

Notification to Nasdaq OMX Copenhagen  
10/2017



**INTERIM REPORT**

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FIRST HALF OF 2017



GER no. 80050410

## INTERIM REPORT FIRST HALF OF 2017 IN HEADLINES

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### **Growth in lending gives record-high core earnings.**

The BANK of Greenland's profit before value adjustments and write-downs in the first half of 2017 is the best interim result so far in the Bank's 50-year history. The profit before value adjustments and write-downs was DKK 77.6 million, having increased by DKK 9.5 million from the same period of 2016.

In the first half of 2017, the BANK of Greenland achieved its next-best profit before tax, at DKK 73.8 million, compared to DKK 47.7 million in 2016. This was only exceeded by the record year of 2014.

Continued high activity has led to a very satisfactory increase in lending by DKK 280.6 million for the first half of 2017. This is equivalent to an increase of 9.1%.

Very satisfactory development in net interest and fee income, with an increase of DKK 12.8 million to DKK 154.6 million, compared to the same period of 2016. The increase is mainly due to the increase in lending.

Costs, including depreciation and amortisation, amount to DKK 79.5 million, compared to DKK 76.1 million in the first half of 2016. Costs are affected particularly by the costs of the development of the Pension Concept, increasing depreciation and amortisation, and the costs of the activities to celebrate the Bank's 50th anniversary.

Value adjustments in the first half of 2017 are positive at DKK 4.9 million, having improved by DKK 16.4 million from the same period of 2016, when the capital loss amounted to DKK 11.5 million.

Write-downs on loans and guarantees are still low, and at the level of the same period of 2016, and amount to DKK 8.8 million.

The BANK of Greenland has adjusted its expectations of the result for the year before value adjustments and write-downs to DKK 135-145 million from the previously announced interval of DKK 125-145 million.

Furthermore, as expected, the BANK of Greenland was designated as an SIFI institute in Q2 2017.

- The profit before tax gives a return of 17.2% p.a. on opening equity after disbursement of dividend.
- Increase in lending by DKK 280.6 million to a new record of DKK 3,354 billion.
- Deposits increased to the highest-ever level of DKK 5,034 billion.
- Increase in net interest and fee income of 9.0%.
- An increase in total costs, including depreciation and amortisation, of 4.4%.
- Write-downs and provisions for the period of 0.2%.
- Capital ratio and core capital ratio of 20.6 and an individual capital requirement of 10.1%.

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**FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR THE FIRST HALF OF 2017**

(DKK 1,000)

	1st half- year <b>2017</b>	1st half- year <b>2016</b>	Full year <b>2016</b>	1st half- year <b>2015</b>	1st half- year <b>2014</b>	1st half- year <b>2013</b>
Net interest and fee income	154,643	141,863	289,760	142,137	144,408	138,339
Value adjustments	4,925	-11,518	-12,899	-3,868	16,757	- 2,363
Other operating income	2,452	2,418	4,854	2,585	2,690	3,062
Staff and administration expenses	75,289	71,914	144,207	69,710	69,241	64,542
Depreciation and impairment of tangible assets	3,271	2,158	5,981	1,988	5,165	4,381
Other operating expenses	891	2,022	4,136	4,353	2,557	2,793
Write-downs on loans, etc.	8,797	8,937	13,971	9,734	8,526	8,696
<b>Profit before tax</b>	<b>73,772</b>	<b>47,732</b>	<b>113,420</b>	<b>55,069</b>	<b>78,366</b>	<b>58,626</b>
Tax	23,448	15,141	36,029	17,505	24,901	18,621
<b>Profit for the period</b>	<b>50,324</b>	<b>32,591</b>	<b>77,391</b>	<b>37,564</b>	<b>53,465</b>	<b>40,005</b>
<b>Selected accounting details:</b>						
Lending	3,354,477	2,855,444	3,073,861	2,853,879	2,989,814	2,930,958
Deposits	5,033,678	4,695,186	4,822,362	4,206,595	3,901,128	3,492,635
Equity	917,065	879,746	926,210	878,876	867,978	829,469
Balance sheet total	6,112,595	5,749,788	5,911,496	5,288,495	4,964,276	4,542,982
Contingent liabilities	1,130,244	1,155,276	1,266,537	1,158,038	1,007,362	895,051
<b>Key figures:</b>						
Capital ratio	20.6	19.7	21.2	18.6	19.8	20.5
Core capital ratio	20.6	19.7	21.2	18.6	19.3	20.0
The period's return on equity before tax	8.0	5.3	12.3	6.2	9.0	7.0
The period's return on equity after tax	5.5	3.6	8.4	4.2	6.1	4.8
Income per cost krone	1.84	1.56	1.67	1.66	1.93	1.74
Rate of return	0.8	0.6	1.3	0.7	1.1	0.9
Interest rate risk	1.3	1.2	1.3	1.4	1.4	0.7
Foreign exchange position	2.1	5.9	2.4	15.5	1.9	4.3
Currency risk	0.0	0.1	0.0	0.0	0.0	0.0
Loans plus write-downs in relation to deposits	69.2	63.3	66.2	70.1	78.6	86.0
Loans in relation to equity	3.7	3.2	3.3	3.2	3.4	3.5
Growth in lending during the period	9.1	1.2	8.9	1.4	4.0	- 3.7
Excess capital base compared to statutory liquidity requirement	155.9	188.8	193.6	180.9	141.8	172.8
The sum of large exposures	72.7	96.4	90.3	68.2	59.3	63.0
The period's write-down percentage	0.2	0.3	0.3	0.3	0.2	0.3
Accumulated write-down percentage	3.0	3.0	2.9	2.6	2.1	1.9
The period's profit per share after tax	28.0	18.0	43.0	20.9	29.7	22.2
Net book value per share	509	489	515	488	486	468
Stock exchange quotation/net book value per share	1.2	1.2	1.2	1.3	1.3	1.2

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## MANAGEMENT REVIEW FOR THE FIRST HALF OF 2017

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### Income statement

Net interest income increased by TDKK 12,305 to TDKK 109,610 in the first half of 2017, compared to the same period of 2016. In the first half of 2017 the Bank's lending increased month by month, 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 at the end of the first half of 2017 amounted to TDKK 807, 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 2,990 to TDKK 44,488 compared to the same period of 2016. The increase is mainly due to the increased lending activity.

Other operating income is by and large unchanged compared to the same period of 2016, amounting to TDKK 2,452 at the end of June 2017.

Staff and administration expenses increased by TDKK 3,375 to TDKK 75,289 compared to the same period of 2016. The increase solely concerns other administration expenses and is primarily due to an increase in the Bank's payment for IT services, the development of the Pension Concept and the related tools, and the costs of the Bank's 50th anniversary celebrations.

Other operating expenses, which concern operation and maintenance of the Bank's bank buildings, fell in the first half of 2017 to TDKK 891, from TDKK 2,022 for the same period of 2016. The variation is primarily due to the extensive renovation of the Bank's branch in Maniitsoq in 2016.

Depreciation of tangible assets increased by TDKK 1,113 to TDKK 3,271 compared to the same period of 2016.

The result before value adjustments and write-downs of TDKK 77,644 is the best result in the Bank's history and has improved significantly from the same period of 2016, when the result amounted to TDKK 68,187.

Value adjustments represent a total capital gain of TDKK 4,925, compared to a capital loss for the same period of 2016 of TDKK 11,518. The capital gain is distributed on the Bank's share holdings and bond holdings.

### Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest and fee income	77,243	77,400	74,514	73,383	71,972	69,891	70,398	71,639
Costs, depreciation and amort.	38,851	40,600	39,964	38,268	36,817	39,275	39,782	37,512
Other operating income	1,194	1,258	1,191	1,245	1,121	1,297	2,213	1,205
Profit before value adjustments and write-downs	39,586	38,058	35,741	36,360	36,276	31,913	32,829	35,332
Value adjustments	915	4,010	-2,779	1,399	-5,150	-6,369	-4,001	-2,906
Write-downs on loans, etc.	4,938	3,859	2,036	2,997	4,875	4,063	5,011	4,687
Profit before tax	35,563	38,209	30,926	34,762	26,251	21,481	23,817	27,739

Impairment of loans, etc. amounting to TDKK 8,797 at the end of June 2017 is at the level of the same period of 2016, when impairments amounted to TDKK 8,937. Write-downs and provisions on the Bank's loans and guarantees remain limited and thus reflect the continued generally strong credit standing of the Bank's private

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## MANAGEMENT REVIEW FOR THE FIRST HALF OF 2017

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and business customers in Greenland. This is supported by the moderate level of claims written off by the Bank.

The profit before tax of TDKK 73,772 is thus TDKK 26,040 better than for the same period of 2016.

### **Development in the quarter**

In each of the first two quarters of 2017 net interest and fee income was at almost the same level, at TDKK 77,243 in Q2, and TDKK 77,400 in Q1 2017.

Total costs decreased in Q2 by TDKK 1,748 to TDKK 38,851, compared to TDKK 40,600 in Q1 2017. The decrease is mainly related to personnel expenses, which in Q1 included payment of holiday allowance.

The result before value adjustments and write-downs thereby increased to TDKK 39,586 in Q2, compared to TDKK 38,058 in Q1 2017.

Lending increased in Q1 by TDKK 122,099 and again in Q2 by TDKK 158,517, which is an increase of 9.1% from the end of 2016. Lending to both business and private customers increased, reflecting the current economic upswing in Greenland. Deposits increased in Q2 2017 by TDKK 107,593 to TDKK 5,033,678.

### **Balance sheet and equity**

The Bank's lending increased very satisfactorily by TDKK 280,616 in the first half of 2017 to the highest level ever, at TDKK 3,354,477.

The Bank's deposits, of which the largest element is deposits on demand, amounted to TDKK 5,033,678 at the end of the first half of 2017, having increased by TDKK 211,316 in relation to the end of 2016. The Bank had expected deposits to decline during the first half of 2017.

The total balance sheet thereby increased by TDKK 201,099 to TDKK 6,112,595. Equity amounted to TDKK 917,065 at the end of the first half of 2017.

Outside the balance sheet, the Bank's guarantees and irrevocable undertakings to customers decreased as expected by TDKK 136,293 and amounted to TDKK 1,130,244 at the end of June 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 half 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 losses as a consequence of debtors' or counterparties' default on actual payment obligations.

**Market risk:** Risk of losses 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 losses as a consequence of the financing costs increasing disproportionately, the risk

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## MANAGEMENT REVIEW FOR THE FIRST HALF OF 2017

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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, excluding the result for the period, stood at 20.6 at the end of the first half of 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.

As at the end of the first half of 2017, the Bank's individual solvency requirement was compiled at 10.1% according to the 8+ model. The BANK of Greenland thus has surplus capital cover before the buffer requirements of 10.5%, or TDKK 434,584. After deduction for the capital reserve buffer requirement, the surplus cover is 9.25%. As of 1 January 2018, the Bank will be required to fulfil a SIFI buffer requirement of 1.2% and when it has been fully phased in, in 2019, the buffer requirement will be 1.5%.

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

In DKK 1,000	Q2 2017		End of 2016	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	331,506	8.0%	324,152	8.0%
Credit risk	67,503	1.6%	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%
<b>Capital requirement</b>	<b>417,121</b>	<b>10.1%</b>	<b>411,051</b>	<b>10.1%</b>

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 155.9% at the end of June 2017, equivalent to TDKK 1,784,919. The Bank's funding is based solely on deposits.

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## MANAGEMENT REVIEW FOR THE FIRST HALF OF 2017

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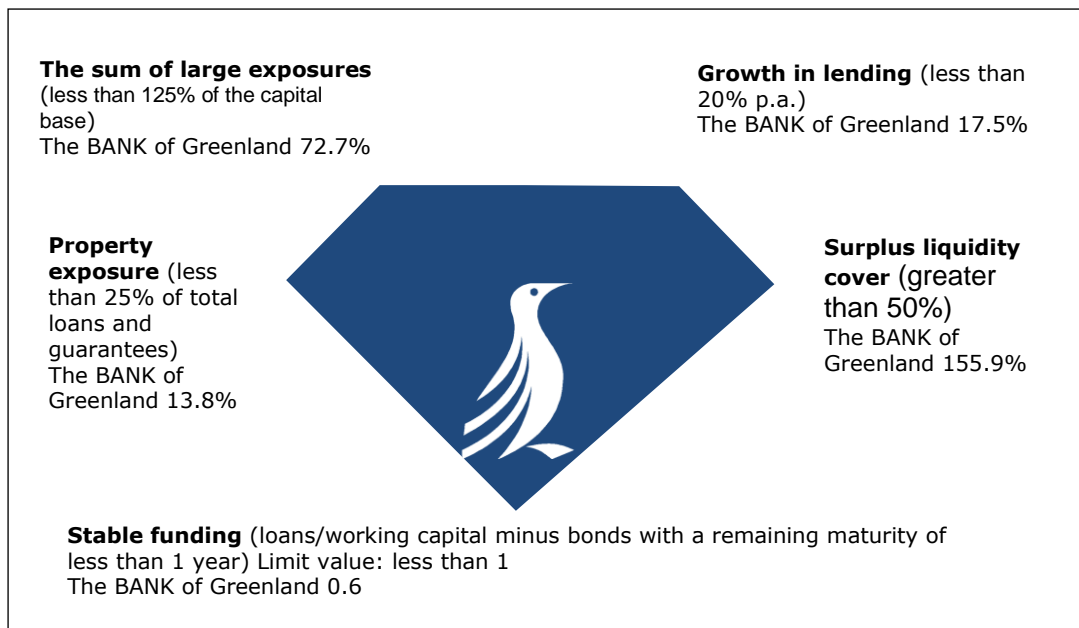
Up to 2018, new liquidity management rules, the liquidity coverage ratio (LCR) for credit institutions, will be phased in. LCR is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio. The LCR in 2018 must be at least 100% for non-SIFI institutes. For SIFI institutes, 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 the first half of 2017, the Bank had an LCR of 293.3% 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.

### 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 was reduced to 72.7% at the end of the first half of 2017, of which exposures to publicly- and sector-owned companies constituted 11.9%. 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.

Growth in lending in the period from 1 July 2016 to 30 June 2017 amounted to 17.5%. By the end of 2017, the Bank expects that the growth in lending will be at around the same level as in 2016, with an expected increase in lending of around 8-10%.



## MANAGEMENT REVIEW FOR THE FIRST HALF OF 2017

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### Shareholders and dividend

The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders. At a price of 621 at the end of the first half of 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 the first half of 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 to a greater extent than before 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.

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 2017

The increased activity noted by the Bank at the end of 2016 continued in the first half of 2017, resulting in a considerable increase in lending. The relatively strong cyclical upturn in 2016 was primarily driven by increased fish volumes and good fish prices. In 2017, a further small increase in GDP is expected, which will affect the Bank's customers positively.

On the basis of the growth in the Bank's lending seen in the first half of 2017, the BANK of Greenland now expects significantly higher average lending. The Bank still assesses that deposits will decline during the second half of 2017. Despite falling bond yields, and the extremely low level of interest rates, including negative interest on certificates of deposit at Danmarks Nationalbank, the BANK of Greenland expects a sound increase in total deposits for the full year.

In the long term, the new legislation which enables the Bank's customers to establish tax-deductible pension savings schemes is expected to make a significant contribution to the Bank's business volume. The BANK of Greenland does not, however, expect that this area will make any significant contribution in 2017. On the contrary, there are significant costs related to the establishment of the IT-supported Pension Concept. The BANK of Greenland has also entered into an agreement with Nærpension in the expectation of a significant increase in the business volume in the years to come.

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Total costs including depreciation and amortisation are expected to increase during the remainder of 2017, due to higher IT and development costs, including the Pension Concept and associated tools, and the expected costs related to the BANK of Greenland's 50th anniversary celebrations in August.

The Bank assesses that the quality of the loan portfolio is satisfactory. Value adjustment of lending at a moderate level is therefore expected in 2017.

The result before value adjustments and write-downs has now been estimated at DKK 135-145 million, compared to the previously expected interval of DKK 125-145 million. The result amounted to DKK 140 million in 2016.

18 August 2017  
Board of Directors

(DKK 1,000)

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Notes	1st half-year 2017	Full year 2016	1st half-year 2016	
<b>4</b>	Interest income	111,968	212,965	103,803
<b>5</b>	Negative interest income	-5,924	-11,783	-5,725
<b>6</b>	Interest expenses	1,040	2,611	1,511
<b>7</b>	Positive interest expenses	+4,606	+ 2,953	+738
	<b>Net interest income</b>	<b>109,610</b>	<b>201,524</b>	<b>97,305</b>
	Share dividend, etc.	807	3,634	3,634
<b>8</b>	Fee and commission income	44,488	85,879	41,498
	Fees paid and commission expenses	262	1,277	574
	<b>Net interest and fee income</b>	<b>154,643</b>	<b>289,760</b>	<b>141,863</b>
<b>9</b>	Value adjustments	4,925	-12,899	-11,518
	Other operating income	2,452	4,854	2,418
<b>10</b>	Staff and administration expenses	75,289	144,207	71,914
	Depreciation and impairment of tangible assets	3,271	5,981	2,158
	Other operating expenses	891	4,136	2,022
<b>13</b>	Write-downs on loans, etc.	8,797	13,971	8,937
	<b>Profit before tax</b>	<b>73,772</b>	<b>113,420</b>	<b>47,732</b>
<b>11</b>	Tax	23,447	36,029	15,141
	<b>Profit for the period</b>	<b>50,325</b>	<b>77,391</b>	<b>32,591</b>
<b>Statement of comprehensive income</b>				
	Profit for the period	50,325	77,391	32,591
	Other comprehensive income:			
	Property exposures	11,799	3,013	574
	Tax on other comprehensive income	-3,751	- 958	-183
	<b>Total other comprehensive income</b>	<b>8,048</b>	<b>2,055</b>	<b>391</b>
	<b>Comprehensive income for the year</b>	<b>58,373</b>	<b>79,446</b>	<b>32,982</b>

(DKK 1,000.)

**BALANCE SHEET**

Notes	30 June 2017	31 December 2016	30 June 2016
<b>ASSETS</b>			
	172,909	153,750	196,573
Cash balance and demand deposits with central banks			
<b>12</b> Amounts receivable from credit institutions and central banks	1,249,450	1,371,201	1,297,536
<b>13</b> Loans and other receivables at amortised cost	3,354,477	3,073,861	2,855,444
<b>14</b> Bonds at fair value	911,691	925,514	994,927
Shares, etc.	95,269	86,281	82,613
Land and buildings in total, domicile properties	207,004	197,128	195,513
Other tangible assets	7,185	7,443	8,106
Deferred tax assets	8,220	0	16,975
Other assets	102,295	93,401	98,226
Accruals and deferred income	4,095	2,917	3,875
<b>Total assets</b>	<b>6,112,595</b>	<b>5,911,496</b>	<b>5,749,788</b>
<b>LIABILITIES</b>			
	17,195	21,238	25,491
Liabilities to credit institutions and central banks			
<b>15</b> Deposits and other liabilities	5,033,678	4,822,362	4,695,186
Current tax liabilities	4,107	4,107	2,769
Other liabilities	58,684	61,162	73,789
Prepayments and deferred expenses	4,392	4,796	4,452
<b>Total debt</b>	<b>5,118,056</b>	<b>4,913,665</b>	<b>4,801,687</b>
Provisions for pensions and similar obligations	370	245	122
Provisions for deferred tax	59,576	55,823	55,242
Provisions for losses on guarantees	11,424	8,994	6,483
Other provisions	6,104	6,559	6,508
<b>Total provisions</b>	<b>77,474</b>	<b>71,621</b>	<b>68,355</b>
Equity			
<b>16</b> Share capital	180,000	180,000	180,000
Revaluation reserves	25,494	17,446	15,782
Retained earnings	711,571	728,764	683,964
<b>Total equity</b>	<b>917,065</b>	<b>926,210</b>	<b>879,746</b>
<b>Total liabilities</b>	<b>6,112,595</b>	<b>5,911,496</b>	<b>5,749,788</b>
<b>01</b> Applied accounting policies			
<b>02</b> Accounting estimates			
<b>03</b> Coming accounting regulations			
<b>17</b> Contingent liabilities			
<b>18</b> Capital conditions and solvency			

((DKK 1,000)

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Total equity
<b>Equity, 1 January 2016</b>	<b>180,000</b>	<b>15,207</b>	<b>651,557</b>	<b>67,518</b>	<b>914,282</b>
Dividend paid				-99,000	-99,000
Taxation value of dividend paid				31,482	31,482
Other comprehensive income		575	-184		391
Profit for the period			32,591		32,591
<b>Equity, 30 June 2016</b>	<b>180,000</b>	<b>15,782</b>	<b>683,964</b>	<b>0</b>	<b>879,746</b>
Other comprehensive income		1,664			1,664
Profit for the period			44,800		44,800
<b>Equity, 31 December 2016</b>	<b>180,000</b>	<b>17,446</b>	<b>728,764</b>	<b>0</b>	<b>926,210</b>
<b>Equity at the beginning of 2017 after distribution of dividend</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		8,048			8,048
Profit for the period			50,325		50,325
<b>Equity, 30 June 2017</b>	<b>180,000</b>	<b>25,494</b>	<b>711,571</b>	<b>0</b>	<b>917,065</b>

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## NOTES TO THE INCOME STATEMENT

(DKK 1,000)	1st half-year 2017	Full year 2016	1st half-year 2016
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### 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.

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**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	1st half-year 2017	Full year 2016	1st half-year 2016
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**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 avoid 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 European 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 of 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)	1st half-year 2017	Full year 2016	1st half-year 2016
<b>4 Interest income</b>			
Loans	106,726	197,196	96,060
Bonds	5,242	15,769	7,743
<b>Total interest income</b>	<b>111,968</b>	<b>212,965</b>	<b>103,803</b>
<b>5 Negative interest income</b>			
Amounts receivable from credit institutions and central banks	-3,118	-6,001	-2,827
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-2,806	-5,782	-2,898
<b>Total negative interest</b>	<b>-5,924</b>	<b>-11,783</b>	<b>-5,725</b>
<b>6 Interest expenses</b>			
Credit institutions and central banks	71	170	95
Deposits	969	2,441	1,416
<b>Total interest expenses</b>	<b>1,040</b>	<b>2,611</b>	<b>1,511</b>
<b>7 Positive interest expenses</b>			
Deposits and other liabilities	+4,606	+2,953	+738
<b>Total positive interest expenses</b>	<b>+4,606</b>	<b>+2,953</b>	<b>+738</b>
<b>8 Fees and commission income</b>			
Securities and securities accounts	2,013	3,960	1,819
Funds transfer	17,441	34,288	16,464
Loan case fees	7,567	15,099	5,965
Guarantee commission	8,716	17,763	8,806
Other fees and commission	8,751	14,769	8,444
<b>Total fee and commission income</b>	<b>44,488</b>	<b>85,879</b>	<b>41,498</b>
<b>9 Value adjustments</b>			
Lending at fair value	-2,230	-218	2,712
Bonds	1,766	-14,103	-5,640
Shares	1,783	-1,704	-6,080
Currency	1,047	3,446	1,165
Derivative financial instruments	2,559	-208	-3,563
Other assets	0	-112	-112
<b>Total value adjustments</b>	<b>4,925</b>	<b>-12,899</b>	<b>-11,518</b>



**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	1st half-year 2017	Full year 2016	1st half-year 2016
<b>10 Staff and administration expenses</b>			
Salaries and remuneration to the Board of Directors and the Executive Management			
Board of Directors	668	1,338	669
Executive Management, including free car and other benefits	1,752	3,318	1,701
<b>Total</b>	<b>2,420</b>	<b>4,656</b>	<b>2,370</b>
<p>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 after the managing director's retirement. The present value of the benefit in the first half of 2017 is compiled at TDKK 125, 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	1,211	2,661	1,189
Staff expenses			
Salaries	29,717	58,759	29,494
Other staff expenses	1,186	2,028	1,420
Pensions	3,559	7,206	3,616
Social security expenses	289	538	234
<b>Total</b>	<b>34,751</b>	<b>68,531</b>	<b>34,764</b>
<b>Other administration expenses</b>	<b>38,156</b>	<b>71,095</b>	<b>34,818</b>
Average no. of full-time employees	117.0	117.6	120.3
<b>11 Tax</b>			
30% of the result	22,131	34,026	14,320
Paid dividend tax for Danish shares	-186	-634	- 634
6% supplement	1,316	2,003	821
<b>Total tax on ordinary profit</b>	<b>23,261</b>	<b>35,395</b>	<b>14,507</b>
Paid dividend tax	186	634	634
<b>Taxes in total</b>	<b>23,447</b>	<b>36,029</b>	<b>15,141</b>
Deferred tax	0	-194	0
Taxation value of dividend paid	23,261	31,482	14,507
Tax to be paid	186	4,741	634
No company tax was paid during the period			

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 June 2017	31 December 2016	30 June 2016
<b>12</b>	<b>Amounts receivable from credit institutions and central banks</b>		
	523,000	618,000	663,000
	Receivables subject to terms of notice at central banks		
	726,450	753,201	634,536
	Receivables from credit institutions		
	<b>1,249,450</b>	<b>1,371,201</b>	<b>1,297,536</b>
	<b>Total amounts receivable</b>		
<b>13</b>	<b>Loans</b>		
	Write-downs on loans and receivables		
	6,367	12,597	10,074
	Lending		
	2,430	1,374	-1,137
	Guarantees		
	<b>8,797</b>	<b>13,971</b>	<b>8,937</b>
	<b>Total write-downs during the period</b>		
	125	299	131
	Of which losses not previously written down		
	<b>Individual write-downs:</b>		
	85,380	77,423	77,423
	Start of the period		
	26,237	34,527	22,311
	Write-downs during the period		
	19,213	19,858	9,483
	Reversal of write-downs in previous financial years		
	1,373	5,542	640
	Final loss (depreciated) previously individually depreciated		
	0	-1,170	0
	Other movements		
	<b>91,031</b>	<b>85,380</b>	<b>89,611</b>
	<b>End of period</b>		
	<b>Group write-downs:</b>		
	31,841	27,126	27,126
	Start of the period		
	6,391	14,954	5,702
	Write-downs during the period		
	3,143	9,588	5,307
	Reversal of write-downs in previous financial years		
	0	- 651	0
	Other movements		
	<b>35,089</b>	<b>31,841</b>	<b>27,521</b>
	<b>End of period</b>		
<b>14</b>	<b>Bonds</b>		
	Of which nominal TDKK 50,000 pledged as collateral for accounts with Danmarks Nationalbank		
<b>15</b>	<b>Deposits</b>		
	4,464,576	4,175,603	4,107,439
	On demand		
	361,913	461,377	303,128
	On terms of notice		
	92,836	73,361	174,688
	Fixed-term deposits		
	114,353	112,021	109,931
	Special deposit conditions		
	<b>5,033,678</b>	<b>4,822,362</b>	<b>4,695,186</b>
	<b>Total deposits</b>		

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 June 2017	31 December 2016	30 June 2016
<b>16 Share capital</b>			
Share capital consists of 1,800,000 shares of DKK 100 There have been no changes in the share capital in recent years.			
<b>Own holdings of capital investments</b>			
Number of own shares	0	0	0
<b>17 Contingent liabilities</b>			
Financial guarantees	0	0	800
Mortgage finance guarantees	644,357	638,316	636,252
Registration and remortgaging guarantees	77,910	201,952	53,406
Other guarantees	407,977	376,269	464,818
<b>Guarantees, etc. in total</b>	<b>1,130,244</b>	<b>1,216,537</b>	<b>1,155,276</b>
<b>Provision balance for guarantees</b>	<b>11,242</b>	<b>8,994</b>	<b>6,483</b>
Irrevocable loan commitments	0	50,000	0
<b>Other contingent liabilities in total</b>	<b>0</b>	<b>50,000</b>	<b>0</b>
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.			
<b>18 Capital conditions and solvency</b>			
Risk-weighted items:			
Credit risk	3,488,885	3,384,094	3,487,439
Market risk	111,281	124,150	168,496
Operational risk	543,651	543,651	545,958
<b>Weighted items in total</b>	<b>4,143,817</b>	<b>4,051,895</b>	<b>4,201,893</b>
Capital ratio	20.6	21.2	19.7
Core capital ratio	20.6	21.2	19.7
Statutory capital ratio requirements	8.0	8.0	8.0
<b>Core capital</b>	<b>851,705</b>	<b>857,468</b>	<b>823,883</b>
<b>Capital base</b>	<b>851,705</b>	<b>857,468</b>	<b>823,883</b>

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## MANAGEMENT STATEMENT

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

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 30 June 2017, and of the result of the Bank's activities in the first half 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.

18 August 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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