communications	0%	0%	0%	0%
	Financing and insurance	1%	2%	1%	2%
	Real property	11%	11%	11%	11%
	Other industries	2%	3%	2%	3%
	Total corporate sector	**48%**	**46%**	**48%**	**46%**
	Retail customers	46%	47%	46%	47%
	Total	**100%**	**100%**	**100%**	**100%**

Regarding discontinued operations. All customers are Retail customers.

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
21	**Loans and advances specified by maturity**				
	Continuing operations				
	On demand	87,299	87,113	87,299	87,113
	3 months and below	281,704	281,106	281,704	281,106
	3 months to 1 year	902,825	900,908	902,825	900,908
	Over 1 year to 5 years	2,761,237	2,755,372	2,761,237	2,755,372
	Over 5 years	3,591,028	3,583,401	3,591,028	3,583,401
	Total loans and advances	**7,624,093**	**7,607,901**	**7,624,093**	**7,607,901**
	Discontinued operations				
	On demand	0	25,543	0	25,543
	3 months and below	0	82,423	0	82,423
	3 months to 1 year	0	264,156	0	264,156
	Over 1 year to 5 years	0	807,906	0	807,906
	Over 5 years	0	1,050,693	0	1,050,693
	Total loans and advances	**0**	**2,230,722**	**0**	**2,230,722**
22	**Bonds at fair value**				
	Mortgage credit bonds	939,807	3,136,305	759,197	2,935,641
	Government bonds	940,758	1,330,316	924,320	1,313,878
	Other bonds	0	6,000	0	6,000
	Bonds at fair value	**1,880,565**	**4,472,621**	**1,683,517**	**4,255,519**
	All bonds form part of the Group's trading portfolio				
23	**Shares etc.**				
	Shares/unit trust certificates listed on the Copenhagen Stock Exchange	60,518	55,676	60,518	55,676
	Shares/unit trust certificates listed on other stock exchanges	404	390	404	390
	Other shares at fair value	190,501	253,378	190,501	253,378
	Total shares etc.	**251,423**	**309,443**	**251,423**	**309,443**
24	**Assets under insurance contracts**				
	Non-life insurance				
	Reinsurers' share of claims provisions	4,646	3,140		
	Receivables from insurance contracts	4,185	6,416		
	Total non-life insurance	**8,831**	**9,556**		
	Maturity within 12 months	**8,831**	**9,556**		

Notes - BankNordik

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
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	-2,139	-2,476	-2,139	-2,476
	Share of profit	1,116	337	1,116	337
	Revaluations at 31 December	**-1,023**	**-2,139**	**-1,023**	**-2,139**
	Carrying amount at 31 December	**7,822**	**6,706**	**7,822**	**6,706**

Holdings in associates 2021	**Income**	**Net profit**	**Total assets**	**Total liabilities**	**Total equity**	**Ownership %**	**The Groups share of equity**
P/F Elektron	53,778	3,251	62,903	40,120	22,784	34%	7,822
Holdings in associates 2020							
P/F Elektron	49,145	981	54,631	35,098	19,533	34%	6,706

The information disclosed is extracted from the companies' most recent annual report (2020).

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
26	**Holdings in subsidiaries**				
	Cost at 1 January			144,000	144,000
	Cost at 31 December			**144,000**	**144,000**
	Revaluations at 1 January			-914	-10,562
	Share of profit			3,978	13,948
	Dividends			48,000	4,300
	Revaluations at 31 December			**-44,936**	**-914**
	Carrying amount at 31 December			**99,064**	**143,086**

Holdings in subsidiaries 2021	Ownership %	Share capital end of year	Shareholders' equity for the year	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.

Holdings in subsidiaries 2020	Ownership %	Share capital end of year	equity for the year	Profit/loss for the year
P/F Trygd	100%	40,000	101,495	10,236
P/F Skyn	100%	1,000	6,668	606
P/F NordikLív	100%	30,000	34,923	3,106

The information disclosed is extracted from the companies' annual reports 2020.

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
27	**Intangible assets**				
	Cost at 1 January	2,773	10,506	2,773	10,506
	Additions	465	3,268	465	3,268
	Reclassification to Assets in disposal groups classified as held for sale	0	11,001	0	11,001
	Cost at 31 December	**3,238**	**2,773**	**3,238**	**2,773**
	Depreciation and impairment charges at 1 January	-341	-549	-341	-549
	Depreciation charges during the year	212	653	212	653
	Reclassification to Assets in disposal groups classified as held for sale	0	861	0	861
	Fair value at 31 December	**-553**	**-341**	**-553**	**-341**
	Carrying amount at 31 December	**2,684**	**2,432**	**2,684**	**2,432**

The depreciation period is 4 years.
The additions to the intangible assets refer to acquired IT systems during the year.

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
28	**Domicile property**				
	Cost at 1 January	78,255	106,900	76,210	104,855
	Additions	2,277	2,699	2,277	2,699
	Reclassification to held for sale	0	921	0	921
	Disposals	2,402	0	2,402	0
	Reclassification to Assets in disposal groups classified as held for sale	0	30,424	0	30,424
	Cost at 31 December	**78,130**	**78,255**	**76,085**	**76,210**
	Adjustments at 1 January	-5,002	-2,476	-5,602	-3,104
	Depreciation charges during the year	627	1,038	599	1,010
	Reversal of revaluations on disposals during the year	64	18	64	18
	Reclassification to Assets in disposal groups classified as held for sale	0	-1,507	0	-1,507
	Adjustments at 31 December	**-5,565**	**-5,002**	**-6,137**	**-5,602**
	Carrying amount at 31 December	**72,565**	**73,253**	**69,948**	**70,608**
	Lease assets				
	Cost at 1 January	79,403	114,551	79,403	114,551
	Reclassification to Assets in disposal groups classified as held for sale	0	35,148	0	35,148
	Cost at 31 December	**79,403**	**79,403**	**79,403**	**79,403**
	Adjustments at 1 January	-7,968	-6,416	-7,968	-6,416
	Depreciation charges during the year	3,981	9,245	3,981	9,245
	Reclassification to Assets in disposal groups classified as held for sale	0	7,693	0	7,693
	Adjustments at 31 December	**-11,949**	**-7,968**	**-11,949**	**-7,968**
	Carrying amount at 31 December	**67,454**	**71,436**	**67,454**	**71,436**
	Total land and buildings	**140,019**	**144,688**	**137,402**	**142,043**

Domicile property

Tangible assets include domicile property of DKK 72m (2020: DKK 74m). Carrying amount at 31 December if the property had not been revalued is DKK 70m (2020: DKK 72m). The fair value is assessed by the group's internal valuers at least once a year on 31th December on the basis of an income based approach. Valuations rely substantially on non-observable input, i.e. level 3 measures. Valuations are based on cash flow estimates and on the required rate of return calculated for each property that reflects the price at which the property can be exchanged between knowledgeable, willing parties under current market conditions. The cash flow estimates are determined on the basis of the market rent for each property. The required rate of return on a property is determined on the basis of its location, type, possible uses, layout and condition. At the end of 2021, the fair value of domicile property was DKK 78.2m (2020: DKK 114.8m). The required rate of return is ranged between 5.9%-9.0% (2020: 4.5-9.0%). The depreciation period is 50 years. A decrease in rental rates of DKK 100 pr m2 would reduce fair value at end-2021 by DKK 5.1m. An increase in the required rate of return of 1.0 percentage point, would reduce fair value at the end of 2021 by DKK 10.7m.

Leases

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

Leasing liabilities amounting DKK 71.5m are recognised within the balance sheet item Other liabilities. In the 2020 annual report the leasing liabilities were reported to be DKK 73.9m. The Group has included the option to extend the lease period of the headquarter with 5 years thus added DKK 17.0m to the leasing assets and leasing liabilities. Interests amounting DKK 2.2m 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 5.6m. The banks estimated borrowing rate used in the caluculation of the leasing assets and leasing liabilities is 3%.

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
29	**Other property, plant and equipment**				
	Cost at 1 January	33,684	91,074	26,853	84,873
	Additions	3,758	1,792	3,250	1,162
	Disposals	399	424	0	424
	Reclassification to Assets in disposal groups classified as held for sale	0	58,758	0	58,758
	Cost at 31 December	**37,044**	**33,684**	**30,103**	**26,853**
	Depreciation and impairment charges at 1 January	26,141	71,088	20,414	65,813
	Depreciation charges during the year	1,612	7,299	1,278	6,848
	Reversals of depreciation and impairment charges	246	33	0	33
	Reclassification to Assets in disposal groups classified as held for sale	0	52,214	0	52,214
	Depreciation and impairment charges at 31 December	**27,507**	**26,141**	**21,692**	**20,414**
	Carrying amount at 31 December	**9,537**	**7,543**	**8,411**	**6,439**

The depreciation period is 3-10 years.

Note	DKK 1,000	Group 2021	Group 2020
30	**Deferred tax**		
	Deferred tax assets	8,207	1,013
	Deferred tax liabilities	0	3,911
	Deferred tax, net	**8,207**	**-2,898**

Change in deferred tax	At 1 Jan.	Included in profit for the year	Included in sharholders' equity	At 31 Dec.
2021				
Intangible assets	-1,461	979		-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

2020	At 1 Jan.	Included in profit for the year	Included in sharholders' equity	At 31 Dec.
Intangible assets	6,310	-7,772		-1,461
Tangible assets	-2,339	-259	148	-2,450
Other	1,036	-22		1,013
Total	**5,008**	**-8,053**	**148**	**-2,898**

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

DKK 1,000	BankNordik 2021	BankNordik 2020
Deferred tax		
Deferred tax assets	7,648	1,030
Deferred tax liabilities	0	4,124
Deferred tax, net	**7,648**	**-3,093**

Change in deferred tax	At 1 Jan.	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
2021				
Intangible assets	-1,461	979		-483
Tangible assets	-2,662	1,360		-1,302
Other	1,030	8,403	0	9,433
Total	**-3,093**	**10,742**	**0**	**7,648**

Adjustment of prior-year tax charges included in preceding item

2020	At 1 Jan.	Recognised in profit for the year	Recognised in shareholders' equity	At 31 Dec.
Intangible assets	6,310	-7,772		-1,461
Tangible assets	-2,403	-259		-2,662
Other	1,053	-22	0	1,030
Total	**4,960**	**-8,053**	**0**	**-3,093**

Notes - BankNordik

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
31	**Assets held for sale**				
	Total purchase price at 1 January	4,466	5,112	4,466	5,112
	Additions	0	3,564	0	3,564
	Reclassification from domicile properties	0	902	0	902
	Disposals	4,466	5,112	4,466	5,112
	Total purchase price at 31 December	**0**	**4,466**	**0**	**4,466**
	Impairment at 1 January	0	3,612	0	3,612
	Impairment charges for the year	0	0	0	0
	Reversal of impairment on disposals and w rite offs during the year	0	3,612	0	3,612
	Impairment at 31 December	**0**	**0**	**0**	**0**
	Total assets held for sale at 31 December	**0**	**4,466**	**0**	**4,466**
	Specification of assets held for sale				
	Real property taken over in connection w ith non-performing loans	0	3,564	0	3,564
	Domicile property for sale	0	902	0	902
	Total	**0**	**4,466**	**0**	**4,466**

The item "Assets held for sale" comprises assets taken over in connection w ith 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 w ith non-performing loansis recognised under the item "Other operating income". The Group's real estate agency is responsible for selling the real property.

		Group		BankNordik	
		2021	2020	2021	2020
32	**Other assets**				
	Interest and commission due	28,959	38,055	27,832	36,743
	Derivatives with positive fair value	11,971	12,345	11,971	12,345
	Other amounts due	39,094	18,790	37,259	18,209
	Total	**80,024**	**69,190**	**77,062**	**67,297**
33	**Due to credit institutions and central banks specified by institution**				
	Due to central banks	34,600	27,350	34,600	27,350
	Due to credit institutions	804,008	604	804,008	604
	Total	**838,608**	**27,954**	**838,608**	**27,954**
34	**Due to credit institutions and central banks specified by maturity**				
	On demand	339,208	27,954	339,208	27,954
	Over 1 year to 5 years	200,000	0	200,000	0
	Over 5 years	299,400	0	299,400	0
	Total	**838,608**	**27,954**	**838,608**	**27,954**
	The amount for discontinued operations 2020 is DKK 0.3m on demand				
35	**Deposits specified by type**				
	On demand	7,137,891	7,155,279	7,140,559	7,147,079
	At notice	200,686	4,972	200,686	4,972
	Time deposits	105,717	109,839	105,717	109,839
	Special deposits	455,366	463,317	467,223	493,834
	Total deposits	**7,899,659**	**7,733,408**	**7,914,185**	**7,755,724**
36	**Deposits specified by maturity**				
	Continuing operations				
	On demand	7,259,269	7,457,665	7,273,794	7,479,981
	3 months and below	85,226	46,030	85,226	46,030
	3 months to 1 year	204,904	5,842	204,904	5,842
	Over 1 year to 5 years	39,941	26,342	39,941	26,342
	Over 5 years	310,320	197,530	310,320	197,530
	Total deposits	**7,899,659**	**7,733,408**	**7,914,185**	**7,755,724**
	Discontinued operations				
	On demand	0	5,429,583	0	5,429,583
	3 months and below	0	33,412	0	33,412
	3 months to 1 year	0	4,240	0	4,240
	Over 1 year to 5 years	0	19,121	0	19,121
	Over 5 years	0	143,383	0	143,383
	Total deposits	**0**	**5,629,740**	**0**	**5,629,740**
37	**Liabilities under insurance contracts**				
	Non-life insurance				
	Provisions for unearned premiums	48,410	44,369		
	Claims provisions	63,944	50,327		
	Total	**112,353**	**94,696**		
	Life insurance				
	Life insurance provisions	5,851	3,535		
	Total provisions for insurance contracts	5,851	3,535		
	Total	**118,205**	**98,231**		
38	**Other liabilities**				
	Sundry creditors	31,152	28,368	25,721	18,854
	Accrued interest and commission	17,213	8,138	17,213	7,597
	Derivatives with negative value	39,645	62,961	39,645	62,961
	Accrued staff expenses	24,592	21,989	21,889	21,313
	Lease liabilities	71,455	73,852	71,455	73,852
	Other obligations	4,114	10,688	4,114	10,688
	Total	**188,170**	**205,995**	**180,036**	**195,264**

Notes - BankNordik

Note DKK 1,000

39 **Issued bonds**

	Currency	Principal	Interest rate	Issued	Maturity	2021	2020
Issued bond DK0030492137	DKK	200,000	0.300%	2021	2023	199,922	0
Issued bond DK0030490271	DKK	150,000	2.345%	2021	2026	149,016	0
At 31 December		**350,000**				**348,938**	**0**

40 **Additional Tier 1 capital**

	Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2021	2020
Additional Tier 1 capital	DKK	P/F BankNor(	150,000	4.500%	2019	Perpetual	Yes	100	151,117	150,909
At 31 December			**150,000**						**151,117**	**150,909**

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 equity-accounted 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.

41 **Subordinated capital**

	Currency	Borrower	Principal	Interest rate	Year of issue	Maturity	Step-up clause	Redemption price	2021	2020
Subordinated capital	DKK	P/F BankNor(	100,000	2.970%	2021	24-06-2031	No	100	99,370	224,695
At 31 December			**100,000**						**99,370**	**224,695**

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.

Notes - BankNordik

Note	DKK 1,000	2021	2020
42	**BankNordik Shares**		
	Net profit	**272,340**	**166,186**
	Average number of shares outstanding	9,571	9,546
	Average number of shares outstanding, including shares diluted	9,571	9,546
	Earnings per share, DKK	28.5	17.4
	Diluted net profit for the period per share, DKK	**28.5**	**17.4**

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

Average number of shares outstanding:		
Issued shares at 1 January, numbers in 1,000	9,600	9,600
Reduction of share capital	0	0
Issued shares at end of period	9,600	9,600
Shares outstanding at end of period	9,571	9,546
Group's average holding of own shares during the period	29	54
Average shares outstanding	**9,571**	**9,546**

Holding of own shares	Number 2021	Number 2020	Value 2021	Value 2020
Investment portfolio	26,289	27,245	3,694	4,141
Trading portfolio	0	3,923	0	596
Total	**26,289**	**31,168**	**3,694**	**4,738**

	Investment portfolio	Trading portfolio	Total 2021	Total 2020
Holding at 1 January	4,141	596	4,738	7,547
Acquisition of own shares	0	0	0	0
Reduction of own shares	0	0	0	0
Sale of own shares	596	596	1,193	2,460
Value adjustment	-448	596	149	-349
Holding at 31 December	**3,694**	**596**	**3,694**	**4,738**

Notes - BankNordik Group

Note	DKK 1,000	Group 2021	Group 2020	BankNordik 2021	BankNordik 2020
43	**Contingent liabilities**				
	The Group uses a variety of loan-related financial instruments to meet the financial requirements of its customers. These include loan offers and other credit facilities, guarantees and instruments that are not recognised on the balance sheet.				
	Guarantees				
	Financial guarantees	222,079	285,623	222,079	285,623
	Mortgage finance guarantees	585,483	676,508	585,483	676,508
	Registration and remortgaging guarantees	158,330	241,742	158,330	241,742
	Other guarantees	649,855	271,696	649,855	271,696
	Total guarantees	**1,615,746**	**1,475,570**	**1,615,746**	**1,475,570**

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 2021, such unused credit facilities amounted to DKK 2.0bn (2020: DKK 3.3bn). Furthermore the Group has granted irrevocable loan commitments amounting to DKK 89m (2020: DKK 9.7m).

If the group desides to terminte the agreement with the banks main IT provider SDC, the group is obliged to pay DKK 128m i. e. the estimated next 4-years payment to SDC for IT-services.

44 **Assets deposited as collateral**

At the end of 2021 the Group had deposited bonds at a total market value of DKK 35m (2020: DKK 27m) with Danmarks Nationalbank (the Danish Central Bank) primarily in connection with cash deposits.

At the end of 2021 the Group had deposited bonds and cash at a total market value of DKK 75m (2020: DKK 67m) in connection with negative market value of derivatives.

Note DKK 1,000

Note	Related parties	Parties with significant influence		Associated undertakings		Board of Directors		Excecutive Board	
	DKK 1.000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	Assets								
	Loans			2,000	11,928	2,319	601	52	684
	Total			**2,000**	**11,928**	**2,319**	**601**	**52**	**684**
	Liabilities								
	Deposits		5,935	44,081	63,295	1,761	2,431	231	2,090
	Total		**5,935**	**44,081**	**63,295**	**1,761**	**2,431**	**231**	**2,090**
	Off-balance sheet items								
	Guarantees issued								388
	Guarantees and collateral received					847	965		
	Income Statement								
	Interest income		0	0	696	1	12	0	18
	Interest expense		30	622	461	63	4	1	6
	Fee income		1	0	34	1	4	5	7
	Total		**-29**	**622**	**268**	**65**	**12**	**4**	**19**

(Note 45)

Related parties with significant influence are shareholders with holdings exceeding 20% of P/F BankNordiks share capital. The Faroese Government is the only shareholder with significant influence (35%).

In 2021 interest rates on credit facilities granted to associated undertakings were between 4.60%-14.5% (2020: 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 with businesses in which these parties have a controlling or significant interest.

In 2021 interest rates on credit facilities granted to members of the Board of Directors and the Executive Board were between 1.00%-14.5% (2020: 1.00%-14.5%). Note 11 specifies the remuneration and note 46 specifies shareholdings of the management.

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

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

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

Notes - BankNordik

Note 46 **BankNordik shares held by the Board of Directors and the Executive Board**

DKK 1,000

Holdings of the Board of Directors and the Executive Board	**Beginning of 2021**	**Additions**	**Disposals**	**End of 2021**
Board of directors				
Jóhanna Lava Køtlum	0			0
Sverre Bjerkeli	0			0
Michael Ahm	0			0
Ben Arabo	1,000			1,000
Jógvan Jespersen	32		11	21
Kenneth M. Samuelsen	2,419		1001	1,418
Alexandur Johansen	200		200	0
Rúna Hentze	1,184		391	793
Total	**5,361**			**3,232**
Executive Board				
Árni Ellefsen	11,996	1,190		13,186
Total	**11,996**	**1,190**		**13,186**

DKK 1,000

47 **Financial instruments at fair value**

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

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

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 with 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 with negative fair value		39,645		39,645
Total		**39,645**		**39,645**

2020 **Financial assets and liabilities at fair value**	**Quoted prices**	**Observable input**	**Non-observable input**	**Total**
Financial assets held for trading				
Bonds at fair value	4,472,621			4,472,621
Shares, etc.	56,065			56,065
Derivatives with positive fair value		12,345		12,345
Total	**4,528,687**	**12,345**		**4,541,032**
Financial assets designated at fair value				
Loans and advances at fair value			473,357	473,357
Shares, etc.		241,225	1,347	242,572
Total		**241,225**	**474,704**	**715,930**
Finansial assets at fair value	**4,528,687**	**253,570**	**474,704**	**5,256,961**
Financial liabilities held for trading				
Derivatives with negative fair value		62,961		62,961
Total		**62,961**		**62,961**

Note 47 (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 29 for further information on Domicile property).

At 31 December 2021 financial assets valued on the basis of non-observable input comprised unlisted shares and loans and advances of DKK 416.5m (2020: DKK 474.7m). In 2021, 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 12.3m (2020: DKK 25.8m) and realised value adjustments of DKK 0.0m (2020: DKK 0.0m). Unlisted shares had a value adjustment of DKK 0.0m (2020: DKK 0.0m). A 10% increase or decrease in fair value of unlisted shares and loans and advances would amount to DKK 41.6m (2020: DKK 47.4m).

	2021	2020
Financial instruments at fair value valued on the basis of non-observable input		
Fair value at 1 January	474,704	511,211
Value adjustments through profit or loss	-6,113	25,844
Acquisitions	0	0
Disposals	52,074	62,351
Fair value at 31 December	**416,517**	**474,704**

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 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Financial assets				
Cash in hand and demand deposits with central banks	1,291,557	1,291,557	208,010	208,010
Due from credit institutions and central banks	445,411	445,411	1,177,515	1,177,515
Loans and advances at amortised cost	7,208,922	7,208,922	7,134,544	7,134,544
Assets under insurance contracts	8,831	8,831	9,556	9,556
Total	**8,954,722**	**8,954,722**	**8,529,625**	**8,529,625**
Financial liabilities				
Due to credit institutions and central banks	838,608	838,608	27,954	27,954
Deposits and other debt	7,899,659	7,899,659	7,733,408	7,733,408
Issued bonds at amortised cost	348,938	348,938	0	0
Liabilities under insurance contracts	118,205	118,205	98,231	98,231
Subordinated debt	99,370	99,370	224,695	224,695
Total	**9,304,780**	**9,304,780**	**8,084,288**	**8,084,288**

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

Discontinued operations	Carrying amount 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Financial assets				
Cash in hand and demand deposits with central banks	0	0	15,310	15,310
Due from credit institutions and central banks	0	0	52,800	52,800
Loans and advances at amortised cost	0	0	2,230,722	2,230,722
Total	**0**	**0**	**2,298,831**	**2,298,831**
Financial liabilities				
Due to credit institutions and central banks	0	0	338	338
Deposits and other debt	0	0	5,629,740	5,629,740
Deposits under pooled schemes	0	0	800,402	800,402
Total	**0**	**0**	**6,430,479**	**6,430,479**

DKK 1,000

48 **Group holdings and undertakings**	Share capital	Functional currency	Net profit	Shareholders' equity	Share capital %
P/F BankNordik	192,000	DKK	272,340	2,035,853	100%
Insurance companies					
P/F Trygd	40,000	DKK	-1,692	55,803	100%
P/F NordikLív	30,000	DKK	3,816	35,739	100%
Real estate agency					
P/F Skyn	1,000	DKK	1,854	7,522	100%

Note	DKK 1.000	2021			2020		
		Non-life	Life	Total	Non-life	Life	Total
49	**Reconciliations of changes in insurance liabilities**						
	Unearned premium provisions	48,410	0	48,410	44,369	0	44,369
	Outstanding claims provisions	63,944	5,851	69,795	50,299	3,563	53,862
	Liabilities under insurance contracts, year-end	**112,353**	**5,851**	**118,205**	**94,668**	**3,563**	**98,231**
	Unearned premium provisions						
	Beginning of year	44,369	0	44,369	41,414	0	41,414
	Premiums received	144,711	17,012	161,723	135,817	15,372	151,189
	Premiums recognised as income	-140,671	-17,012	-157,682	-132,862	-15,372	-148,234
	Unearned premium provisions, year-end	**48,410**	**0**	**48,410**	**44,369**	**0**	**44,369**
	Outstanding claims provisions						
	Beginning of year	50,299	3,563	53,862	47,840	3,668	51,507
	Change of accounting policies, previous years						
	Claims paid regarding current year	-50,623	-4,673	-55,296	-54,825	-6,050	-60,875
	Claims paid regarding previous years	-33,165	-100	-33,265	-23,544	-100	-23,644
	Change in claims regarding current year	43,010	7,061	50,071	29,106	6,046	35,152
	Change in claims regarding previous years	54,423	0	54,423	51,722	0	51,722
	Outstanding claims provisions, year-end	**63,944**	**5,851**	**69,795**	**50,299**	**3,563**	**53,862**

	2021			2020		
	Non-life	Life	Total	Non-life	Life	Total
Reconciliations of changes in insurance assets						
Reinsurers' share of premium provisions	0	0	0	0	0	0
Reinsurers' share of claims provisions	3,997	0	3,997	2,554	0	2,554
Receivables from insurance contracts and reinsurers	4,834	0	4,834	7,002	0	7,002
Reinsurers' share of insurance contracts, year-end	**8,831**	**0**	**8,831**	**9,556**	**0**	**9,556**
Reinsurers' share of premium provisions						
Beginning of year	0	0	0	0	0	0
Premiums ceded	-15,426	-514	-15,940	-12,663	-514	-13,177
Payments to reinsurers	15,426	514	15,940	12,663	514	13,177
Reinsurers' share of premium provisions, year-end	**0**	**0**	**0**	**0**	**0**	**0**
Reinsurers' share of claims provisions						
Beginning of year	2,554	0	2,554	2,266	0	2,266
Claims ceded	4,396	0	4,396	5,067	0	5,067
Payments received from reinsurers	-2,953	0	-2,953	-4,780	0	-4,780
Reinsurers' share of claims provisions, year-end	**3,997**	**0**	**3,997**	**2,554**	**0**	**2,554**

Note 50

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 ventures 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 2021 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 40 and note 41 to the financial statements show P/F BankNordik's hybrid core capital and subordinated debt. At year-end 2020, the Bank's CET 1 capital, Core capital and Total capital ratios were 22.6%, 24.1% and 26.4%, respectively. At the end of 2020, the Bank's CET 1 capital, Core capital and Total capital ratio were 23,8%, 26,0% and 27,5%, respectively.

Credit risk

The comments made in the following sections is made to the tables presenting figures and information related to the continued operations, while figures and information related to the discontinued operations are shown in table 9.

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 9 and 10.

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

	2021		2020	
Continuing operations	**DKKm**	**In %**	**DKKm**	**In %**
Public authorities	780	6.7%	860	7.2%
Corporate sector:				
Agriculture and farming, others	91	0.8%	80	0.7%
Aquaculture	130	1.1%	139	1.2%
Fisheries	1,010	8.6%	1,048	8.8%
Manufacturing industries, etc.	298	2.5%	334	2.8%
Energy and utilities	478	4.1%	383	3.2%
Building and construction, etc	947	8.1%	998	8.4%
Trade	652	5.6%	765	6.4%
Transport, mail and telecommunications	466	4.0%	602	5.1%
Hotels and restaurants	227	1.9%	59	0.5%
Information and communication	24	0.2%	32	0.3%
Property administration, etc.	1,263	10.8%	1,233	10.3%
Financing and insurance	68	0.6%	136	1.1%
Other industries	448	3.8%	308	2.6%
Total corporate sector	**6,102**	**52.2%**	**6,118**	**51.3%**
Personal customers	4,817	41.2%	4,941	41.5%
Total	**11,699**	**100.0%**	**11,918**	**100.0%**
Credit institutions and central banks	1,891		1,829	
Total incl. credit institutions and central banks	**13,591**		**13,748**	

Risk exposure concentrations

Table 2

	2020	
Discontinued operations	**DKKm**	**In %**
Public authorities	-	0.0%
Corporate sector:		
Agriculture and farming, others	3	0.1%
Aquaculture	0	0.0%
Fisheries	0	0.0%
Manufacturing industries, etc.	1	0.0%
Energy and utilities	0	0.0%
Building and construction, etc	8	0.2%
Trade	10	0.2%
Transport, mail and telecommunications	2	0.0%
Hotels and restaurants	1	0.0%
Information and communication	12	0.2%
Property administration, etc.	16	0.3%
Financing and insurance	16	0.3%
Other industries	39	0.8%
Total corporate sector	**108**	**2.3%**
Personal customers	4,588	97.7%
Total	**4,696**	**100.0%**
Credit institutions and central banks	53	
Total incl. credit institutions and central banks	**4,749**	

Credit exposure by geographical area — Table 3

(DKKm)	2021					2020				
Continuing operations	Exposures	in%	Loans / Credits	Guarantees	Unused credits	Exposures	in%	Loans / Credits	Guarantees	Unused credits
Faroe Islands	9,002	77%	6,793	1,012	1,131	9,374	79%	6,824	736	1,754
Denmark	51	0%	33	13	5	181	1%	115	37	30
Greenland	2,646	23%	1,069	512	1,065	2,364	20%	971	627	766
Total	**11,699**	**100%**	**7,895**	**1,537**	**2,201**	**11,918**	**100%**	**7,910**	**1,401**	**2,549**
Discontinued operations										
Denmark						4,696	100%	2,387	1,437	857
Total						**4,696**	**100%**	**2,387**	**1,437**	**857**

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 in fisheries were DKK 1.010m. This represents 8.6% of total exposures. Property administration DKK 1.263m representing by 10.8% of total exposures and DKK 130m was related to the aquaculture industry. This represents 1,1% 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 minor extent domestic customers in Denmark. Table 3 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 with the quarterly impairment testing of the loan portfolio. All customers that meet a few 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 4, app. 99% of total exposures are individually classified.

For further information on impaired portfolios, see table 9.

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 2021, 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 special cases, exposures may be above 10%, but only for customers of a 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 2021

Table 4

		> 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**

Quality of loan portfolio excl. financial institutions 2020

Continuing operations

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a)	Exposure in DKKm	4,139	1,365	5,504
Portfolio with some weakness (2b)	Exposure in DKKm	1,752	3,737	5,488
Portfolio with significant weakness (2c)	Exposure in DKKm	206	117	324
	Unsecured	39	22	61
Portfolio with OEI	Exposure in DKKm	211	286	496
	Unsecured	109	128	236
	Impairments/provisions	91	123	214
Portfolio without individual classification	Exposure in DKKm	55	51	106
Total	**Exposure in DKKm**	**6,363**	**5,556**	**11,918**

Quality of loan portfolio excl. financial institutions 2020

Discontinued operations

		> 7.5m	< 7.5m	Total
Portfolio without weakness (3, 2a)	Exposure in DKKm	33	1,777	1,810
Portfolio with some weakness (2b)	Exposure in DKKm	45	2,519	2,564
Portfolio with significant weakness (2c)	Exposure in DKKm	0	74	74
	Unsecured	0	24	24
	Exposure in DKKm	0	202	202
	Unsecured	0	109	109
	Impairments/provisions	0	105	105
Portfolio without individual classification	Exposure in DKKm	0	45	45
Total	**Exposure in DKKm**	**78**	**4,618**	**4,696**

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 Liquidity risk p. 107 Collateral provided by the Group. Table 5 shows collateral for exposures excluding exposures with impairment or past due exposures. Collateral amounts to DKK 7.903m. The types of collateral most frequently provided are real estate (83%), ships/ aircraft (9%) and motor vehicles (2%) (see table 6) 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 (exclusive of guarantees from public authorities and banks) and collateral in movables, the haircut is 100%.

Table 5 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 21% of personal exposures and 33% of corporate exposures. The largest part of the Bank's credit is granted against collateral in real estate.

Credit exposure and collateral 2021

Table 5

(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
Impairments	57	178	235	0	236
Unsecured (of exposured)	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%

Credit exposure and collateral 2020

Continuing operations

(DKKm)	Personal customers	Corporate sector	Personal & corporate	Public	Total
Exposure	4,941	6,118	11,059	860	11,918
Loans, advances & guarantees	3,698	3,736	7,434	476	7,910
Collateral	3,917	3,773	7,690	1	7,691
Impairments	73	252	325	0	326
Unsecured (of exposured)	1,024	2,378	3,401	857	4,258
Unsecured (loans, advances and guarantees)	737	1,110	1,847	0	1,847
Unsecured ratio	21%	39%	31%	100%	36%
Unsecured ratio, loans and advances	20%	30%	25%	0%	23%

Discontinued operations

(DKKm)	Personal customers	Corporate sector	Personal & corporate	Public	Total
Exposure	4,588	108	4,696		4,696
Loans, advances & guarantees	2,340	47	2,387		2,387
Collateral	2,787	50	2,837		2,837
Impairments	136	4	141		141
Unsecured (of exposured)	1,801	58	1,859		1,859
Unsecured (loans, advances and guarantees)	1,262	31	1,293		1,293
Unsecured ratio	39%	54%	40%		40%
Unsecured ratio, loans and advances	54%	66%	54%		54%

Collateral

Table 12

(in %)	2021	Continuing operations 2020	Discontinued operations 2020
Cars	2%	3%	4%
Real Estate	83%	84%	45%
Aircrafts & Ships	9%	8%	0%
Other	5%	6%	51%
Total	**100%**	**100%**	**100%**

Distribution of past due amount

Table 7

(DKKm)	2021 Exposure	2021 Past due total	2021 Past due > 90 days	2021 Total balance with past due	2020 Continuing operations Exposure	2020 Continuing operations Past due total	2020 Continuing operations Past due > 90 days	2020 Continuing operations Total balance with past due
Portfolio without weakness (3, 2a)	5,473	33	0	960	5,504	9	0	482
Portfolio with some weakness (2b, 2b)	5,358	12	0	1,274	5,488	20	1	1,388
Portfolio with significant weakness (2c)	295	1	0	87	324	1	0	190
Portfolio with impairment/provision (1)	431	4	1	183	496	5	2	168
Portfolio without individual classification	142	0	0	23	106	0	0	6
Total	**11,699**	**51**	**2**	**2,528**	**11,918**	**35**	**3**	**2,234**
Past due in % of exposure		0.44%	0.01%			0.29%	0.00%	

(DKKm)	2020 Discontinued operations Exposure	2020 Discontinued operations Past due total	2020 Discontinued operations Past due > 90 days	2020 Discontinued operations Total balance with past due
Portfolio without weakness (3, 2a)	1,810	3	0	160
Portfolio with some weakness (2b, 2b)	2,564	5	0	384
Portfolio with significant weakness (2c)	74	0	0	20
Portfolio with impairment/provision (1)	202	1	0	52
Portfolio without individual classification	45	0	0	6
Total	**4,696**	**9**	**0**	**621**
Past due in % of exposure		0.19%	0.00%	

Loans and advances specified by maturity

Table 8

(DKKm)	Continuing operations 2021	Continuing operations 2020	Discontinued operations 2020
On demand	87	87	26
3 months and below	282	281	82
3 months to 1 year	903	901	264
Over 1 year to 5 years	2,761	2,755	808
Over 5 years	3,591	3,583	1,051
Total	**7,624**	**7,608**	**2,231**

As shown in table 7, 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 9 provides a breakdown of individual impairments, stage 3, and statistical based impairments, stage 1 and 2 including DKK 52m impaired at the Executive Management's discretion. Table 10 shows a breakdown of the mentioned DKK 52m impaired.

In connection with the acquisition of Sparbank (2010) and Amagerbanken (2011), the Group took over some of the exposures that were individually impaired and some of these exposures are a part of the continued operation. These impairments are recognised as part of the purchase price for the acquired exposures. In 2021 DKK 23m 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 9. There are no aggregated data on the collateral behind matured loans and advances.

Specification of individual and statistic impairments **Table 9**

	2021			2020	
			Continuing operations		
DKKm	**Loans gross**	**Individual impairments**	**DKKm**	**Loans gross**	**Individual impairments**
Individual impairments:			Individual impairments:		
Faroe Islands	198	65	Faroe Islands	253	95
Denmark	32	41	Denmark	70	92
Greenland	159	30	Greenland	95	27
Total	**389**	**136**	**Total**	**418**	**214**
Statistic impairments:			Statistic impairments:		
Faroe Islands	6,596	66	Faroe Islands	6,571	71
Denmark	1	2	Denmark	45	4
Greenland	910	34	Greenland	876	38
Total	**7,910**	**101**	**Total**	**7,910**	**114**

Discontinued operations	2020	
DKKm	**Loans gross**	**Individual impairments**
Individual impairments:		
Denmark	171	105
Total	**171**	**105**
Statistic impairments:		
Denmark	2,215	36
Total	**2,215**	**36**

Distribution of impairments at the Executive Management's discretion — Table 10

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**

2020
(DKKm)

Country / Stage	1	2	2w	3	Total
Faroe Islands	16.7	13.5	0.3	0.0	30.6
Greenland	11.0	7.5	0.0	3.0	21.6
Denmark	0.0	0.1	0.1	0.0	0.2
Discontinued operations	4.5	3.1	0.0	0.0	7.6
Total	**32.3**	**24.3**	**0.4**	**3.0**	**60.0**

Market Risk

Organisation
The Bank has established an Investment Working Group to monitor the financial markets and continuously update its view on the financial markets. The Investment Working Group meets once a month to discuss the outlook for the financial markets and make an update containing a recommendation on tactical asset allocation to the Investment Group. The Investment Working Group refers to the Investment Group. Participants in the Investment Group are the CEO, the CFO, the COO, 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 12 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 11

	Change	2021	% of Core Capital	2020	% of Core Capital
Equity risk DKKm (+/-)	10%	20	1.1%	24	1.0%
Exchange risk DKKm (+/-) EUR	2.25%	0	0.0%	0	0.0%
Exchange risk DKKm (+/-) Other currencies	10%	1	0.0%	0	0.0%
Exchange risk, Total		1	0.0%	1	0.0%
Interest rate risk DKKm (parallel shift)	100 bp	6	0.3%	10	0.4%

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

Interest rate risk broken down by currency — Table 12

(DKKm)

	2021	2020
DKK	8	12
EUR	0	0
Total	**8**	**12**

Foreign exchange position — Table 13

(DKKm)

	2021	2020
Assets in foreign currency	15	23
Liabilities and equity in foreign currency	0	0
Exchange rate indicator 1	15	23
Exchange rate indicator 2	0	1

Equity risk — Table 14

(DKKm)

	2021	2020
Share/unit trust certificates listed on the Copenhagen Stock Exchange	60	56
Other shares at fair value based on the fair-value option	191	253
Total	**251**	**309**

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 191 % at 31. December 2021 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. Treasury 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 15

(DKKm)	2021	2020
Bonds at fair value	1,881	4,473
Derivatives with positive fair value	12	12
Equity	251	309
Total	**2,144**	**4,794**

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 2021 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 16 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 2021 had pledged bonds and cash deposits valued at DKK 62m 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 2021, this collateral amounted to DKK 35m.

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 16

(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	7,914,185	0	0	0	0	**7,914,185**
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	**8,768,856**	**51,566**	**5,358**	**517,182**	**2,325,641**	**11,668,603**
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**

2020	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	208,010					**208,010**
Hereof discontinued operations	*15,310*					***15,310***
Due from Credit institution	1,177,476					**1,177,476**
Hereof discontinued operations	*52,800*					***52,800***
Loans and advances	113,113	363,106	1,164,908	3,563,372	4,634,401	**9,838,901**
Hereof discontinued operations	25,646	82,325	264,113	807,905	1,050,733	**2,230,722**
Bonds	277,152	2,702,737	100,098	1,392,634	0	**4,472,621**
Shares	309,443	0	0	0	0	**309,443**
Bonds and Shares	586,595	2,702,737	100,098	1,392,634	0	**4,782,064**
Derivatives	12,345					**12,345**
Other Assets	996,935	66,014		0	202,606	**1,265,555**
Total assets	**3,094,474**	**3,131,857**	**1,265,006**	**4,956,006**	**4,837,007**	**17,284,351**
2020						
Due to credit institutions and central banks	28,292					**28,292**
Deposits	12,482,994	77,047	9,778	44,092	1,549,639	**14,163,550**
Hereof discontinued operations	*5,667,183*	*34,979*	*4,439*	*20,017*	*703,524*	*6,430,142*
Issued bonds						
Other liabilities	29,571	67,181	11,478	28,654	184,140	**321,025**
Lease liabilities	829	1,658	7,461	25,025	67,134	**102,107**
Provisions for liabilities				22,749		**22,749**
Subordinated debt					224,695	**224,695**
Equity					2,227,024	**2,227,024**
Total	**12,541,686**	**145,885**	**28,717**	**120,521**	**4,252,633**	**17,089,442**
Off-balance sheet items						
Financial Guarantees	583,259					**583,259**
Hereof discontinued operations	*297,636*					*297,636*
Other commitments	324,855					**324,855**
Hereof discontinued operations	*53,158*					*53,158*
Total	**908,114**					**908,114**

Insurance Risk

Insurance risk in the Group consists mostly of non-life insurance risk. 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 17

(DKKm)	Change	2021	2020
Equity risk (+/-)	10%		
Exchange risk (+/-) in euro	2.25%		
Exchange risk (+/-) other currency	10%		
Interest rate risk (parallel shift) - Trygd	100 bp	1.2	1.1
Interest rate risk (parallel shift) Total	**100 bp**	**1.8**	**1.7**

Distrubution of Trygd's portfolio — Table 18

	2021	2020
Commercial lines	34.7%	35.3%
Personal lines	65.3%	64.7%

The Group has defined internal procedures to minimise the possible loss in regard to 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 ldiversified insurance portfolio. The insurance portfolio of Trygd is well diversified in personal and commercial lines (see table 18).

Insurance risk

Trygd covers the insurance liabilities through a portfolio of securities and investment assets exposed to market risk.

Trygd has invested in investment securities and cash and cash equivalents in the effort to balance the exposure to market and currency risk (see table 19).

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 229m. The negative effect on the Total capital ratio thus is 1,0% points.

Financial assets linked to insurance risk in Trygd — Table 19

(DKK 1,000)	2021	2020
Listed securities on stock exchange	159,660	179,405
Accounts receivable (total technical provisions)	4,646	3,140
Cash and cash equivalents	4,773	13,012
Total	**169,079**	**195,558**

Run-off gains/losses in Trygd — Table 20

(DKKm)

Sector	2021	2020	2019	2018	2017
Industry	-0.01	0.67	1.04	-0.68	1.25
Private	-0.06	0.34	-0.14	-0.10	0.46
Accidents	-10.62	-5.55	-0.17	-1.05	0.19
Automobile	1.45	3.31	3.56	3.11	2.93
Total	**-9.24**	**-1.23**	**4.28**	**1.28**	**4.82**

Table 21

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						
Account payable		112,353				112,353
Total financial liabilities		**112,353**				**112,353**
Assets - liabilities	**163,959**	**-103,522**				**60,437**

Contractual maturity for the insurance segment

(DKK 1,000)

2020	On demand	0-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets						
Securities	179,405					179,405
Reinsurance assets		3,140				3,140
Accounts receivables		5,680				5,680
Restricted cash						
Cash and cash equivalents	13,012					13,012
Total financial assets	**192,417**	**8,820**				**201,238**
Liabilities						
Technical provision		94,696				94,696
Account payable		10,566				10,566
Total financial liabilities		**105,262**				**105,262**
Assets - liabilities	**192,417**	**-96,442**				**95,976**

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 so as 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 from the start of 2021.

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 only held 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.

NordikLív — Life insurance
NordikLív is a life insurance company established in 2015 and wholly owned by BankNordik. The company began operations in 2016.

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 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 51 **Highlights**[1]

DKK 1,000	2021	2020	Index 21/20	2019	2018	2017
Net interest income	268,580	278,220	97	258,853	374,143	387,216
Net fee and commision income	79,360	59,892	133	55,765	172,213	190,425
Net interest and fee income	351,370	341,384	103	318,307	557,752	583,041
Net insurance income	33,895	45,152	75	52,327	43,751	43,367
Interest and fee income and income from insurance activities, net	385,264	386,535	100	370,634	601,503	626,407
Market value adjustments	4,391	-16,968		1,370	7,113	20,131
Other operating income	11,009	7,086	155	12,470	19,947	33,534
Staff cost and administrative expenses	232,567	244,335	95	262,513	459,247	453,630
Impairment charges on loans and advances etc.	-76,561	-4,962	1,543	-68,962	-110,782	-35,107
Net profit continuing operations	193,356	103,150	187	144,159	262,097	189,078
Net profit discontinued operations	78,983	63,035	125	62,471	0	0
Net profit	272,340	166,186	164	206,631	262,097	189,078
Loans and advances	7,624,093	7,607,901	100	9,908,886	9,956,478	9,537,425
Bonds at fair value	1,880,565	4,472,621	42	5,599,529	4,565,087	4,262,730
Intangible assets	2,684	2,432	110	9,957	6,678	0
Assets held for sale	0	4,466	0	1,500	20,364	6,302
Assets in disposals groups classified as held for sale	0	3,217,940		0	0	0
Total assets	11,789,746	17,290,303	68	18,173,399	16,703,555	15,784,953
Amounts due to credit institutions and central banks	838,608	27,954	3,000	54,922	298,610	360,497
Issued bonds at amortised cost	348,938	0		0	0	0
Deposits and other debt	7,899,659	7,733,408	102	14,367,685	13,432,228	12,632,463
Liabilities directly associated w ith assets in disposal groups classified	0	6,520,004		0	0	0
Total shareholders' equity	2,035,853	2,271,024	90	2,112,335	1,981,742	1,820,092

Ratios and key figures	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Solvency	**2020**	**2020**	**2019**	**2018**	**2017**
Total capital ratio, incl. MREL capital, %	29.6	26.4	22.3	19.8	19.7
Total capital ratio, %	27.5	26.4	22.3	19.8	19.7
Core capital ratio, %	26.0	24.1	20.2	17.7	17.5
CET 1 capital	23.8	22.6	18.8	17.7	17.5
Risk-w eighted Items, DKK mill	6,841	9,774	10,764	10,621	9,895
Profitability					
Return on shareholders' equity before tax, %	11.1	9.4	12.7	17.0	12.5
Return on shareholders' equity after tax, %	12.6	7.6	10.1	13.8	10.1
Income / Cost ratio	2.5	1.5	1.9	2.1	1.5
Cost / income, % (excl. value adjustm. and impairments)	60.4	64.1	70.5	67.0	72.8
Return on assets	2.3	1.0	1.1	1.6	1.2
Market risk					
Interest rate risk, %	-0.4	0.5	1.8	1.7	1.6
Foreign exchange position, %	0.8	1.0	1.4	1.3	0.9
Foreign exchange risk, %	0.0	0.0	0.1	0.1	
Liquidity					
Loans and advances plus impairment charges as % of deposits	99.5	104.4	72.3	78.4	79.4
Liquidity Coverage Ratio (LCR), %	191.4	231.1	229.5	265.8	209.0
Credit risk					
Large exposures as % of capital base	25.9	20.5	10.0	10.5	13.7
Impairment and provisioning ratio, %	2.6	5.1	3.7	4.5	4.0
Write-off and impairments ratio, %	-0.8	-0.1	-0.5	-0.8	-0.3
Share of amounts due on w hich interest rates have been reduced, %	0.3	0.7	0.8	0.8	0.4
Grow th on loans and advances, %	0.2	-23.2	-0.5	4.4	4.3
Gearing of loans and advances, %	3.7	3.3	4.7	5.0	5.2
Shares					
Earnings per share after tax, DKK	28.5	17.4	21.8	27.1	19.5
Book value per share, DKK	212.7	237.3	221.6	0.2	187.2
Proposed dividend per share DKK	40.2	5.0	7.0	7.0	4.0
Market price per share, DKK	140.5	152.0	109.0	108.5	106.0
Market price / earnings per share DKK	4.9	8.7	5.0	4.0	5.4
Market price / book value per share DKK	0.7	0.6	0.5	0.5	0.6
Other					
Number of full-time employees, end of period	195	352	377	393	400

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 51 (cont'd)

Highlights[1]

DKK 1,000	2021	2020	2019	2018	2017
Net interest income	267,718	276,691	257,186	372,694	385,612
Net fee and commision income	91,754	71,406	66,652	182,209	199,367
Net interest and fee income	362,900	351,369	327,527	566,299	590,378
Market value adjustments	6,813	-13,923	6,943	9,531	21,952
Other operating income	4,968	2,978	6,679	13,940	29,174
Staff cost and administrative expenses	211,855	225,740	240,146	438,578	431,121
Depreciation and impairment of property, plant and equipment	6,088	6,941	6,971	-44,379	27,599
Impairment charges on loans and advances etc.	-76,561	-4,962	-68,962	-110,782	-35,107
Income from associated and subsidiary undertakings	5,094	14,285	19,501	14,565	12,160
Net profit continuing operations	193,356	103,150	144,159	262,097	189,078
Net profit discontinued operations	78,983	63,035	62,471	0	0
Net profit	272,340	166,186	206,631	262,097	189,078
Loans and advances	7,624,093	7,607,901	9,908,886	9,956,478	9,537,425
Bonds at fair value	1,683,517	4,255,519	5,404,445	4,374,064	4,091,177
Intangible assets	2,684	2,432	9,957	6,678	0
Assets held for sale	0	4,466	1,500	20,364	6,302
Assets in disposals groups classified as held for sale	0	3,217,940	0	0	0
Total assets	11,674,564	17,199,646	18,095,281	16,612,691	15,713,057
Amounts due to credit institutions and central banks	838,608	27,954	54,922	298,610	360,497
Issued bonds at amortised cost	348,938	0	0	0	0
Deposits and other debt	7,914,185	7,755,724	14,399,292	13,452,242	12,653,510
Liabilities directly associated with assets in Disposal groups classified	0	6,520,004	0	0	0
Total shareholders' equity	2,035,853	2,271,024	2,112,335	1,981,742	1,820,092

Ratios and key figures

	Dec. 31 2021	Dec. 31 2020	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017
Solvency					
Total capital ratio, incl. MREL capital, %	29.6	26.4	22.3	19.8	19.7
Total capital ratio, %	27.5	26.4	22.3	19.8	19.7
Core capital ratio, %	26.0	24.1	20.2	17.7	17.5
CET 1 capital	23.8	22.6	18.8	17.7	17.5
Risk-weighted Items, DKK mill	6,841	9,774	10,764	10,621	9,895
Profitability					
Return on shareholders' equity before tax, %	11.0	9.3	8.9	16.8	12.4
Return on shareholders' equity after tax, %	12.6	7.6	10.2	13.8	10.1
Income / Cost ratio	2.7	1.6	2.0	2.1	1.5
Cost / income, % (excl. value adjustm. and impairments)	58.7	63.3	70.0	66.4	72.3
Return on assets	2.3	1.0	1.2	1.6	1.2
Market risk					
Interest rate risk, %	0.5	0.4	1.8	1.6	1.5
Foreign exchange position, %	0.8	1.0	1.4	1.3	0.9
Foreign exchange risk, %	0.0	0.0	0.1	0.1	0.1
Liquidity					
Loans and advances plus impairment charges as % of deposits	99.3	104.1	72.1	78.3	79.2
Liquidity Coverage Ratio (LCR), %	191.4	231.1	229.5	265.8	209.0
Credit risk					
Large exposures as % of capital base	25.9	20.5	10.0	10.5	13.7
Impairment and provisioning ratio, %	2.6	4.9	3.7	4.5	4.0
Write-off and impairments ratio, %	-0.8	-0.1	-0.5	-0.8	-0.3
Share of amounts due on which interest rates have been reduced, %	0.3	0.7	0.8	0.8	0.4
Growth on loans and advances, %	0.2	-23.2	-0.5	4.4	4.3
Gearing of loans and advances	3.7	3.3	4.7	5.0	5.2
Shares					
Earnings per share after tax, DKK	28.5	17.4	22.1	27.1	19.5
Book value per share, DKK	212.7	237.3	221.6	207.2	187.2
Proposed dividend per share DKK	40.2	5.0	7.0	7.0	4.0
Market price per share, DKK	140.5	152.0	109.0	108.5	106.0
Market price / earnings per share DKK	4.9	8.7	4.9	4.0	5.4
Market price / book value per share DKK	0.7	0.6	0.5	0.5	0.6
Other					
Number of full-time employees, end of period	164	320	345	360	367

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.

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

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