

**SUPPLEMENTARY / CORRECTIVE  
DISCLOSURES REGARDING THE  
ANNUAL REPORT 2010**

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**Introduction**

The Danish Financial Supervisory Authority (FSA) has performed an accounting control of the Annual Report of BankNordik for 2010. The Bank has received the FSA's draft to the Decision of the Danish Securities Council regarding the accounting control which has resulted in additional supplementary/corrective information to the Annual Report 2010.

It appears from the draft to the Decision of the Danish Securities Council that the Danish Securities Council orders the Bank to:

- correct the presentation of impairment charges in connection with the acquisition of the Sparbank branches. The impairment charges are not part of "Impairment charges on loans and advances etc." in the Balance Sheet but has to be classified as a reduction of amortised cost. In the Income Statement reversals of impairment charges will therefore be classified as "Other operating income" in 2010 and not as part of "Impairment charges on loans and advances etc."
- correct the Cash Flow Statement disclosing the dividends received and to
- correct the disclosure of transactions with related parties to also include transactions with subsidiaries.

These corrections are enclosed in this document.

Reading the Annual Report 2010 the reader now must be aware of these adjustments especially when reading the Management's Report and the note/section on Risk Management.

The corrections have no effect on net profit or shareholders' equity.

**Statement by the Management**

The Danish Financial Supervisory Authority has performed an accounting control of the Annual Report of BankNordik for 2010. The Bank has received the Danish Financial Supervisory Authority's draft to the Decision of the Danish Securities Council regarding the accounting control which leads to additional supplementary/corrective disclosures to the Annual Report 2010.

Based on this, the Management of BankNordik has opted voluntarily to publish supplementary/corrective disclosures to the Income Statement, the Notes, the Cash Flow Statement and the Key Figures.

The supplementary/corrective disclosures concern the following of the enclosed:

- Income Statement - the items "Other operating income" and "Impairment charges on loans and advances etc."
- Notes 7, 13 and 18 to the Consolidated Financial Statements and notes 9 and 15 to the Parent Company Financial Statements
- Key figures – Cost/income, Cost/income (excl. value adjustm. and impairments), Income/cost ratio, Loans and advances plus impairment charges as % of deposits, Impairment and provisioning ratio and Write-off and impairments ratio
- Cash Flow Statement
- Disclosures on related parties

By publishing these supplementary/corrective disclosures, BankNordik complies with the Danish Financial Supervisory Authority's draft to the Decision of the Danish Securities Council.

The supplementary/corrective disclosures does not affect the result of 2010 but affect the reversal of "Impairment charges on loans and advances etc.". The supplementary/corrective disclosures have no effect on shareholders' equity or the balance sheet.

We have today considered and adopted the supplementary/corrective disclosures to the Annual Report for 2010, which are in our opinion in accordance with the Danish Financial Supervisory Authority's draft to the Decision of the Danish Securities Council.

Tórshavn, 12 November 2011

**Executive Board**

Janus Petersen

John Rajani

**Board of directors**

Klaus Rasmussen  
Chairman

Jens Erik Christensen  
Deputy Chairman

Keld Søndergaard Holm

Nils Sørensen

Mette Dahl Christensen

Kenneth M. Samuelsen

**To the Shareholders of BankNordik**

We have audited the supplementary/corrective disclosures regarding the Annual Report for 2010 prepared by Management in the form of supplementary/corrective disclosures to notes 7, 13 and 18 to the Consolidated Financial Statements and the consolidated cash flow statement, and to notes 9 and 15, the cash flow statement as well as the disclosures on related party transactions in the Parent Company Financial Statements of BankNordik for 2010. We have not audited the supplementary/corrective disclosures to Management's Review.

The supplementary/corrective disclosures regarding the Consolidated Financial Statements have been prepared in accordance with the relevant provisions of the International Financial Reporting Standards as approved by the EU, and the supplementary/corrective disclosures regarding the Parent Company Financial Statements have been prepared in accordance with the relevant provisions of the Danish Financial Business Act. Furthermore, the supplementary/corrective disclosures regarding the Consolidated Financial Statements and the Parent Company Financial Statements have been prepared in accordance with additional Faroese disclosure requirements for listed financial undertakings and in accordance with the consultation relating to the case to be submitted to the Danish Securities Council "Supervision of P/F BankNordik's Annual Report, including Group Report, for the Financial Year 2010" of 12 October 2010 as well as corrections to this, cf letter of 1 November 2011.

The Management of BankNordik is responsible for the preparation of the supplementary/corrective disclosures to the Annual Report for 2010.

**Auditor's Responsibility and Basis of Opinion**

Our responsibility is to express an opinion on the supplementary/corrective disclosures based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the supplementary/corrective disclosures relating to the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the supplementary/corrective disclosures relating to the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the supplementary/corrective disclosures relating to the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error.

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

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the supplementary/corrective disclosures to notes 7, 13 and 18 to the Consolidated Financial Statements and the consolidated cash flow statement have been prepared in accordance with the relevant provisions of the International Financial Reporting Standards as approved by the EU, and the supplementary/corrective disclosures to notes 9 and 15, the cash flow statement as well as the disclosures on related party transactions in the Parent Company Financial Statements of BankNordik for 2010 have been prepared in accordance with the relevant provisions of the Danish Financial Business Act.

Furthermore, in our opinion, the supplementary/corrective disclosures regarding the Consolidated Financial Statement and the Parent Company Financial Statements have been prepared in accordance with additional Faroese disclosure requirements for listed financial undertakings and in accordance with the consultation relating to the case to be submitted to the Danish Securities Council "Supervision of P/F BankNordik's Annual Report, including Group Report, for the Financial Year 2010" of 12 October 2010 as well as corrections to this, cf letter of 1 November 2011.

We have read the supplementary/corrective disclosures to Management's Review in the Annual Report for 2010 and have verified that the disclosures are in accordance with the Parent Company Financial Statements and the Consolidated Financial Statements for 2010.

Holstebro, 12 November 2011

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

Tórshavn, 12 November 2011

**NOTA, P/F**

Løggilt grannskoðanarvirki

H.C. Krogh

statsautoriseret revisor

Ole Guldberg Nielsen

løggildur grannskoðari

## Impairment charges

In 2010 BankNordik acquired 12 of Sparbanks branches in Denmark and Greenland. According to IFRS 3.18 all assets and liabilities that were acquired should be measured at fair value at the acquisition date.

The Bank's management estimated that the fair value of the loans taken over corresponded to the carrying amount immediately prior to the acquisition. The acquired loans were yet still to be repaid in full. Therefore the loans could not be written-down to the fair value in the Banks computer system because the write-down would appear on the information to the borrower. Therefore it was decided to convert the acquired loans from Sparbank in to the Banks computer system including the recognised impairments. As a consequence of this BankNordik recognised individual impairments on loans and advances amounting to DKK 45.6m and collective impairments amounting to DKK 9.1m.

As it is not possible for the Bank's computer system to hold ordinary and acquired impairments separated the management decided not to separate the acquired impairments from the ordinary impairments. Consequently the acquired impairments and reversals of the acquired impairments are recognised as ordinary impairments are.

As the treatment of impairments is not in accordance with IFRS 3.18 the Bank has to correct the accompanying notes and the treatment of reversals of impairments in the Income Statement.

At the acquisition date the management estimated that the effective interest rate in the acquired loan portfolio reflected the current credit risk and the Banks requirements on return. Therefore there were no adjustments made to the effective interest rate in connection with the acquisition. Accordingly the reversals of these impairments are recognised under the item "Other operating income" in the Income Statement and not under the item "Interest income" as FSA's draft to the Decision of the Danish Securities Council recommended.

The consequences of the corrections of the reversals of the acquired impairments in the Income Statement are as disclosed below.

Note	DKK 1,000	BankNordik Group		P/F BankNordik	
		Corrected 2010	2010	Corrected 2010	2010
7	<i>Other operating income</i>	420.528	379.409	417.534	376.415
13 , 9	<i>Impairment charges on loans and advances etc.</i>	208.233	167.114	208.807	167.688

DKK 41.1m are reclassified from the item "Impairment charges on loans and advances etc." to the item "Operating income". The notes 7 (Group) and the notes 13 and 9 (Group and parent respectively) are also adjusted in accordance with this.

The adjustments made are presented in italics.

Note	DKK 1,000	BankNordik Group	
		Corrected 2010	2010
7	<b>Other operating income</b>		
	Profit/loss on sale of shares and equity investments in associates and group enterprises	380.575	380.575
	Profit/loss on sale of investment and corporate properties and temporary properties	-581	-581
	Profit on sale of operating equipment	0	0
	Reversals of acquired OEl impairments	41.119	0
	Other income	3.627	3.627
	Operation of properties:		
	Rental income	362	362
	Operating expenses	-187	-187
	Maintenance	-4.387	-4.387
	Net interest expenses		
	<b>Total other operating income</b>	<b>420.528</b>	<b>379.409</b>

Note	DKK 1,000	BankNordik Group		P/F BankNordik	
		Corrected 2010	2010	Corrected 2010	2010
13, 9	<b>Impairment charges on loans and advances etc.</b>				
	<i>Loans and advances at amortised cost</i>	158.296	117.177	158.870	117.752
	Loans and advances at fair value	8.668	8.668	8.668	8.668
	Private Contingency Association (Det private beredskab)	15.466	15.466	15.466	15.466
	Guarantees and loan commitments	8.285	8.285	8.285	8.285
	Assets held for sale	17.518	17.518	17.518	17.518
	<b>Total</b>	<b>208.233</b>	<b>167.114</b>	<b>208.807</b>	<b>167.688</b>
	Individual impairment charges etc.				
	New and increased impairment charges	243.441	243.441	243.441	243.441
	Reversals of impairment charges	31.932	65.709	31.498	65.275
	Write-offs charged directly to the income statement	482	482	274	274
	Received on claims previously written off	2.295	2.295	1.946	1.946
	Interest income	10.392	10.392	10.392	10.392
	<b>Total individual impairment charges</b>	<b>199.304</b>	<b>165.527</b>	<b>199.879</b>	<b>166.102</b>
	Collective impairment charges				
	New and increased impairment charges	8.928	8.928	8.928	8.928
	Reversals of impairment charges	0	7.342	0	7.342
	<b>Total collective impairment charges</b>	<b>8.928</b>	<b>1.587</b>	<b>8.928</b>	<b>1.587</b>
	<b>Total impairment charges</b>	<b>208.233</b>	<b>167.114</b>	<b>208.807</b>	<b>167.688</b>



The lines "Reversals of impairment charges" is corrected with DKK 33.8m regarding the individual impairment charges and with DKK 7.3m regarding the collective impairment charges.

There are no adjustments to the Balance Sheet but note 18 and 15 (Group and Parent respectively) who discloses the total impairments are adjusted as follows.

Note	DKK 1,000	BankNordik Group		P/F BankNordik	
		Corrected 2010	2010	Corrected 2010	2010
18 , 15	<b>Impairment charges on loans and advances etc.</b>				
	Individual impairment charges etc.				
	At 1 January	268.838	268.838	267.928	267.928
	<i>Additions on acquisitions</i>	<i>0</i>	<i>45.600</i>	<i>0</i>	<i>45.600</i>
	<i>New and increased impairment charges</i>	<i>219.975</i>	<i>271.301</i>	<i>219.975</i>	<i>271.301</i>
	<i>Reversals of impairment charges</i>	<i>31.932</i>	<i>65.709</i>	<i>31.498</i>	<i>65.275</i>
	<i>Written-off, previously impaired</i>	<i>139.264</i>	<i>143.082</i>	<i>139.264</i>	<i>143.082</i>
	Other additions and disposals	-2.164	-2.164	-2.164	-2.164
	<b>Total individual impairment charges</b>	<b>315.453</b>	<b>374.784</b>	<b>314.977</b>	<b>374.308</b>
	Collective impairment charges				
	At 1 January	17.000	17.000	17.000	17.000
	<i>Additions on acquisitions</i>	<i>0</i>	<i>9.086</i>	<i>0</i>	<i>9.086</i>
	<i>New and increased impairment charges</i>	<i>8.928</i>	<i>8.928</i>	<i>8.928</i>	<i>8.928</i>
	<i>Reversals of impairment charges</i>	<i>0</i>	<i>7.342</i>	<i>0</i>	<i>7.342</i>
	<b>Total collective impairment charges</b>	<b>25.928</b>	<b>27.672</b>	<b>25.928</b>	<b>27.672</b>
	<b>Total impairment charges</b>	<b>341.382</b>	<b>402.457</b>	<b>340.906</b>	<b>401.981</b>

The initial acquired impairments, DKK 45.6m and DKK9.1m, are reversed from the total impairments.

The Group made impairment charges in 2010 amounting to DKK 51.3m on customers taken over as a consequence of OEI prior to the acquisition. These impairments were recognized as an adjustment of goodwill, and were disclosed in note 18 and 15 (Group and Parent respectively) in the line "New and increased impairment charges". These impairment charges are reversed.

Also in the lines "Reversals of impairment charges" the reversals of DKK 33.8m and DKK 7.3m (individual and collective impairments respectively) are reversed.

In the line "Written-off, previously impaired" DKK 3.8m are reversed as this comprises the acquired impairments.

Consequently the total individual impairment charges in the note are reduced with DKK 59.3m and the total collective impairment charges are reduced with DKK 1.7m.

The adjustments made are presented in italics.

The corrections have no effect on net profit or shareholders' equity.

The adjustments in the acquired impairments also have an effect on the Bank's key figures. The adjusted key figures are disclosed in the following table.

	BankNordik Group		P/F BankNordik	
	Corrected		Corrected	
DKK 1,000	2010	2010	2010	2010
Cost / income, %	61,5	60,0		
Cost / income, % (excl. value adjustm. and impairments)	43,1	44,8		
Income / Cost ratio	1,63	1,67	1,68	1,72
Loans and advances plus impairment charges as % of deposits	101,9	102,6	100,8	101,5
Impairment and provisioning ratio, %	3,2	3,7	3,2	3,7
Write-off and impairments ratio, %	1,9	1,5	1,9	1,5

**Cash Flow Statement**

According to FSA's draft to the Decision of the Danish Securities Council BankNordik has to disclose received dividends as a separate item in the Cash Flow Statement. Consequently DKK 16.7m are reclassified from cash flow from operations to the item "Dividends received" under cash flow from investing activities in the Group Cash Flow Statement.

In the parent company's Cash Flow Statement DKK 18.9m are reclassified from cash flow from operations to the item "dividends received" under cash flow from investing activities.

The adjustments made are presented in italics.

The changes have no effect on net profit or shareholders' equity.

DKK 1,000	BankNordik Group		P/F BankNordik	
	Corrected 2010	2010	Corrected 2010	2010
<b>Cash flow from operations</b>				
Profit before tax	415.741	415.741	407.541	407.541
Adjustment of income from subsidiaries			-21.779	-21.779
Adjustment of income from associated undertakings	3.519	3.519	3.519	3.519
Depreciation and impairment charges of tangible assets	7.744	7.744	4.890	4.890
Amortisation and impairment charges for intangible assets	16.096	16.096	9.390	9.390
Impairment of loans and advances/guarantees	129.299	129.299	129.299	129.299
<i>Other adjustments</i>	-16.653		-6.937	
Paid tax	-10.933	-10.933	-5.684	-5.684
Other non-cash operating items	15.890	15.890	36.128	36.128
<b>Total</b>	<b>560.704</b>	<b>577.356</b>	<b>556.366</b>	<b>563.304</b>
<b>Changes in operating capital</b>				
Change in loans at fair value	-141.798	-141.798	-141.798	-141.798
Change in loans at amortised cost	-1.695.171	-1.695.171	-1.695.722	-1.695.722
Change in holding of bonds	-2.220.815	-2.220.815	-2.202.420	-2.202.420
Change in holding of shares	-207.167	-207.167	-148.251	-148.251
Change in deposits	3.357.422	3.357.422	3.346.663	3.346.663
Due to credit institutions and central banks	-1.253.279	-1.253.279	-1.253.084	-1.253.084
<i>Change in other assets / liabilities</i>	65.888	65.888	53.898	65.898
Assets/liabilities under insurance contracts	30.613	30.613		
Prepayments	-4.076	-4.076	-902	-902
<b>Cash flow from operations</b>	<b>-1.507.680</b>	<b>-1.491.027</b>	<b>-1.485.250</b>	<b>-1.466.313</b>
<b>Cash flow from investing activities</b>				
Acquisition of group undertakings and other business units/branches	-345.091	-345.091	-345.091	-345.091
Sale of group undertakings and other business units	51.374	51.374	51.374	51.374
<i>Dividends received</i>	16.653		18.937	
Acquisition of own shares	-221.607	-221.607	-221.607	-221.607
Sale of own shares	249.772	249.772	249.772	249.772
Acquisition of intangible assets	-39.282	-39.282	-35.632	-35.632
Acquisition of tangible assets	-14.827	-14.827	-12.170	-12.170
Sale of tangible assets	799	799		0
<b>Cash flow from investing activities</b>	<b>-302.210</b>	<b>-318.863</b>	<b>-294.416</b>	<b>-313.354</b>
Issue of bonds	1.200.000	1.200.000	1.200.000	1.200.000
Increase in subordinated debt	-45	-45	-45	-45
<i>Payment of dividends</i>	0	0	0	0
<b>Cash flow from financing activities</b>	<b>1.199.955</b>	<b>1.199.955</b>	<b>1.199.955</b>	<b>1.199.955</b>
<b>Cash flow</b>	<b>-609.935</b>	<b>-609.935</b>	<b>-579.711</b>	<b>-579.711</b>
Cash and cash equivalents at 1 January	1.355.719	1.355.719	1.293.451	1.293.451
Foreign currency translation	10.556	10.556		
Cash flow	-609.935	-609.935	-579.711	-579.711
<b>Cash and due etc.</b>	<b>756.340</b>	<b>756.340</b>	<b>713.740</b>	<b>713.740</b>
<b>Cash and due etc.</b>				
Cash in hand and demand deposits with central banks	242.382	242.382	242.382	242.382
Due from credit institutions, etc.	513.959	513.959	471.358	471.358
<b>Total</b>	<b>756.340</b>	<b>756.340</b>	<b>713.740</b>	<b>713.740</b>

**Disclosures regarding related parties**

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 and provision of short-term and long-term financing are the primary services provided by the Bank.

The subsidiaries which the bank entered into transactions with in 2010 are P/F Trygd, P/F Skyn, P/F Birting and the two companies Sp/f 25.04.2008 and Sp/f Íbúðir undir Gráasteini which BankNordik obtained control of in 2008 in conjunction with the financing of a building project of flats.

The flats are expected to be finished and sold in 2011/2012. The loan is therefore recognised under the item "Assets held for sale" and the interest rate is reduced to nil.

The interest rates on the deposits were between 0% - 2% in 2010.

Transactions with related parties are settled on an arm's-length basis .

<b>Related parties</b>	<b>Subsidiaries</b>
<b>DKK 1,000</b>	<b>2010</b>
<b>Assets</b>	
Loans	
Assets held for sale	108.643
<b>Total</b>	<b>108.643</b>
<b>Liabilities</b>	
Deposits	100.406
Other liabilities	147
<b>Total</b>	<b>100.553</b>
<b>Off-balance sheet items</b>	
Guarantees issued	12.010
Guarantees and collateral received	177.900
<b>Income Statement</b>	
Interest income	11
Interest expense	1.778
Fee income	385
Other operating income	621
Administrative expenses	925
<b>Total</b>	<b>-1.685</b>