Notification to Nasdaq OMX Copenhagen
14/2017

QUARTERLY REPORT

Q1 – Q3 2017

The BANK of Greenland

GER no. 80050410

Q1 – Q3 REPORT FOR 2017 IN HEADLINES

The BANK of Greenland upgrades its profit forecast

The BANK of Greenland's profit before value adjustments and write-downs for the first three quarters of 2017 is, once again, the best result in the Bank's history. The profit before value adjustments and write-downs is DKK 120.2 million, having increased by DKK 15.6 million compared to the same period of 2016.

The BANK of Greenland's profit before tax for the first three quarters of 2017 is DKK 103.8 million, compared to DKK 82.5 million in 2016.

Despite a decline in lending in Q3, there is still a high level of activity, which has led to a very satisfactory increase in lending for the year as a whole of DKK 165.8 million, equivalent to 5.4%.

The highly satisfactory development in net interest and fee income has continued, with an increase of DKK 17.8 million to DKK 233.0 million, compared to the same period of 2016. The increase is primarily due to an increase in lending, which gives a good increase in net interest income.

At the end of September 2017, total costs including write-offs amounted to DKK 116.9 million, compared to DKK 114.4 for the same period of 2016. Costs are still affected by the costs of the development of the Pension Concept, increasing depreciation and amortisation, and the costs related to the Bank's 50th anniversary celebrations.

At the end of September 2017, value adjustments show a loss of DKK 4.9 million, compared to a loss of DKK 11.5 million for the same period of 2016.

Write-downs on loans and guarantees amount to DKK 11.5 million and are thus still low and slightly below the same period of 2016.

As stated in the company notification of 20 October 2017, on the basis of the positive development in operations during the year, the Bank has upgraded its expectations of the result for the full year before value adjustments and write-downs to the current DKK 145-155 million, from the previously expected interval of DKK 135-145 million.

- The profit before tax gives a return of 16.1% p.a. on opening equity after disbursement of dividend.
- Increase in lending by 165.8 million to DKK 3.239 billion.
- Deposits increase to DKK 4.866 billion.
- An increase in net interest and fee income of 8.3%.
- A small increase in total costs, including depreciation and amortisation, of 2.2%.
- Write-downs and provisions for the period of 0.3%.
- Capital ratio and core capital ratio of 21.3 and an individual capital requirement of 10.2%.

The BANK of Greenland

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FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR Q1 – Q3 2017

(DKK 1,000)

	Q1 – Q3 2017	Q1 – Q3 2016	Full year 2016	Q1 – Q3 2015	Q1 – Q3 2014	Q1 – Q3 2013
Net interest and fee income	233,021	215,246	289,760	213,776	220,133	206,273
Value adjustments	-4,908	-10,120	-12,899	-6,774	17,983	-49
Other operating income	4,046	3,663	4,854	3,789	4,262	4,407
Staff and administration expenses	110,883	106,987	144,207	103,149	102,175	95,244
Depreciation and impairment of tangible assets	4,899	4,147	5,981	4,041	6,890	7,560
Other operating expenses	1,089	3,226	4,136	6,372	3,722	4,488
Write-downs on loans, etc.	11,510	11,935	13,971	14,421	14,039	10,882
Profit before tax	**103,778**	**82,494**	**113,420**	**82,808**	**115,552**	**92,457**
Tax	32,990	26,195	36,029	26,326	36,726	29,379
Profit for the period	**70,788**	**56,299**	**77,391**	**56,482**	**78,826**	**63,078**
Selected accounting details:						
Lending	3,239,636	2,869,110	3,073,861	2,821,106	2,951,687	2,903,096
Deposits	4,866,301	4,731,290	4,822,362	4,164,900	3,620,160	3,450,048
Equity	938,169	904,257	926,210	897,993	892,320	852,750
Balance sheet total	5,963,026	5,799,913	5,911,496	5,258,096	4,735,501	4,495,378
Contingent liabilities	1,169,902	1,150,270	1,266,537	1,188,075	1,046,034	898,945
Key figures:						
Capital ratio	21.3	20.5	21.2	20.3	20.3	20.8
Core capital ratio	21.3	20.5	21.2	20.3	20.3	20.4
The period's return on equity before tax	11.1	9.1	12.3	9.2	13.1	10.9
The period's return on equity after tax	7.6	6.2	8.4	6.2	8.9	7.4
Income per cost krone	1.81	1.65	1.67	1.67	1.91	1.78
Rate of return	1.2	1.0	1.3	1.1	1.7	1.4
Interest rate risk	1.5	1.2	1.3	1.4	1.0	0.9
Foreign exchange position	1.8	6.2	2.4	6.1	3.0	4.3
Loans plus write-downs in relation to deposits	69.2	63.2	66.2	69.6	83.8	86.1
Loans in relation to equity	3.5	3.2	3.3	3.1	3.3	3.4
Growth in lending during the period	5.4	1.6	8.9	0.2	2.7	-4.7
Excess capital base compared to statutory liquidity requirement	151.8	170.3	193.6	153.2	146.5	151.2
The sum of large exposures	77.0	95.3	90.3	49.2	48.1	62.5
The period's write-down percentage	0.3	0.4	0.3	0.4	0.4	0.3
Accumulated write-down percentage	3.1	3.1	2.9	2.7	2.2	2.0
The period's profit per share after tax	39.3	31.3	43.0	31.4	43.8	35.0
Net book value per share	521	502	515	499	499	481
Stock exchange quotation/net book value per share	1.2	1.2	1.2	1.2	1.3	1.2

MANAGEMENT REVIEW FOR Q1 – Q3 2017

Income statement
Net interest income increased by TDKK 17,583 to TDKK 166,490 in the first three quarters of 2017, compared to the same period of 2016. In 2017, the Bank's lending has increased significantly, which helps to reduce the impact of the negative return on the Bank's surplus liquidity and falling bond yields. The Bank's funding costs have fallen to a minimum level.

Share dividend amounts to TDKK 807 in 2017, compared to TDKK 3,634 for the same period of 2016. In 2016, Sparinvest Holding A/S paid out dividend of TDKK 2,508, compared to DKK 0 in 2017.

Fee and commission income increased by TDKK 2,591 to TDKK 66,057 compared to the same period of 2016. The increase is primarily due to the increased lending activity.

Other operating income increased by TDKK 383 compared to the same period of 2016, and amounted to TDKK 4,046 as at the end of September 2017.

Staff and administration expenses increased, as expected, by TDKK 3,896 to TDKK 110,883 compared to the same period of 2016. The increase primarily concerns other administration expenses and is due to a significant increase in the Bank's payment for IT services, the development of the Pension Concept, and the costs of the Bank's 50th anniversary celebrations.

Other operating expenses, which concern operation and maintenance of the Bank's office buildings, fell in the first three quarters of 2017 to TDKK 1,089, from TDKK 3,226 for the same period of 2016. The decrease is primarily due to the costs in 2016 of a major renovation of the Bank's branch in Maniitsoq.

Depreciation of tangible assets increased by TDKK 752 to TDKK 4,899 compared to the same period of 2016.

The result before value adjustments and write-downs of TDKK 120,196 is the best Q3 result in the Bank's history and a significant improvement from the same period of 2016, when the result amounted to TDKK 104,549.

Value adjustments represent a total capital loss of TDKK 4,908, compared to a capital loss for the same period of 2016 of TDKK 10,120. The reason for the negative value adjustment, which affects Q3, is an extraordinary value adjustment of DKK 10.2 million concerning the Bank's capital interest in BEC. The adjustment is related to BEC's accelerated write-down of a number of capitalised development costs, and as a consequence the Bank’s capital interest in BEC will be booket at zero..

Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest and fee income	78,378	77,243	77,400	74,514	73,383	71,972	69,891	70,398
Costs, depreciation and amortisation	37,420	38,851	40,600	39,964	38,268	36,817	39,275	39,782
Other operating income	1,594	1,194	1,258	1,191	1,245	1,121	1,297	2,213
Profit before value adjustments and write-downs	42,552	39,586	38,058	35,741	36,360	36,276	31,913	32,829
Value adjustments	-9,833	915	4,010	-2,779	1,399	-5,150	-6,369	-4,001
Write-downs on loans, etc.	2,713	4,938	3,859	2,036	2,997	4,875	4,063	5,011
Profit before tax	30,006	35,563	38,209	30,926	34,762	26,251	21,481	23,817

Impairment of loans, etc. amounting to TDKK 11,510 at the end of Q3 2017 is at the same level as the equivalent period of 2016, when write-downs amounted to TDKK 11,935. Write-downs and provisions on the Bank's loans and guarantees are still moderate and thereby reflect the 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 103,778, which is an improvement of TDKK 21,284 from the same period of 2016.

Development in the quarter
Considering the development in Q3 in isolation, net interest and fee income increased in Q3 to TDKK 78,378, while the first two quarters of 2017 were at almost the same level, at TDKK 77,243 in Q2, and TDKK 77,400 in Q1 2017.

In Q3, total costs decreased by TDKK 1,431 to TDKK 37,420 after falling in Q2 by TDKK 1,748 to TDKK 38,851, compared to TDKK 40,600 in Q1 2017. The decrease in Q2 is primarily related to personnel expenses, which in Q1 included the payment of holiday allowance. In Q3, virtually all items declined, except for the Bank's costs of activities to celebrate its anniversary and IT expenses.

The profit before value adjustments and write-downs thereby increased very satisfactorily in Q3, to TDKK 42,552, compared to TDKK 39,586 in Q2, and TDKK 38,058 in Q1 2017.

Write-downs on loans and guarantees in Q3 amount to only DKK 2.7 million and continue the series of quarters with very moderate losses and write-downs.

In Q3, for the first time this year, the Bank has noted negative value adjustments. The capital loss amounted to TDKK 9,833 and, as previously stated, is due to extraordinary value adjustment of the Bank's capital interest in BEC, at DKK -10.2 million.

The balance sheet development showed a decline in lending of TDKK 114,841. This e.g. reflects the extraordinarily high drawing on Group accounts at low interest rates at the end of Q2. The net interest effect is thereby moderate, since the average lending in the quarters is still high, and significantly above the level in 2016.

After increasing from Q1 to Q2, as expected deposits declined in Q3 2017, by TDKK 167,377.

In Q3, guarantee debtors increased by TDKK 39,658 compared to the 1st half of 2017.

Balance sheet and equity
During the first nine months of the year, the Bank's lending increased very satisfactorily by TDKK 165,775 to TDKK 3,239,636.

The Bank's deposits, of which the predominant element is deposits on demand, amounted to TDKK 4,866,301 at the end of September 2017, having increased by TDKK 43,939 from the end of 2016. As expected, the Bank's deposits decreased in Q3 2017.

The balance sheet thus increased by TDKK 51,530 to TDKK 5,963,026. At the end of September 2017, equity amounts to TDKK 938,169.

Outside the balance sheet, the Bank's guarantees and irrevocable undertakings to customers decreased as expected by TDKK 96,635 from the end of 2016, amounting to TDKK 1,169,902 at the end of September 2017.

Uncertainty of recognition and measurement
The main uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees, and the valuation of properties, unlisted securities and financial instruments. The management believes that the presentation of the accounts for the first three quarters of 2017 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.

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, according to the management's assessment, as a minimum is needed to cover all risks.

The BANK of Greenland's capital ratio, which does not include the profit for the period, amounted to 21.3 at the end of Q3 2017.

The BANK of Greenland was designated as an SIFI institute in Q2 2017 and subsequently the Board of Directors has decided to maintain the surplus capital cover target at 8-10% until final NEP capital requirements are determined, for the North Atlantic SIFI institutes.

As at the end of Q3 2017, the Bank's individual solvency requirement was compiled at 10.2% The BANK of Greenland thus has surplus capital cover before the buffer requirements of 11.1%, or TDKK 448,886. After deduction for the capital reserve buffer requirement, the surplus cover is 9.85%. 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 fully phased in, the buffer requirement will amount to 1.5%.

MANAGEMENT REVIEW FOR Q1 – Q3 2017

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

In DKK 1,000	Q3 2017		End-2016	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	323,039	8.0%	324,152	8.0%
Credit risk	70,449	1.7%	65,587	1.6%
Market risk	12,212	0.3%	12,212	0.3%
Operational risk	3,800	0.1%	5,500	0.1%
Other conditions	2,100	0.1%	3,600	0.1%
Capital requirement	**411,600**	**10.2%**	**411,051**	**10.1%**

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

Liquidity

The BANK of Greenland has a comfortable deposit surplus, with liquidity according to the current Section 152 key figures of 151.8% at the end of September 2017, equivalent to TDKK 1,718,887. The Bank's funding is based solely on deposits. Up to 2018, new liquidity management rules, the liquidity coverage ratio (LCR) for credit institutions, will be phased in. LCR is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio. The LCR in 2018 must be at least 100% for non-SIFI institutions. For SIFI institutions, as of 1 October 2015 the coverage ratio must already be 100%.

In Q2 2017, the Bank of Greenland was designated as an SIFI institute and must therefore adhere to the same rules as apply to Danish and Faroese SIFI institutes. At the end of Q3 2017, the Bank had an LCR of 160.9% and thereby fulfilled the LCR requirement.

For Danish banks, as of 31 December 2016 the LCR replaced the Section 152 statutory requirement, with the latter requirement being phased out. For Greenland and the Faroe Islands, the liquidity requirement pursuant to Section 152(1)-(3) of the Financial Business Act still applies.

MANAGEMENT REVIEW FOR Q1 – Q3 2017

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. The Bank's business model states that the sum of large exposures should not exceed 100% of the capital base.

The sum of large exposures (less than 125% of the capital base)
The BANK of Greenland 77.0%

Growth in lending (less than 20% per year)
The BANK of Greenland 12.9%

Property exposure (less than 25% of total loans and guarantees)
The BANK of Greenland 13.9%

Surplus liquidity cover (greater than 50%)
The BANK of Greenland 151.8%

Stable funding (loans/working capital minus bonds with a remaining maturity of less than 1 year) Limit value: less than 1
The BANK of Greenland 0.6

The sum of large exposures was reduced to 77.0% at the end of Q3 2017, of which exposures to publicly-owned and sector companies constituted 10.6%. As of 1 January 2018, the benchmark for the calculation of large exposures was amended. The BANK of Greenland today already complies with the new benchmark.

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 632 at the end of Q3 2017, the price of the BANK of Greenland's shares has increased from the end of 2016, when the price was 614. During March 2017, the Bank paid dividend to its shareholders totalling DKK 99 million, or DKK 55 per share.

In accordance with Section 28a of the Danish Companies Act, five shareholders have notified shareholdings in excess of 5%. At the end of Q3 2017, the Bank had no holdings of own shares.

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 of Greenland's mission was reworded in 2016 and must 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'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.

MANAGEMENT REVIEW FOR Q1 – Q3 2017

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. 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 2017

The Bank's increased activity at the end of 2016 has continued in 2017, resulting in a good increase in the Bank's lending. After a relatively strong cyclical upturn i 2016, only a small increase in GDP is expected in 2017. In 2017 the BANK of Greenland expects higher average lending than the level in 2016. As expected, deposits fell in Q3 and we expect further decreases in Q4 2017. Despite continuously declining bond yields, and the sustained extremely low level of interest rates, the BANK of Greenland expects a sound increase in total deposits for the full year.

In Q4, the Bank expects a further negative value adjustment of DKK 2.8 million concerning the Bank's capital interest in BEC. The capital interest will thereafter be booked at zero.

Since 1 January 2017, the Bank's customers have been able to establish tax-deductible pension savings schemes, which in the longer term are expected to make a significant contribution to the Bank's business volume. The BANK of Greenland does not expect that this area will make any contribution in 2017. On the contrary, there are significant costs related to the establishment of the IT-supported Pension Concept. Total costs including write-offs are expected to increase further in Q4 2017, due to higher IT costs.

The Bank assesses that the quality of the loan portfolio is satisfactory. Value adjustment of lending at a moderate level is therefore still expected in 2017. Based on the sound development during the year, in a company notification dated 20 October 2017 the Bank reported that the profit before value adjustments and write-downs for the full year is expected to be at the level of DKK 145-155 million, compared to the previously notified interval of DKK 135-145 million, The result amounted to DKK 140 million in 2016.

31 October 2017
Board of Directors

(DKK 1,000) **INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Notes		Q1 – Q3 2017	Full year 2016	Q1 – Q3 2016
4	Interest income	170,121	212,965	158,256
5	Negative interest income	-8,790	-11,783	-9,064
6	Interest expenses	1,314	2,611	2,181
7	Positive interest expenses	+6,473	+2,953	+1,896
	Net interest income	**166,490**	**201,524**	**148,907**
	Share dividend, etc.	807	3,634	3,634
8	Fee and commission income	66,057	85,879	63,466
	Fees paid and commission expenses	333	1,277	761
	Net interest and fee income	**233,021**	**289,760**	**215,246**
9	Value adjustments	-4,908	-12,899	-10,120
	Other operating income	4,046	4,854	3,663
10	Staff and administration expenses	110,883	144,207	106,987
	Depreciation and impairment of tangible assets	4,899	5,981	4,147
	Other operating expenses	1,089	4,136	3,226
13	Write-downs on loans, etc.	11,510	13,971	11,935
	Profit before tax	**103,778**	**113,420**	**82,494**
11	Tax	32,990	36,029	26,195
	Profit for the period	**70,788**	**77,391**	**56,299**
	Statement of comprehensive income			
	Profit for the period	70,788	77,391	56,299
	Other comprehensive income:			
	Property exposures	12,740	3,013	1,751
	Tax on other comprehensive income	-4,051	-958	-556
	Total other comprehensive income	**8,689**	**2,055**	**1,195**
	Comprehensive income for the year	**79,477**	**79,446**	**57,494**

(DKK 1,000)

BALANCE SHEET

Notes		30 September 2017	31 December 2016	30 September 2016
	ASSETS			
	Cash balance and demand deposits with central banks	172,231	153,750	156,081
12	Amounts receivable from credit institutions and central banks	1,238,961	1,371,201	1,370,137
13	Loans and other receivables at amortised cost	3,239,636	3,073,861	2,869,110
14	Bonds at fair value	903,781	925,514	1,008,011
	Shares, etc.	86,057	86,281	84,008
	Land and buildings in total, domicile properties	206,982	197,128	195,636
	Other tangible assets	7,689	7,443	7,818
	Deferred tax assets	0	0	5,921
	Other assets	103,107	93,401	99,436
	Accruals and deferred income	4,582	2,917	3,755
	Total assets	**5,963,026**	**5,911,496**	**5,799,913**
	LIABILITIES			
	Liabilities to credit institutions and central banks	15,466	21,238	24,122
15	Deposits and other liabilities	4,866,301	4,822,362	4,731,290
	Current tax liabilities	5,430	4,107	2,769
	Other liabilities	55,470	61,162	65,560
	Prepayments and deferred expenses	2,134	4,796	2,119
	Total debt	**4,944,801**	**4,913,665**	**4,825,860**
	Provisions for pensions and similar obligations	432	245	183
	Provisions for deferred tax	59,875	55,823	55,647
	Provisions for losses on guarantees	13,731	8,994	7,783
	Other provisions	6,018	6,559	6,182
	Total provisions	**80,056**	**71,621**	**69,795**
	Equity			
16	Share capital	180,000	180,000	180,000
	Revaluation reserves	26,135	17,446	16,585
	Retained earnings	732,034	728,764	707,673
	Total equity	**938,169**	**926,210**	**904,258**
	Total liabilities	**5,963,026**	**5,911,496**	**5,799,913**

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((DKK 1,000)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Total equity
Equity, 1 January 2016	**180,000**	**15,207**	**651,557**	**67,518**	**914,282**
Dividend paid				-99,000	-99,000
Taxation value of dividend paid				31,482	31,482
Other comprehensive income		1,378	-183		1,195
Profit for the period			56,299		56,299
Equity, 30 September 2016	**180,000**	**16,585**	**707,673**	**0**	**904,258**
Other comprehensive income		861			861
Profit for the period			21,091		21,091
Equity, 31 December 2016	**180,000**	**17,446**	**728,764**	**0**	**926,210**
Equity at the beginning of 2017 after distribution of dividend	**180,000**	**17,446**	**661,246**	**67,518**	**926,210**
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
Equity, 30 September 2017	**180,000**	**26,135**	**732,034**	**0**	**938,169**

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 compared to the Annual Report for 2016.

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.

Note 2
Significant accounting estimates
Calculation of the accounting value of certain assets and liabilities is related to an estimate of how future events will affect the value of these assets and liabilities. The most significant estimates relate to:

- measurement of loans and guarantees
- financial instruments
- fair value of domicile properties
- provisions

The estimates are based on assumptions that the management considers reasonable, but which are uncertain. In addition, the Bank is subject to risks and uncertainties that may lead the actual results to deviate from the estimates.

For write-downs of loans there are significant estimates associated with the quantification of the risk that not all future payments will be received. Furthermore, collective write-downs and the determination of the management reserve in write-downs remain uncertain.

Listed financial instruments may be priced in markets with low turnover, which means that the use of the stock exchange prices when measuring fair value may be subject to some uncertainty.

Unlisted financial instruments may involve significant estimates in connection with the measurement of fair value.

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

Valuation of the Bank's domicile properties is also subject to significant estimates.

NOTES

Note 3
Coming accounting regulations
At the time of publication of this interim Report, a number of provisions are subject to amendment in the Danish IFRS-compatible accounting order.

The overall provisions of IFRS 9 will be incorporated in the Danish accounting order and supplemented with special Danish impairment rules in Annex 10 of the accounting order that fulfil the overall principles in IFRS 9.

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

The adjusted Danish accounting order is expected to enter into force for accounting periods commencing on 1 January 2018.

With IFRS 9, the current impairment model, based on incurred losses (the "incurred loss" model), is replaced by an impairment mode 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.

There is ongoing development work that is anchored in the BANK of Greenland's data centre, BEC, with the participation of the affiliated member institutions, as well as LOPI (the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark), in order to develop an IFRS 9-compatible impairment model.

It is not currently possible to make a reasonable estimate of the accounting effect of the initial use of IFRS 9 in terms of the impairment rules. It is generally expected, however, that in overall terms the new impairment rules for the banks will lead to increased impairments and thereby a greater correction account, since according to the new regulations all loans and guarantees will be subject to impairment equivalent to the expected credit loss over 12 months, or the expected credit loss in the asset's remaining term to maturity on any significant increase in the credit risk.

Group impairment according to the current rules will not be continued under the new rules, and to some extent this will diminish the effect of IFRS 9.

A negative accounting effect of the new expectation-based IFRS 9 impairment rules will in principle have an equivalent effect on the capital base. To counter an unintended effect on the capital base and thereby the Bank's opportunity to support credit extension, as an element of the reform package presented by the European Commission on 23 October 2016 (the capital requirement package) the Commission has proposed a five-year transition scheme, so that a negative effect of the new IFRS 9 impairment rules will not have a full impact on the capital base until after five years.

Overall, the BANK of Greenland assesses the effect of IFRS 9 on the surplus cover to be insignificant on the entry into force of the rules in 2018, while the effect on the surplus cover going forward will be more dampened, as the effect of the transition scheme is phased out.

NOTES TO THE INCOME STATEMENT

(DKK 1,000)		Q1 – Q3 2017	Full year 2016	Q1 – Q3 2016
4	**Interest income**			
	Loans	162,551	197,196	146,279
	Bonds	7,570	15,769	11,977
	Total interest income	**170,121**	**212,965**	**158,256**
5	**Negative interest income**			
	Amounts receivable from credit institutions and central banks	-4,889	-6,001	-4,537
	Foreign exchange, interest rate, equity, commodity and other contracts, and derivative financial instruments	-3,901	-5,782	-4,527
	Total negative interest	**-8,790**	**-11,783**	**-9,064**
6	**Interest expenses**			
	Credit institutions and central banks	117	170	136
	Deposits	1,197	2,441	2,045
	Total interest expenses	**1,314**	**2,611**	**2,181**
7	**Positive interest expenses**			
	Deposits and other liabilities	6,473	+2,953	1,896
	Total positive interest expenses	**6,473**	**+2,953**	**1,896**
8	**Fees and commission income**			
	Securities and securities accounts	2,863	3,960	2,941
	Funds transfer	26,925	34,288	25,657
	Loan case fees	10,971	15,099	10,052
	Guarantee commission	13,626	17,763	13,443
	Other fees and commission	11,672	14,769	11,373
	Total fee and commission income	**66,057**	**85,879**	**63,466**
9	**Value adjustments**			
	Lending at fair value	-1,872	-218	2,554
	Bonds	-19	-14,103	-7,367
	Shares	-7,040	-1,704	-4,059
	Currency	1,746	3,446	2,069
	Derivative financial instruments	2,277	-208	-3,205
	Other assets	0	-112	-112
	Total value adjustments	**-4,908**	**-12,899**	**-10,120**

NOTES TO THE INCOME STATEMENT

(DKK 1,000)		Q1 – Q3 2017	Full year 2016	Q1 – Q3 2016
10	**Staff and administration expenses**			
	Salaries and remuneration to the Board of Directors and the Executive Management			
	Board of Directors	1,003	1,338	1,003
	Executive Management, including free car and other benefits	2,568	3,318	2,517
	Total	**3,571**	**4,656**	**3,520**
	The Bank has established a defined benefit 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 for Q1 – Q3 in 2017 amounts to TDKK 188, 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. Two other employees whose activities have a significant influence on the Bank's risk profile:			
	Salaries and pensions, including free car and other benefits	1,637	2,661	1,608
	Staff expenses			
	Salaries	44,278	58,759	43,803
	Other staff expenses	1,367	2,028	1,225
	Pensions	5,420	7,206	5,419
	Social security expenses	426	538	356
	Total	**51,491**	**68,531**	**50,803**
	Other administration expenses	**55,876**	**71,095**	**52,720**
	Average no. of full-time employees	117.3	117.6	118.4
11	**Tax**			
	30% of the result	31,133	34,026	24,748
	Paid dividend tax for Danish shares	-186	-634	-634
	6% supplement	1,857	2,003	1,447
	Total tax on ordinary profit	**32,804**	**35,395**	**25,561**
	Paid dividend tax	186	634	634
	Taxes in total	**32,990**	**36,029**	**26,195**
	Deferred tax	0	-194	0
	Taxation value of dividend paid	31,482	31,482	25,561
	Tax to be paid	1,508	4,741	634
	No company tax was paid during the period			

NOTES TO THE BALANCE SHEET

(DKK 1,000)		30 September 2017	31 December 2016	30 September 2016
12	**Amounts receivable from credit institutions and central banks**			
	Receivables subject to terms of notice at central banks	411,000	618,000	511,000
	Receivables from credit institutions	827,961	753,201	859,137
	Total amounts receivable	**1,238,961**	**1,371,201**	**1,370,137**
13	**Loans**			
	Write-downs on loans and receivables			
	Lending	9,021	12,597	11,772
	Guarantees	2,489	1,374	163
	Total write-downs during the period	**11,510**	**13,971**	**11,935**
	Of which losses not previously written down	141	299	211
	Individual write-downs:			
	Start of the period	85,380	77,423	77,423
	Write-downs during the period	35,513	34,527	31,975
	Reversal of write-downs in previous financial years	26,933	19,858	16,582
	Final loss (depreciated) previously individually depreciated	1,989	5,542	1,379
	Other movements	0	-1,170	0
	End of period	**91,971**	**85,380**	**91,437**
	Group write-downs:			
	Start of the period	31,841	27,126	27,126
	Write-downs during the period	9,088	14,954	7,940
	Reversal of write-downs in previous financial years	5,539	9,588	7,005
	Other movements	0	-651	0
	End of period	**35,390**	**31,841**	**28,061**
14	**Bonds**			
	Of which nominal TDKK 50,000 pledged as collateral for accounts with Danmarks Nationalbank			
15	**Deposits**			
	On demand	4,417,541	4,175,603	4,186,175
	On terms of notice	291,664	461,377	316,978
	Fixed-term deposits	40,436	73,361	117,697
	Special deposit conditions	116,660	112,021	110,440
	Total deposits	**4,866,301**	**4,822,362**	**4,731,290**

NOTES TO THE BALANCE SHEET

(DKK 1,000)		30 September 2017	31 December 2016	30 September 2016
16	**Share capital**			
	Share capital consists of 1,800,000 shares of DKK 100 There have been no changes in the share capital in recent years.			
	Own holdings of capital investments			
	Number of own shares	0	0	0
17	**Contingent liabilities**			
	Mortgage finance guarantees	652,789	638,316	642,736
	Registration and remortgaging guarantees	89,414	201,952	64,852
	Other guarantees	427,699	376,269	442,682
	Guarantees, etc. in total	**1,169,902**	**1,216,537**	**1,150,270**
	Provision balance for guarantees	**13,731**	**8,994**	**7,783**
	Irrevocable loan commitments	0	50,000	0
	Other contingent liabilities in total	**0**	**50,000**	**0**
	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 three years' IT costs.			
18	**Capital conditions and solvency**			
	Risk-weighted items			
	Credit risk	3,361,169	3,384,094	3,419,061
	Market risk	133,164	124,150	136,565
	Operational risk	543,651	543,651	545,958
	Weighted items in total	**4,037,984**	**4,051,895**	**4,101,584**
	Capital ratio	21.3	21.2	20.5
	Core capital ratio	21.3	21.2	20.5
	Statutory capital ratio requirements	8.0	8.0	8.0
	Core capital	**860,486**	**857,468**	**840,731**
	Capital base	**860,486**	**857,468**	**840,731**

MANAGEMENT STATEMENT

The Board of Directors and Executive Management have today considered and approved the interim report for the period from 1 January to 30 September 2017, for the public limited liability company, GrønlandsBANKEN, aktieselskab.

The interim report was prepared in accordance with the Danish Financial Business Act, and the Management Review was drawn up in accordance with the Danish Financial Business Act. The interim report is furthermore prepared in accordance with additional Danish disclosure requirements for listed financial companies.

It is our opinion that the interim financial statement gives a true and fair view of the Bank's assets, liabilities and financial position as at 30 September 2017, and of the result of the Bank's activities for the first three quarters of 2017.

It is our opinion that the Management 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.

31 October 2017

Executive Management

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða Chairman	Kristian Frederik Lennert Vice Chairman	Frank Olsvig Bagger
Anders Jonas Brøns	Christina Finderup Bustrup	Allan Damsgaard
Lars Holst	Yvonne Jane Poulsen Kyed	Arne Ilannguaq Guldmann Petersen

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