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QUARTERLY REPORT

Q1 2018

The BANK of Greenland

GER no. 80050410

Q1 REPORT FOR 2018 IN HEADLINES

The BANK of Greenland made a good start to 2018

The BANK of Greenland's profit before tax for Q1 2018 is DKK 34.1 million, compared to DKK 38.2 million in 2017. The profit before value adjustments and write-downs amounts to DKK 38.6 million, compared to DKK 38.1 million one year before.

After significant growth in lending in 2017, lending increased further by DKK 58 million to DKK 3,393 million at the end of the quarter.

There was a good increase in net interest and fee income of DKK 1.4 million to DKK 78.8 million, compared to the same period of 2017. The increase is primarily due to an increase in lending, which gives a good increase in net interest income despite declining bond yields. At the same time, the income from guarantee commission is increasing due to higher guarantee amounts.

At the end of March 2018, total costs including depreciation and amortisation amounted to DKK 41.6 million, compared to DKK 40.6 million for the same period of 2017. This increase solely concerns staff expenses, primarily related to timing differences and higher payroll expenses due to an increase in the number of employees.

At the end of March 2018, value adjustments show a loss of DKK 1 million, compared to a capital gain of DKK 4.0 million for the same period of 2017.

Write-downs on loans and guarantees show a small decline, amounting to DKK 3.5 million.

- The profit before tax gives a return of 14.8% p.a. on opening equity after disbursement of dividend.
- An increase in lending by 58 million to DKK 3,393 billion.
- Deposits increased to DKK 5,283 billion.
- An increase of 2% in net interest and fee income.
- An increase of 2.4% in total costs, including depreciation and amortisation.
- Write-downs and provisions for the period of 0.1%.
- Capital ratio and core capital ratio of 22.4 and an individual capital requirement of 10.5%

The BANK of Greenland

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FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR Q1 2018

(DKK 1,000)

	Q1 2018	Q1 2017	Full year 2017	Q1 2016	Q1 2015	Q1 2014
Net interest and fee income	78,820	77,400	309,546	69,891	71,698	68,542
Value adjustments	-1,023	4,010	-6,368	-6,369	-4,136	7,769
Other operating income	1,311	1,258	5,240	1,297	1,440	1,305
Staff and administration expenses	39,392	38,517	152,528	37,533	36,729	35,861
Depreciation and impairment of tangible assets	1,652	1,633	6,840	1,033	23	2,153
Other operating expenses	531	450	2,709	709	1,840	1,244
Write-downs on loans, etc.	3,460	3,859	13,734	4,063	5,176	3,719
Profit before tax	**34,073**	**38,209**	**132,607**	**21,481**	**25,234**	**34,639**
Tax	10,823	12,142	42,158	6,831	8,022	11,008
Profit for the period	**23,250**	**26,067**	**90,449**	**14,650**	**17,212**	**23,631**
Selected accounting items:						
Lending	3,393,345	3,195,960	3,335,119	2,809,026	2,838,689	2,913,038
Deposits	5,282,943	4,926,085	4,205,613	4,558,795	3,994,265	4,105,788
Equity	933,187	892,165	958,458	861,565	859,760	833,790
Balance sheet total	6,429,309	5,977,811	5,355,010	5,651,493	5,068,400	5,165,367
Contingent liabilities	1,200,728	1,112,308	1,161,181	1,141,157	1,173,529	869,773
Key figures:						
Capital ratio	22.4	20.7	22.7	19.8	20.7	20.2
Core capital ratio	22.4	20.7	22.7	19.8	20.7	19.7
The period's return on equity before tax	3.6	4.2	14.1	2.4	2.9	4.1
The period's return on equity after tax	2.5	2.9	9.6	1.6	1.9	2.8
Income per cost krone	1.8	2.0	1.7	1.5	1.6	1.8
Rate of return	0.4	0.4	1.75	0.3	0.3	0.5
Interest rate risk	1.3	1.3	1.1	1.2	1.2	1.0
Foreign exchange position	0.5	1.6	1.6	6.7	-1.0	6.1
Loans plus write-downs in relation to deposits	67.1	67.4	82.2	64.1	73.3	72.7
Loans in relation to equity	3.6	3.6	3.5	3.3	3.3	3.5
Growth in lending during the period	1.8	4.0	8.5	-0.5	0.9	1.3
Excess capital base compared to statutory liquidity requirement	171.7	159.6	105.4	164.5	150.8	178.5
The sum of large exposures	169.1	n/a	160.2	n/a	n/a	n/a
The period's write-down percentage	0.1	0.1	0.3	0.1	0.2	0.1
Accumulated write-down percentage	3.4	3.0	3.1	2.9	2.4	2.1
The period's profit per share after tax	12.9	14.5	50.3	8.1	9.6	13.1
Net book value per share	518	496	532	479	478	468
Stock exchange quotation/net book value per share	1.2	1.2	1.2	1.3	1.3	1.4

The BANK of Greenland

MANAGEMENT's REVIEW FOR Q1 2018

Income statement
Net interest income of TDKK 54,267 is by and large unchanged compared to the same period of 2017. In 2017, continuing into 2018, 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. At the same time, the bank's funding costs fell to a minimum level.

Share dividend amounts to TDKK 910 in 2018, compared to TDKK 636 for the same period of 2017.

Fee and commission income increased by TDKK 1,025 to TDKK 23,814 compared to the same period of 2017. This increase relates primarily to guarantee commission based on increased guarantee amounts.

Other operating income is by and large unchanged at TDKK 1,311 compared to Q1 2017.

Staff and administration expenses increased by TDKK 875 to TDKK 39,392 compared to the same period of 2017. The increase is related to staff expenses and is due to timing differences in other staff expenses, as well as a small increase in salaries due to a higher number of employees. Other administration expenses declined in the same period.

Other operating expenses, which concern operation and maintenance of the Bank's office buildings, increased by TDKK 81 in Q1 2018 compared to the same period of 2017.

Depreciation of tangible assets is at an unchanged level compared to the same period of 2017, amounting to TDKK 1,652.

Value adjustments represent a total capital loss of TDKK 1,023, compared to a capital gain of TDKK 4,010 for the same period of 2017. A small capital loss on the Bank's bond portfolio is compensated for to some extent by capital gains, primarily on the Bank's portfolio of sector equities.

Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest and fee income	78,820	76,525	78,378	77,243	77,400	74,514	73,383	71,972
Costs, depreciation and amortisation	41,575	45,206	37,420	38,851	40,600	39,964	38,268	36,817
Other operating income	1,311	1,194	1,594	1,194	1,258	1,191	1,245	1,121
Profit before value adjustments and write-downs	38,556	32,513	42,552	39,586	38,058	35,741	36,360	36,276
Value adjustments	-1,023	-1,460	-9,833	915	4,010	-2,779	1,399	-5,150
Write-downs on loans, etc.	3,460	2,224	2,713	4,938	3,859	2,036	2,997	4,875
Profit before tax	34,073	28,829	30,006	35,563	38,209	30,926	34,762	26,251

Impairment of loans, etc. amounts to TDKK 3,460 at the end of Q1 2018, which is TDKK 399 below 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 continued generally strong credit standing of the Bank's private and business customers in Greenland. This is supported by the low level of claims written off by the Bank.

MANAGEMENT's REVIEW FOR Q1 2018

The profit before tax is TDKK 34,073, having declined by TDKK 4,136 from the same period of 2017.

Balance sheet and equity
During Q1, the Bank's lending increased satisfactorily by TDKK 58,226 to TDKK 3,393,345, which is the highest level ever for the Bank.

The Bank's deposits, of which the predominant element is deposits on demand, amounted to TDKK 5,282,943 at the end of March 2018 and thus increased to the highest ever level. Deposits declined strongly at the end of 2017. The decline at the end of 2017 was expected, and the Bank also expects deposits to decrease during 2018.

The total balance sheet thereby increased by TDKK 1.074,299 to TDKK 6,429,309. At the end of March 2018, equity amounted to TDKK 933,187.

Outside the balance sheet, the bank's guarantees and irrevocable undertakings to customers increased by TDKK 88,420 from the end of 2017, amounting to TDKK 1,200,728 at the end of March 2018.

Uncertainty of recognition and measurement
The principal uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees and write-downs for losses on non-utilised credit facilities, and 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.

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.

MANAGEMENT's REVIEW FOR Q1 2018

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, excluding the result for the period, stood at 22.4 at the end of Q1 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 has not yet been informed of the Bank's MREL capital requirements. When the final MREL capital requirements are known, more precise capital planning will be possible.

As at the end of Q1 2018, the Bank's individual solvency requirement was compiled at 10.5%. The BANK of Greenland thus has surplus capital cover before the buffer requirements of 11.9% or TDKK 477,245. After deduction for the capital reserve buffer requirement, the surplus cover is 10.0%. 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%.

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

In DKK 1,000	Q1 2018		End of 2017	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	320,090	8.0%	322,050	8.0%
Credit risk	81,840	2.0%	80,669	1.9%
Market risk	11,502	0.3%	10,350	0.3%
Operational risk	3,800	0.1%	3,800	0.1%
Other conditions	2,100	0.1%	2,100	0.1%
Capital requirement	**419,332**	**10.5%**	**418,969**	**10.4%**

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 BANK of Greenland has a comfortable deposit surplus, with liquidity according to the current Section 152 key figures of 171.7% at the end of March 2018, equivalent to total liquidity of TDKK 1,995,056. The Bank's funding is based solely on deposits.

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 Q1 2018, the Bank had an LCR of 203.6% and thereby fulfils the LCR requirement of at least 100% for SIFI institutions.

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

MANAGEMENT's REVIEW FOR Q1 2018

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 169.1 of which 38.9 comprises the exposure to publicly-owned enterprises.

The sum of large exposures (maximum 175% of the capital base)
The BANK of Greenland 169.1%

Lending growth (less than 20% per annum)
The BANK of Greenland 6.2%

Property exposure (less than 25% of total loans and guarantees)
The BANK of Greenland 16.1%

Surplus liquidity cover (greater than 50%)
The BANK of Greenland 171.7%

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

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 624 at the end of Q1 2018, the price of the BANK of Greenland's shares has 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, five shareholders have notified shareholdings in excess of 5%. At the end of Q1 2018, the Bank had no holdings of own shares.

Change in the Board of Directors

At the Bank's Annual General Meeting on 20 March 2018, director Frank Olsvig Bagger resigned from the Board of Directors. Commercial director Malîna Bitsch Abelsen and director Ben Arabo were elected to the Board of Directors. The Board of Directors now comprises ten members, after increasing by one member.

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 extremely 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. 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.

Expectations for the last three quarters of 2018

After a relatively strong economic upswing in 2016, it is assessed that GDP will be almost unchanged in 2017. A moderate increase is expected in 2018, particularly on the basis of an increasing prawn quota. The Bank has seen a good increase in lending during 2017 and expects a further moderate increase in 2018.

Deposits increased in Q1 2018, but are expected to decline a little during the last three quarters.

Net interest and fee income are thus expected to be at a moderately higher level than in 2017.

In 2018, the BANK of Greenland will continue the work of developing and expanding the pension area, which is completely new in Greenland. This area is still only expected to make a small contribution to 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.

The Bank assesses that the quality of the loan portfolio is satisfactory. Write-downs for impairment of lending are therefore expected to continue to be at a moderate to low level. On the basis of new IFRS9 rules, however, there may be considerable fluctuation in impairments, quarter by quarter.

In view of the continued low level of interest rates, moderate capital losses on the Bank's bond portfolio must be expected.

In December 2017, the Danish FSA specified that notified result expectations must be related to a result stated directly in the income statement. Result expectations will therefore in future be related to the result before tax.

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

25 April 2018
Board of Directors

(DKK 1,000)

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Notes		Q1 2018	Full year 2017	Q1 2017
3	Interest income	55,821	227,068	55,869
4	Negative interest income	-2,327	-11,741	-3,084
5	Interest expenses	147	1,871	171
6	Positive interest expenses	+920	+8,460	+1,522
	Net interest income	**54,267**	**221,916**	**54,136**
	Share dividend, etc.	910	807	636
7	Fee and commission income	23,814	87,737	22,789
	Fees paid and commission expenses	171	914	161
	Net interest and fee income	**78,820**	**309,546**	**77,400**
8	Value adjustments	-1,023	-6,368	4,010
	Other operating income	1,311	5,240	1,258
9	Staff and administration expenses	39,392	152,528	38,517
	Depreciation and impairment of tangible assets	1,652	6,840	1,633
	Other operating expenses	531	2,709	450
16	Write-downs on loans, etc.	3,460	13,734	3,859
	Profit before tax	**34,073**	**132,607**	**38,209**
10	Tax	10,823	42,158	12,142
	Profit for the period	**23,250**	**90,449**	**26,067**
	Statement of comprehensive income			
	Profit for the period	23,250	90,449	26,067
	Other comprehensive income:			
	Value adjustment of properties	943	13,681	10,859
	Effect of IFRS9 at the beginning of 2018	-18,089	0	0
	Value adjustment of defined-benefit severance/pension scheme	0	-13	**0**
	Tax on value adjustment of properties	5,453	-4,351	- 3,453
	Total other comprehensive income	**11,693**	**9,317**	**7,406**
	Comprehensive income for the year	**34,943**	**99,766**	**33,473**

(DKK 1,000)

BALANCE SHEET

Notes		31 March 2018	31 December 2017	31 March 2017
	ASSETS			
	Cash balance and demand deposit with central banks	171,368	178,789	155,786
11	Amounts receivable from credit institutions and central banks	1,520,393	522,060	1,272,032
16	Loans and other receivables at amortised cost	3,393,345	3,335,119	3,195,960
12	Bonds at fair value	885,469	894,679	919,338
	Shares, etc.	88,635	89,353	98,792
13	Assets connected to pool schemes	32,551	6,767	0
	Land and buildings in total, domicile properties	209,603	207,728	207,026
	Other tangible assets	8,866	8,392	7,746
	Deferred tax assets	6,650	0	19,480
	Other assets	108,501	109,136	97,610
	Prepayments and deferred expenses	3,928	2,987	4,041
	Total assets	**6,429,309**	**5,355,010**	**5,977,811**
	LIABILITIES			
	Liabilities to credit institutions and central banks	18,436	22,670	23,715
14	Deposits and other liabilities	5,282,943	4,205,613	4,926,085
	Deposits in pool schemes	32,551	6,767	0
	Current tax liabilities	10,957	10,957	4,107
	Other liabilities	69,960	65,687	54,451
	Prepayments and deferred expenses	2,420	5,282	2,061
	Total debt	**5,417,267**	**4,316,976**	**5,010,419**
	Provisions for pensions and similar obligations	640	518	308
	Provisions for deferred tax	54,253	59,708	59,278
	Provisions for losses on guarantees	13,337	12,792	9,093
	Other provisions	8,609	6,558	6,548
	Provisions for losses on non-utilised credit facilities	2,016	0	0
	Total provisions	**78,855**	**79,576**	**75,227**
	Equity			
15	Share capital	180,000	180,000	180,000
	Revaluation reserves	27,419	26,776	24,852
	Retained earnings	725,768	751,682	687,313
	Total equity	**933,187**	**958,458**	**892,165**
	Total liabilities	**6,429,309**	**5,355,010**	**5,977,811**

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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 2017	**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		7,406			7,406
Profit for the period			26,067		26,067
Equity, 31 March 2017	**180,000**	**24,852**	**687,313**	**0**	**892,165**
Other comprehensive income		1,924	-13		1,911
Profit for the period			10,382	54,000	64,382
Taxation value of proposed dividend			17,172	-17,172	0
Equity, 31 December 2017	**180,000**	**26,776**	**714,854**	**36,828**	**958,458**
Equity at the beginning of 2018	**180,000**	**26,776**	**714,854**	**36,828**	**958,458**
Dividend paid				-54,000	-54,000
Taxation value of dividend paid				17,172	17,172
Other comprehensive income		643	-12,336		-11,693
Profit for the period			23,250		23,250
Equity, 31 March 2018	**180,000**	**27,419**	**725,768**	**0**	**933,187**

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
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, 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 supject to some uncertainsty.

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 TO THE INCOME STATEMENT

(DKK 1,000)		Q1 2018	Full year 2017	Q1 2017
3	**Interest income**			
	Credit institutions	0	181	0
	Loans	53,844	217,006	53,073
	Bonds	1,977	9,881	2,796
	Total interest income	**55,821**	**227,068**	**55,869**
4	**Negative interest income**			
	Amounts receivable from credit institutions and central banks	-1,213	-6,487	-1,555
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-1,114	-5,254	-1,529
	Total negative interest	**-2,327**	**-11,741**	**-3,084**
5	**Interest expenses**			
	Credit institutions and central banks	14	148	35
	Deposits	133	1,723	136
	Total interest expenses	**147**	**1,871**	**171**
6	**Positive interest expenses**			
	Deposits and other liabilities	920	+8,460	1,522
	Total positive interest expenses	**920**	**+8,460**	**1,522**
7	**Fee and commission income**			
	Securities and securities accounts	777	3,824	880
	Funds transfer	8,855	36,040	8,727
	Loan case fees	2,969	15,089	3,010
	Guarantee commission	4,960	18,481	4,116
	Other fees and commission	6,253	14,303	6,056
	Total fee and commission income	**23,814**	**87,737**	**22,789**
8	**Value adjustments**			
	Lending at fair value	-1,651	-1,710	-1,024
	Bonds	-2,965	-2,742	2,153
	Shares	1,250	-6,540	1,251
	Currency	525	2,805	453
	Derivative financial instruments	1,818	1,819	1,177
	Total value adjustments	**-1,023**	**-6,368**	**4,010**

NOTES TO THE INCOME STATEMENT

(DKK 1,000)		Q1 2018	Full year 2017	Q1 2017
9	**Staff and administration expenses** Salaries and remuneration to the Board of Directors and the Executive Management			
	Board of Directors	498	1,338	334
	Executive Management, including free car and other benefits	924	3,392	942
	Total	**1,422**	**4,730**	**1,276**
	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 Q1 2018 amounts to TDKK 65, 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	735	2,706	733
	Staff expenses			
	Salaries	16,143	60,578	15,609
	Other staff expenses	1,079	2,190	545
	Pensions	1,842	7,314	1,734
	Social security expenses	180	582	163
	Total	**19,244**	**70,664**	**18,051**
	Other administration expenses	**18,744**	**77,208**	**19,218**
	Average no. of full-time employees	119.7	117.5	116.7
10	**Tax**			
	30% of the result	10,222	39,782	11,463
	Paid dividend tax for Danish shares	-201	-186	-140
	6% supplement	601	2,376	679
	Total tax on ordinary profit	**10,622**	**41,972**	**12,002**
	Paid dividend tax	201	186	140
	Taxes in total	**10,823**	**42,158**	**12,142**
	Deferred tax	201	-467	0
	Taxation value of dividend paid	10,622	31,482	12,142
	Tax to be paid	0	11,143	0
	No company tax was paid during the period			

NOTES TO THE BALANCE SHEET

(DKK 1,000)		31 March 2018	31 December 2017	31 March 2017
11	**Amounts receivable from credit institutions and central banks**			
	Receivables subject to terms of notice at central banks	676,000	0	486,000
	Receivables from credit institutions	844,393	522,060	786,032
	Total amounts receivable	**1,520,393**	**522,060**	**1,275,032**
12	**Bonds**			
	Of which nominal TDKK 50,000 pledged as collateral for accounts with Danmarks Nationalbank			
13	**Assets connected to pool schemes**			
	Investment associations	32,141	6,764	0
	Non-invested funds	410	3	0
	Total	**32,551**	**6,767**	**0**
14	**Deposits**			
	On demand	4,747,135	3,774,589	4,394,814
	On terms of notice	317,252	267,379	303,197
	Fixed-term deposits	40,436	40,436	113,702
	Special deposit conditions	178,120	123,208	114,371
	Total deposits	**5,282,943**	**4,205,612**	**4,926,084**
15	**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
16	**Loans**			
	Impairmentsog loans and other receivables			
	Loans and non-utilised credit facilities, net	2,957	9,936	3,760
	Guarantees	503	3,798	99
	Total write-downs during the period	**3,460**	**13,734**	**3,859**
	Of which losses not previously written down	67	247	59

NOTES TO THE BALANCE SHEET

(DKK 1,000)		31 March 2018	31 December 2017	31 March 2017
16	**Loans**			
	Individual write-downs:			
	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	15,664
	Reversal of write-downs in previous financial years	0	31,483	10,876
	Final loss (depreciated) previously individually depreciated	0	4,898	262
	Other movements	0	-4,449	-1,498
	End of period	**0**	**92,953**	**88,408**
	Group write-downs:			
	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	5,693
	Reversal of write-downs in previous financial years	0	6,628	2,729
	Other movements	0	-797	-239
	End of period	**0**	**36,021**	**34,566**
	Stage 1 impairment			
	Beginning of year	0	-	-
	Change in accounting policy	12,728	-	-
	Write-downs during the period	0	-	-
	Reversal during the period	953	-	-
	End of period	**11,775**	**-**	**-**
	Stage 2 impairment			
	Beginning of year	0	-	-
	Change in accounting policy	36,222	-	-
	Write-downs during the period	0	-	-
	Reversal during the period	5,871	-	-
	End of period	**30,351**	**-**	**-**
	Stage 3 impairment			
	Beginning of year	0	-	-
	Change in accounting policy	97,568	-	-
	Write-downs during the period	9,996	-	-
	Reversal during the period	0	-	-
	End of period	**107,564**	**-**	**-**
	Total write-downs at the end of the period	**149,690**	**-**	**-**

NOTES TO THE BALANCE SHEET

(DKK 1,000)		31 March 2018	31 December 2017	31 March 2017
17	**Contingent liabilities**			
	Mortgage finance guarantees	684,161	674,335	645,520
	Registration and remortgaging guarantees	98,973	47,371	42,221
	Other guarantees	417,594	439,475	374,167
	Guarantees, etc. in total	**1,200,728**	**1,161,181**	**1,061,908**
	Provision balance for guarantees	**13,337**	**12,792**	**9,093**
	Irrevocable loan commitments	0	0	50,400
	Other contingent liabilities in total	**0**	**0**	**50,400**
	Provision balance for non-utilised credit facilities	**2,016**	**0**	**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	3,355,893	3,375,435	3,416,037
	Market risk	102,608	107,567	116,326
	Operational risk	542,621	542,621	543,651
	Weighted items in total	**4,001,122**	**4,025,623**	**4,076,014**
	Capital ratio	22.4	22.7	20.7
	Core capital ratio	22.4	22.7	20.7
	Statutory capital ratio requirements	8.0	8.0	8.0
	Core capital	**896,577**	**914,586**	845,381
	Capital base	**896,577**	**914,586**	845,381

MANAGEMENT STATEMENT

The Board of Directors and Executive Management have today considered and approved the interim report for the period from 1 January to 31 March 2018, 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 report gives a true and fair view of the bank's assets, liabilities and financial position as at 31 March 2018, and of the result of the Banks activities in Q1 2018.

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.

25 April 2018

Executive Management

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða Chairman	Kristian Frederik Lennert Vice Chairman	Ben Arabo
Malîna 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