

Notification to Nasdaq OMX Copenhagen  
13/2018



---

**QUARTERLY REPORT**

Q1 – Q3 2018



GER no. 80050410

---

## Q1 – Q3 REPORT FOR 2018 IN HEADLINES

---

### Satisfactory first three quarters for the BANK of Greenland

The BANK of Greenland's profit before tax is DKK 106.9 million at the end of September 2018, compared to DKK 103.8 million in 2017. The profit before value adjustments and write-downs amounts to DKK 115.5 million, compared to DKK 120.2 million one year before.

After growth in lending in recent years, which continued in the first half of 2018, lending declined slightly in Q3. Nonetheless, lending in the first three quarters increased by a total of DKK 141.9 million to DKK 3,461.0 million at the end of September.

Net interest and fee income is unchanged at DKK 233.1 million compared to the same period of 2017, despite an expected decline in bond interest income. Dividend on the Bank's shareholdings has increased, like the income from guarantee commission, despite increased guarantee volumes.

At the end of Q3 2018, total costs including write-offs amounted to DKK 121.7 million, compared to DKK 116.9 million for the same period of 2017. The increase concerns staff expenses, which are primarily related to timing differences and higher payroll expenses due to adjustments under the collective agreement, as well as an increase in the number of employees. Other costs show a decline in e.g. IT expenses for BEC, while extraordinary development costs for the Bank's pension systems are carried as expenses.

At the end of September 2018, value adjustments showed a gain of DKK 0.5 million, compared to a loss of DKK 4.9 million for the same period of 2017.

Write-downs on loans and guarantees declined by DKK 2.4 million, amounting to a modest DKK 9.1 million.

- The profit before tax gives a return of 15.7% p.a. on opening equity after disbursement of dividend.
- Lending increased by DKK 142 million to DKK 3,461 billion.
- Deposits increased to DKK 4,935 billion.
- Unchanged net interest and fee income.
- An increase of 4.2% in total costs, including depreciation and amortisation.
- Write-downs and provisions of 0.2% for the period.
- Capital ratio and core capital ratio of 21.8 and an individual capital requirement of 10.0%

---

## TABLE OF CONTENTS

---

Financial Highlights and Key Figures .....	4
Management's Review .....	5 - 9
Income Statement and Statement of Comprehensive Income.....	10
Balance Sheet .....	11
Statement of Changes in Equity .....	12
Notes, Accounting Policies, etc. ....	13 - 14
Notes to the Income Statement .....	15 - 16
Notes to the Balance Sheet.....	17 - 19
Management Statement .....	20

## FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR Q1 – Q3 2018

(DKK 1,000)

	Q1 – Q3 2018	Q1 – Q3 2017	Full year 2017	Q1 – Q3 2016	Q1 – Q3 2015	Q1 – Q3 2014
Net interest and fee income	233,129	233,021	309,546	215,246	213,776	220,133
Value adjustments	503	-4,908	-6,368	-10,120	-6,774	17,983
Other operating income	4,134	4,046	5,240	3,663	3,789	4,262
Staff and administration expenses	115,426	110,883	152,528	106,987	103,149	102,175
Depreciation and impairment of tangible assets	5,101	4,899	6,840	4,147	4,041	6,890
Other operating expenses	1,216	1,089	2,709	3,226	6,372	3,722
Write-downs on loans, etc.	9,115	11,510	13,734	11,935	14,421	14,039
<b>Profit before tax</b>	<b>106,908</b>	<b>103,778</b>	<b>132,607</b>	<b>82,494</b>	<b>82,808</b>	<b>115,552</b>
Tax	33,972	32,990	42,158	26,195	26,326	36,726
<b>Profit for the period</b>	<b>72,936</b>	<b>70,788</b>	<b>90,449</b>	<b>56,299</b>	<b>56,482</b>	<b>78,826</b>
<b>Selected accounting details:</b>						
Lending	3,460,949	3,239,636	3,335,119	2,869,110	2,821,106	2,951,687
Deposits	4,935,056	4,866,301	4,205,613	4,731,290	4,164,900	3,620,160
Equity	984,177	938,169	958,458	904,257	897,993	892,320
Balance sheet total	6,158,154	5,963,026	5,355,010	5,799,913	5,258,096	4,735,501
Contingent liabilities	1,222,946	1,169,902	1,161,181	1,150,270	1,188,075	1,046,034
<b>Key figures:</b>						
Capital ratio	21.8	21.3	22.7	20.5	20.3	20.3
Core capital ratio	21.8	21.3	22.7	20.5	20.3	20.3
The period's return on equity before tax	11.3	11.1	14.1	9.1	9.2	13.1
The period's return on equity after tax	7.7	7.6	9.6	6.2	6.2	8.9
Income per cost krone	1.82	1.81	1.75	1.65	1.67	1.91
Rate of return	1.2	1.2	1.7	1.0	1.1	1.7
Interest rate risk	2.3	1.5	1.1	1.2	1.4	1.0
Foreign exchange position	0.8	1.8	1.6	6.2	6.1	3.0
Loans plus write-downs in relation to deposits	73.3	69.2	82.2	63.2	69.6	83.8
Loans in relation to equity	3.5	3.5	3.5	3.2	3.1	3.3
Growth in lending during the period	4.3	5.4	8.5	1.6	0.2	2.7
The sum of large exposures	165.8	na	160.2	na	na	na
The period's write-down percentage	0.2	0.3	0.3	0.4	0.4	0.4
Accumulated write-down percentage	3.5	3.1	3.1	3.1	2.7	2.2
The period's profit per share after tax	40.5	39.3	50.3	31.3	31.4	43.8
Net book value per share	547	521	532	502	499	499
Stock exchange quotation/net book value per share	1.1	1.2	1.2	1.2	1.2	1.3

---

**MANAGEMENT'S REVIEW FOR Q1 – Q3 2018**


---

**Income statement**

Net interest income decreased by 1% to TDKK 165,204. In 2017, continuing into 2018, the Bank's lending has increased, which helps to reduce the impact of the negative return on the Bank's surplus liquidity and the consequences of falling bond yields. At the same time, the Bank's funding costs have fallen to a minimum level. The positive interest expenses from customers with large deposits have been reduced, however.

Share dividend amounts to TDKK 1,945 in 2018, compared to TDKK 807 for the same period of 2017.

Fee and commission income of TDKK 66,344 is by and large unchanged compared to the same period of 2017. There has been a decrease in income from customers' securities trading, which is, however, set off primarily by higher guarantee commission income, due to increased guarantee volumes.

Other operating income increased by TDKK 88 to TDKK 4,134 compared to the first three quarters of 2017.

Staff and administration expenses increased, as expected, by TDKK 4,543 to TDKK 115,426 compared to the same period of 2017. The increase is primarily related to staff expenses and is mainly due to payroll increases in accordance with the collective agreement, as well as additional employees. In the same period, other administration expenses increased by TDKK 1,255, despite some cost decreases. The increase is related to extraordinary costs of DKK 2.2 million, primarily for the development of the Bank's pension system.

Other operating expenses, which concern operation and maintenance of the Bank's office buildings, increased in the first three quarters of 2018 by TDKK 127 to TDKK 1,216 compared to the same period of 2017.

Depreciation of tangible assets increased by TDKK 202, and amounts to TDKK 5,101 compared to the same period of 2017.

Value adjustments represent a total capital gain of TDKK 503, compared to a capital loss of TDKK 4,908 for the same period of 2017. Capital losses on the Bank's bond portfolio of TDKK 6,261 are compensated by other capital gains, primarily on the Bank's holdings of sector equities. In Q3 2017, the Bank had to make an extraordinary negative value adjustment of DKK 10.2 million concerning the Bank's capital interest in BEC.

**Financial highlights and key figures**

(DKK 1,000)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2018	2018	2018	2017	2017	2017	2017	2016
Net interest and fee income	77,625	76,684	78,820	76,525	78,378	77,243	77,400	74,514
Costs, depreciation and amortisation	39,071	41,097	41,575	45,206	37,420	38,851	40,600	39,964
Other operating income	1,278	1,545	1,311	1,194	1,594	1,194	1,258	1,191
Profit before value adjustments and write-downs	39,832	37,132	38,556	32,513	42,552	39,586	38,058	35,741
Value adjustments	848	678	-1,023	-1,460	-9,833	915	4,010	-2,779
Write-downs on loans, etc.	2,449	3,206	3,460	2,224	2,713	4,938	3,859	2,036
Profit before tax	38,231	34,604	34,073	28,829	30,006	35,563	38,209	30,926

Impairment of loans, etc. amounted to TDKK 9,115 at the end of September 2018, which was TDKK 2,395 lower than for the same period of 2017. The effect of IFRS 9, which entered into force on 1 January 2018, entailed further impairment by TDKK 18,089 at the beginning of 2018, and the Bank's opening equity is thereby affected by this amount, which after tax comprises TDKK 12,336.

Write-downs and provisions on the Bank's loans and guarantees are still moderate and thereby reflect the

---

## MANAGEMENT'S REVIEW FOR Q1 – Q3 2018

---

continued generally strong credit standing of the Bank's private and business customers in Greenland. This is supported by the low level of the Bank's written-off claims.

The profit before tax is TDKK 106,908, which is an improvement of TDKK 3,130 from the same period of 2017.

### **Development in the quarter**

Considering the development in Q3 in isolated terms, net interest and fee income amounted to TDKK 77,625, which is at the level of the average for Q1 and Q2.

In the first two quarters of 2018, total costs were at by and large the same level, at TDKK 41,575 in Q2, and TDKK 41,097 in Q1. In Q3, costs fell to TDKK 39,071. In particular, the recognised expenses for IT development of the Bank's pension system led to higher costs in Q2.

The profit before value adjustments and write-downs thereby increased in Q3, to TDKK 39,832, compared to TDKK 37,132 in Q2 and TDKK 38,556 in Q1.

Lending increased by TDKK 58,226 in Q1, and increased again in Q2, by TDKK 159,275. In Q3, lending decreased for the first time in 2018, by DKK 91,671. In overall terms, the increase during the year corresponds to an increase of 4.3% compared to the end of 2017. The increase concerns both private and business customers.

In Q3, deposits decreased by TDKK 151,678 after an extraordinary increase of TDKK 1,077,630 in Q1, and a decrease of TDKK 196,209 in Q2. The Bank expects a further decline in deposits in Q4.

### **Balance sheet and equity**

During the first three quarters, the Bank's lending increased satisfactorily, by TDKK 141,861 to TDKK 3,460,949.

The Bank's deposits, of which the predominant element is deposits on demand, increased by TDKK 729,443 to TDKK 4,935,056 at the end of September 2018. Deposits declined strongly at the end of 2017. The decrease as of the end of 2017 was expected, and the Bank also expects deposits to decrease in Q4 2018.

The total balance sheet thereby increased by TDKK 803,144 to TDKK 6,158,154. At the end of September 2018, equity amounted to TDKK 984,177.

Outside the balance sheet, the Bank's guarantees and irrevocable undertakings to customers increased by TDKK 61,765 from the end of 2017, and amounted to TDKK 1,222,946 at the end of September 2018.

### **Uncertainty of recognition and measurement**

The principal uncertainties concerning recognition and measurement are related to write-downs on lending, provisions on guarantees, and non-utilised credit facilities, together with the valuation of properties, unlisted securities and financial instruments. The management believes that the presentation of the accounts is subject to an appropriate level of uncertainty.

### **Financial risks**

The BANK of Greenland is exposed to various financial risks, which are managed at different levels of the organisation. The Bank's financial risks consist of:

Credit risk: risk of loss as a consequence of debtors' or counterparties' default on actual payment obligations.

---

## MANAGEMENT'S REVIEW FOR Q1 – Q3 2018

---

Market risk: risk of loss as a consequence of fluctuation in the fair value of financial instruments and derivative financial instruments due to changes in market prices. The BANK of Greenland classifies three types of risk within the market risk area: interest rate risk, foreign exchange risk and share risk.

Liquidity risk: risk of loss as a consequence of the financing costs increasing disproportionately, the risk that the Bank is prevented from maintaining the adopted business model due to a lack of financing/funding, or ultimately, the risk that the Bank cannot fulfil agreed payment commitments when they fall due, as a consequence of the lack of financing/funding.

Operational risk: the risk that the Bank in full or in part has financial losses as a consequence of inadequate or deficient internal procedures, human errors, IT systems, etc.

### Capital requirement

The BANK of Greenland must by law have a capital base that supports the risk profile. The BANK of Greenland compiles the credit and market risk according to the standard method, and the operational risk according to the basic indicator method. It is still the Bank's assessment that there is no need for more sophisticated methods to be used.

In accordance with the Danish Financial Business Act, the Board of Directors and the Executive Management must ensure that the BANK of Greenland has an adequate capital base. The capital requirement is the capital which, in the management's assessment, as a minimum is needed to cover all risks.

The BANK of Greenland's capital ratio, excluding the result for the period, stood at 21.8 at the end of September 2018.

The BANK of Greenland was designated as an SIFI institution in Q2 2017. In view of the new SIFI requirements concerning capital reserves and new requirements concerning impairment liabilities (MREL requirements), the Board of Directors has assessed that the capital ratio must be increased. The aim of the Board of Directors is for the Bank to fulfil the maximum MREL capital requirements in full, in good time before the deadline for full phasing-in, and also that there must be sufficient capital for growth in the Bank's business activities. The BANK of Greenland does not yet have an MREL capital requirement, since BRRD has not yet been incorporated into Greenlandic legislation. When the final MREL capital requirements are known, more precise capital planning will be possible.

### The BANK of Greenland's reported individual capital requirement according to the 8+ model

In DKK 1,000	Q1 – Q3 2018		End of 2017	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	331,853	8.0%	322,050	8.0%
Credit risk	67,800	1.6%	80,669	1.9%
Market risk	8,654	0.2%	10,350	0.3%
Operational risk	3,800	0.1%	3,800	0.1%
Other conditions	2,100	0.1%	2,100	0.1%
<b>Capital requirement</b>	<b>414,207</b>	<b>10.0%</b>	<b>418,969</b>	<b>10.4%</b>

As at the end of September 2018, the Bank's individual solvency requirement was compiled at 10.0%. The BANK of Greenland thus has surplus capital cover before the buffer requirements of 11.8% or TDKK 490,486. After deduction for the capital reserve buffer requirement, the surplus cover is 9.9%. At the end of 2018, the Bank will be required to fulfil an SIFI buffer requirement of 1.2% and in 2019, when it has been

## MANAGEMENT'S REVIEW FOR Q1 – Q3 2018

fully phased in, the buffer requirement will amount to 1.5%.

The BANK of Greenland has published further details of the calculated capital requirement in a report on the website <http://www.banken.gl/redegorelse/>

### Liquidity

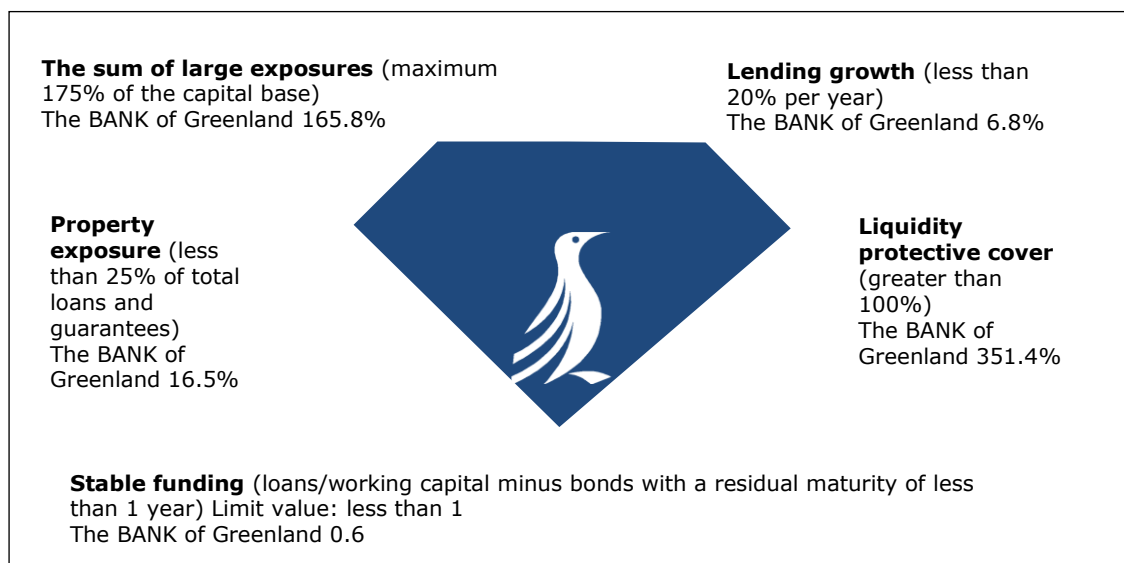
The liquidity coverage ratio (LCR) is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio.

At the end of Q3 2018, the Bank had an LCR of 351.4% and thereby fulfils the LCR requirement of at least 100% for SIFI institutions.

The Bank's funding is based solely on deposits.

### The Supervisory Diamond

The BANK of Greenland has considered the benchmarks set out in the Danish Financial Supervisory Authority's Supervisory Diamond for banks. The Supervisory Diamond indicates five benchmarks for banking activities. With effect from 1 January 2018, the benchmark for large exposures was amended so that it is now calculated as the sum of the Bank's 20 largest exposures, as a ratio of the Bank's actual core capital, with a threshold of 175%. The total is 165.8%, of which 42.6% points concern the exposure to publicly-owned enterprises.



### Shareholders and return on the BANK of Greenland share

The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders. At a price of 596 at the end of Q3 2018, the price of the BANK of Greenland's share had decreased from the end of 2017, when the price was 649. In March 2018, the Bank paid dividend to its shareholders totalling DKK 54 million, or DKK 30 per share.

In accordance with Section 28a of the Danish Companies Act, four shareholders have notified shareholdings in excess of 5%. At the end of Q3 2018, the Bank had no holdings of own shares.



---

## MANAGEMENT'S REVIEW FOR Q1 – Q3 2018

---

### **The BANK of Greenland's mission, values and corporate governance**

The BANK of Greenland conducts banking activities in Greenland in open competition with domestic and foreign banks and provides advice and services in the financial area to all citizens and businesses in Greenland.

The Bank's mission should be viewed in a broader perspective whereby the BANK of Greenland can be seen as the *BANK for all of Greenland*. This entails an enhanced responsibility to participate positively and actively in society's development and to help to create opportunities in Greenland, while also ensuring sound financial activities. The BANK of Greenland is highly aware of this vital role.

The BANK of Greenland's values are firmly anchored in the Bank and its employees. The values are **Commitment, Decency, Customer-oriented and Development-oriented**. These values serve as a guide for how we act and wish to be seen within and outside the Bank.

The BANK of Greenland considers all of the Corporate Governance recommendations and the Danish Executive Order on Management and Control of Banks, etc. and it is the Bank's objective to observe these recommendations at all times and to the greatest possible extent. The Bank's Corporate Governance Statement can be found on the Bank's website [www.banken.gl](http://www.banken.gl). The BANK of Greenland has endorsed the UN Global Compact, which has ten principles for ethical conduct. The BANK of Greenland publishes its report every year. This is available on the Bank's website.

### **Outlook for the remainder of 2018**

The economic development in 2018 is still assessed to be stable and at a high level, among other things based on increasing prawn quotas. The Bank has seen a good increase in lending during 2018 and expects a continued high level for the rest of the year.

Deposits increased in 2018, but are expected to decline a little during the last quarter.

Net interest and fee income are thus expected to be at the 2017 level.

The BANK of Greenland is continuing the work of developing and expanding the pension area. This area is new in Denmark and is still expected to only make a minor contribution the Bank's earnings in 2018. In the longer term, however, the Bank considers pension savings to be a significant business area.

Total costs are expected to be at a slightly higher level than in 2017, among other things based on investments in the pension concept.

The Bank assesses that the quality of the loan portfolio is satisfactory. Write-downs on lending are therefore expected to continue to be at a moderate to low level.

Budgeting of write-downs and value adjustments of the securities portfolio is subject to considerable uncertainty, however, and may therefore affect the profit before tax.

On this basis, an unchanged profit before tax at the level of DKK 120-140 million is expected, compared with DKK 133 million in 2017.

30 October 2018  
Board of Directors

(DKK 1,000)

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Notes	Q1 – Q3 2018	Full year 2017	Q1 – Q3 2017	
<b>3</b>	Interest income	169,687	227,068	170,121
<b>4</b>	Negative interest income	- 8,043	-11,741	-8,790
<b>5</b>	Interest expenses	923	1,871	1,314
<b>6</b>	Positive interest expenses	+4,483	+8,460	+6,473
	<b>Net interest income</b>	<b>165,204</b>	<b>221,916</b>	<b>166,490</b>
	Share dividend, etc.	1,945	807	807
<b>7</b>	Fee and commission income	66,344	87,737	66,057
	Fees paid and commission expenses	364	914	333
	<b>Net interest and fee income</b>	<b>233,129</b>	<b>309,546</b>	<b>233,021</b>
<b>8</b>	Value adjustments	503	-6,368	-4,908
	Other operating income	4,134	5,240	4,046
<b>9</b>	Staff and administration expenses	115,426	152,528	110,883
	Depreciation and impairment of tangible assets	5,101	6,840	4,899
	Other operating expenses	1,216	2,709	1,089
<b>16</b>	Write-downs on loans, etc.	9,115	13,734	11,510
	<b>Profit before tax</b>	<b>106,908</b>	<b>132,607</b>	<b>103,778</b>
<b>10</b>	Tax	33,972	42,158	32,990
	<b>Profit for the period</b>	<b>72,936</b>	<b>90,449</b>	<b>70,788</b>
<b>Statement of comprehensive income</b>				
	Result for the period	72,936	90,449	70,788
	Other comprehensive income:			
	Value adjustment of properties	2,668	13,681	12,740
	Effect of IFRS9 at the beginning of 2018	-12,336	0	0
	Value adjustment of defined-benefit severance/pension scheme	0	-13	0
	Tax on value adjustment of properties	-721	-4,351	-4,051
	<b>Total other comprehensive income</b>	<b>-10,389</b>	<b>9,317</b>	<b>8,689</b>
	<b>Comprehensive income for the year</b>	<b>62,547</b>	<b>99,766</b>	<b>79,477</b>

(DKK 1,000)

**BALANCE SHEET**

Notes		30 September 2018	31 December 2017	30 September 2017
	<b>ASSETS</b>			
	Cash balance and demand deposit with central banks	181,588	178,789	172,231
11	Amounts receivable from credit institutions and central banks	1,173,196	522,060	1,238,961
16	Loans and other receivables at amortised cost	3,460,949	3,335,119	3,239,636
12	Bonds at fair value	879,047	894,679	903,781
	Shares, etc.	87,804	89,353	86,057
13	Assets connected to pool schemes	50,394	6,767	1,049
	Land and buildings in total, domicile properties	207,279	207,728	206,982
	Other tangible assets	8,486	8,392	7,689
	Other assets	107,170	109,136	102,058
	Prepayments and deferred expenses	2,241	2,987	4,582
	<b>Assets in total</b>	<b>6,158,154</b>	<b>5,355,010</b>	<b>5,963,026</b>
	<b>LIABILITIES</b>			
	Liabilities to credit institutions and central banks	25,984	22,670	15,466
14	Deposits and other liabilities	4,935,056	4,205,613	4,866,301
	Deposits in pool schemes	50,363	6,767	1,049
	Current tax liabilities	27,343	10,957	5,430
	Other liabilities	52,494	65,687	54,421
	Prepayments and deferred expenses	2,241	5,282	2,134
	<b>Total debt</b>	<b>5,093,481</b>	<b>4,316,976</b>	<b>4,944,801</b>
	Provisions for pensions and similar obligations	714	518	432
	Provisions for deferred tax	54,863	59,708	59,875
	Provisions for losses on guarantees	14,747	12,792	13,731
	Other provisions	5,707	6,558	6,018
	Write-downs for losses on non-utilised credit facilities	4,465	0	0
	<b>Deferred liabilities in total</b>	<b>80,496</b>	<b>79,576</b>	<b>80,056</b>
	Equity			
15	Share capital	180,000	180,000	180,000
	Revaluation reserves	28,323	26,776	26,135
	Retained earnings	775,854	751,682	732,034
	<b>Total equity</b>	<b>984,177</b>	<b>958,458</b>	<b>938,169</b>
	<b>Total liabilities</b>	<b>6,158,154</b>	<b>5,355,010</b>	<b>5,963,026</b>
01	<b>Accounting policies applied</b>			
02	<b>Accounting estimates</b>			
17	<b>Contingent liabilities</b>			
18	<b>Capital conditions and solvency</b>			

(DKK 1,000)

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Total equity
<b>Equity, 01 January 2017</b>	<b>180,000</b>	<b>17,446</b>	<b>661,246</b>	<b>67,518</b>	<b>926,210</b>
Dividend paid				-99,000	-99,000
Taxation value of dividend paid				31,482	31,482
Other comprehensive income		8,689			8,689
Profit for the period			70,788		70,788
<b>Equity, 30 September 2017</b>	<b>180,000</b>	<b>26,135</b>	<b>732,034</b>	<b>0</b>	<b>938,169</b>
Other comprehensive income		641	-13		628
Profit for the period			-34,339	54,000	19,661
Taxation value of proposed dividend			17,172	-17,172	0
<b>Equity, 31 December 2017</b>	<b>180,000</b>	<b>26,776</b>	<b>714,854</b>	<b>36,828</b>	<b>958,458</b>
<b>Equity, beginning of 2018</b>	<b>180,000</b>	<b>26,776</b>	<b>714,854</b>	<b>36,828</b>	<b>958,458</b>
Dividend paid				-54,000	-54,000
Taxation value of dividend paid				17,172	17,172
Other comprehensive income		1,547	-11,936		-10,389
Profit for the period			72,936		72,936
<b>Equity, 30 September 2018</b>	<b>180,000</b>	<b>28,323</b>	<b>775,854</b>	<b>0</b>	<b>984,177</b>

## NOTES

---

### Note 1

#### **Accounting policies applied, etc.**

The interim report has been prepared in accordance with the Danish Financial Business Act, the statutory order on financial reports for credit institutions and investment service companies, etc. and the Danish disclosure requirements for the interim reports of listed financial companies.

The accounting policies applied are unchanged, apart from amended impairment rules as a consequence of IFRS 9, unchanged from the Annual Report for 2017.

With effect from 1 January 2018, the Bank began to use impairment rules that are compatible with the IFRS accounting standard. The overall provisions of IFRS 9 have been incorporated in the Danish Accounting Order and supplemented with special Danish impairment rules, which fulfil the overall principles in IFRS 9, in Annex 10 of the Accounting Order.

The IFRS 9 accounting standard significantly changes the current rules for the classification and measurement of financial assets, and the current impairment rules.

With IFRS 9, the current impairment model, based on incurred losses (the "incurred loss" model), is replaced by an impairment model based on expected losses (the "expected loss" model). The new, expectations-based impairment model entails that on first recognition a financial asset is written down by an amount equivalent to the expected credit loss over 12 months (stage 1). On any subsequent significant increase in the credit risk from the time of first recognition, the asset is written down by an amount equivalent to the expected credit loss during the asset's expected remaining term to maturity (stage 2).

If active impairment is found (stage 3) the asset is written down unchanged, as an amount equivalent to the expected credit loss in the asset's remaining term to maturity, but based on an increased probability of loss.

This interim report is presented in accordance with the going concern principle, based on current practice and interpretation of the rules for Danish banking institutions.

Tax, which consists of current tax and changes in deferred tax, is recognised in the income statement when it relates to the result for the period, and directly to equity when it relates to items recognised directly in equity.

On calculating the taxable income, Greenland allows tax deduction of dividends for the dividend-paying company. The tax value of this is therefore added to equity at the time of the Annual General Meeting's approval of the dividend.

Deferred tax assets are recognised in the balance sheet at the value at which the asset is expected to be realised.

The interim report has not been audited or reviewed.

## NOTES

---

### Note 2

#### Significant accounting estimates

The calculation of the accounting value of certain assets and liabilities is subject to a degree of uncertainty and an estimate of how future events will affect the value of these assets and liabilities. The most significant estimates relate to:

- measurement of loans, guarantees and non-utilised credit facilities.
- financial instruments
- fair value of domicile properties
- provisions

At the beginning of 2018, the Bank began to apply the impairment rules under IFRS 9. The new impairment system is still being developed and is thus still subject to some uncertainty.

Unsolicited financial instruments that primarily concern sector equities and that are measured at estimated fair values.

The measurement of the fair value of the Bank's head office properties is subject to significant accounting estimates and assessments, including expectations of the properties' future returns and the fixed yield ratios.

For provisions, there are significant estimates related to the determination of the future rate of employee turnover, as well as determining the interest obligation for tax-free savings accounts.

**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	Q1 – Q3 2018	Full year 2017	Q1 – Q3 2017
<b>3 Interest income</b>			
Credit institutions	0	181	0
Loans	163,281	217,006	162,551
Bonds	6,406	9,881	7,570
<b>Total interest income</b>	<b>169,687</b>	<b>227,068</b>	<b>170,121</b>
<b>4 Negative interest income</b>			
Amounts receivable from credit institutions and central banks	-4,800	-6,487	-4,889
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-3,243	-5,254	-3,901
<b>Total negative interest</b>	<b>-8,043</b>	<b>-11,741</b>	<b>-8,790</b>
<b>5 Interest expenses</b>			
Credit institutions and central banks	16	148	117
Deposits	907	1,723	1,197
<b>Total interest expenses</b>	<b>923</b>	<b>1,871</b>	<b>1,314</b>
<b>6 Positive interest expenses</b>			
Deposits and other liabilities	+4,483	+8,460	+6,473
<b>Total positive interest expenses</b>	<b>+4,483</b>	<b>+8,460</b>	<b>+6,473</b>
<b>7 Fee and commission income</b>			
Securities and securities accounts	1,989	3,824	2,863
Funds transfer	28,573	36,040	26,925
Loan case fees	9,509	15,089	10,971
Guarantee commission	14,997	18,481	13,626
Other fees and commission	11,276	14,303	11,672
<b>Total fee and commission income</b>	<b>66,344</b>	<b>87,737</b>	<b>66,057</b>
<b>8 Value adjustments</b>			
Lending at fair value	-1,627	-1,710	-1,872
Bonds	-6,261	-2,742	-19
Shares	4,222	-6,540	-7,040
Currency	2,213	2,805	1,746
Derivative financial instruments	1,956	1,819	2,277
<b>Total value adjustments</b>	<b>503</b>	<b>-6,368</b>	<b>-4,908</b>

**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	Q1 – Q3 2018	Full year 2017	Q1 – Q3 2017
<b>9 Staff and administration expenses</b>			
Salaries and remuneration to the Board of Directors and the Executive Management			
Board of Directors	1,507	1,338	1,003
Executive Management, including free car and other benefits	2,610	3,392	2,568
<b>Total</b>	<b>4,117</b>	<b>4,730</b>	<b>3,571</b>
<p>The Bank has established a defined benefit severance/pension scheme for the Bank's managing director. Under this scheme, the Bank is obliged to pay a fixed benefit for a period of time following the managing director's retirement. The present value of the benefit in the first three quarters of 2018 amounts to TDKK 195, which is carried as an element of the executive management's remuneration under staff expenses and administration costs. This obligation, which is earned over the 2016-2024 period, may comprise 0-24 months' salary.</p> <p>Two other employees whose activities have a significant influence on the Bank's risk profile:</p>			
Salaries and pensions, including free car and other benefits	1,983	2,706	1,948
Staff expenses			
Salaries	46,362	60,578	44,278
Other staff expenses	1,815	2,190	1,367
Pensions	5,575	7,314	5,420
Social security expenses	482	582	426
<b>Total</b>	<b>54,234</b>	<b>70,664</b>	<b>51,491</b>
<b>Other administration expenses</b>	<b>57,131</b>	<b>77,208</b>	<b>55,876</b>
Average no. of full-time employees	120.3	117.5	117.3
<b>10 Tax</b>			
30% of the result	32,072	39,782	31,133
Paid dividend tax for Danish shares	-414	-186	-186
6% supplement	1,900	2,376	1,857
<b>Total tax on ordinary profit</b>	<b>33,558</b>	<b>41,972</b>	<b>32,804</b>
Paid dividend tax	414	186	186
<b>Taxes in total</b>	<b>33,972</b>	<b>42,158</b>	<b>32,990</b>
Deferred tax	0	-467	0
Taxation value of dividend paid	17,172	31,482	31,482
Tax to be paid	16,800	11,143	1,508
No company tax was paid during the period			



**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 September 2018	31 December 2017	30 September 2017
<b>11</b>	<b>Amounts receivable from credit institutions and central banks</b>		
	196,000	0	411,000
	Receivables subject to terms of notice at central banks		
	977,196	522,060	827,961
	Receivables from credit institutions		
	<b>1,173,196</b>	<b>522,060</b>	<b>1,238,961</b>
	<b>Total amounts receivable</b>		
<b>12</b>	<b>Bonds</b>		
	Of which nominal TDKK 50,000 pledged as collateral for accounts with Danmarks Nationalbank		
<b>13</b>	<b>Assets connected to pool schemes</b>		
	50,363	6,764	1,046
	Investment associations		
	31	3	3
	Non-invested funds		
	<b>50,394</b>	<b>6,767</b>	<b>1,049</b>
	<b>Total</b>		
<b>14</b>	<b>Deposits</b>		
	4,456,269	3,774,589	4,417,541
	On demand		
	254,162	267,379	291,664
	On terms of notice		
	40,436	40,436	40,436
	Fixed-term deposits		
	184,189	123,208	116,660
	Special deposit conditions		
	<b>4,935,056</b>	<b>4,205,612</b>	<b>4,866,301</b>
	<b>Total deposits</b>		
<b>15</b>	<b>Share capital</b>		
	Share capital consists of 1,800,000 shares of DKK 100		
	<b>Own holdings of capital investments</b>		
	0	0	0
	Number of own shares		
<b>16</b>	<b>Loans</b>		
	<b>Impairment of loans and other receivables</b>		
	7,202	9,936	9,021
	Net loans and non-utilised credit facilities		
	1,913	3,798	2,489
	Guarantees		
	<b>9,115</b>	<b>13,734</b>	<b>11,510</b>
	<b>Total write-downs during the period</b>		
	184	247	141
	Of which losses not previously written down		

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 September 2018	31 December 2017	30 September 2017
<b>16 Loans</b>			
<b>Individual write-downs:</b>			
Start of the period	92,953	85,380	85,380
Change in accounting policy	-92,953	0	0
Write-downs during the period	0	48,403	35,513
Reversal of write-downs in previous financial years	0	31,483	26,933
Final loss (depreciated) previously individually depreciated	0	4,898	1,989
Other movements	0	-4,449	0
<b>End of period</b>	<b>0</b>	<b>92,953</b>	<b>91,971</b>
<b>Group write-downs:</b>			
Start of the period	36,021	31,841	31,841
Change in accounting policy	-36,021	0	0
Write-downs during the period	0	11,605	9,088
Reversal of write-downs in previous financial years	0	6,628	5,539
Other movements	0	-797	0
<b>End of period</b>	<b>0</b>	<b>36,021</b>	<b>35,390</b>
<b>Stage 1 impairment</b>			
Beginning of year	0	-	-
Change in accounting policy	12,728	-	-
Write-downs during the period	0	-	-
Reversal during the period	765	-	-
<b>End of period</b>	<b>11,963</b>	-	-
<b>Stage 2 impairment</b>			
Beginning of year	0	-	-
Change in accounting policy	36,222	-	-
Write-downs during the period	0	-	-
Reversal during the period	10,105	-	-
<b>End of period</b>	<b>26,117</b>	-	-
<b>Stage 3 impairment</b>			
Beginning of year	0	-	-
Change in accounting policy	98,071	-	-
Write-downs during the period	18,156	-	-
Reversal during the period	0	-	-
<b>End of period</b>	<b>116,227</b>	-	-
<b>Total write-downs at the end of the period</b>	<b>154,307</b>	-	-

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 September 2018	31 December 2017	30 September 2017
<b>17</b>	<b>Contingent liabilities</b>		
Mortgage finance guarantees	704,191	674,335	652,789
Registration and remortgaging guarantees	77,286	47,371	89,414
Other guarantees	441,404	439,475	427,699
<b>Guarantees, etc. in total</b>	<b>1,222,881</b>	<b>1,161,181</b>	<b>1,169,902</b>
<b>Provision balance for guarantees</b>	<b>14,747</b>	<b>12,792</b>	<b>13,731</b>
Irrevocable loan commitments	65	0	0
<b>Other contingent liabilities in total</b>	<b>65</b>	<b>0</b>	<b>0</b>
<b>Provision balance for non-utilised credit facilities</b>	<b>4,465</b>	<b>0</b>	<b>0</b>
<p>The Bank is a member of BEC (Bankernes EDB Central). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding two and a half years' IT costs.</p>			
<b>18</b>	<b>Capital conditions and solvency</b>		
Risk-weighted items:			
Credit risk	3,442,360	3,375,435	3,361,169
Market risk	163,177	107,567	133,164
Operational risk	542,621	542,621	543,651
<b>Weighted items in total</b>	<b>4,148,158</b>	<b>4,025,623</b>	<b>4,037,984</b>
Capital ratio	21.8	22.7	21.3
Core capital ratio	21.8	22.7	21.3
Statutory capital ratio requirements	8.0	8.0	8.0
<b>Core capital</b>	<b>904,693</b>	<b>914,586</b>	<b>860,486</b>
<b>Capital base</b>	<b>904,693</b>	<b>914,586</b>	<b>860,486</b>

---

## MANAGEMENT STATEMENT

---

The Board of Directors and Executive Management have today considered and approved the quarterly report for the period 1 January - 30 September 2018 for the limited liability company, GrønlandsBANKEN A/S.

The quarterly report is presented in accordance with the Danish Financial Business Act, and the Management's Review is prepared in accordance with the Danish Financial Business Act. The quarterly report is furthermore prepared in accordance with additional Danish disclosure requirements for listed financial companies.

It is our opinion that the quarterly financial statement gives a true and fair view of the Bank's assets, liabilities and financial position as of 30 September 2018, and of the result of the Bank's activities for the first three quarters of 2018.

It is our opinion that the Management's Review gives a true and fair review of the development in the Bank's activities and financial affairs, as well as a description of the significant risks and uncertainties to which the BANK of Greenland is subject.

30 October 2018

### **Executive Management**

Martin Birkmose Kviesgaard

### **Board of Directors**

Gunnar í Liða  
Chairman

Kristian Frederik Lennert  
Vice Chairman

Maliina Bitsch Abelsen

Hans Niels Boassen

Anders Jonas Brøns

Christina Finderup Bustrup

Lars Holst

Yvonne Jane Poulsen Kyed

Elise Love Nicoline Zeeb

GrønlandsBANKEN A/S, tel. no. +299 70 12 34