

Notification to Nasdaq OMX Copenhagen

15/2016



**QUARTERLY REPORT**

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Q1-3 2016



GER no. 80050410

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## Q1-3 REPORT FOR 2016 IN HEADLINES

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### Satisfactory first three quarters of 2016

In the first three quarters of 2016, the BANK of Greenland achieved an almost unchanged profit before tax of DKK 82.5 million, compared to DKK 82.8 million in 2015. The result comprises a profit before tax of DKK 21.5 million in Q1, DKK 26.3 million in Q2 and, finally, DKK 34.7 million in Q3 2016. The Q3 result is thereby the highest in two years.

The profit before value adjustments and write-downs is generally at the level of the same period of 2015, and amounts to DKK 104.5 million. The good development in Q2 continued in Q3 and thereby offsets the rather weaker result in Q1, compared to the same quarters of 2015.

In the first three quarters of 2016, the Bank achieved a satisfactory increase in lending and guarantees totalling DKK 73.8 million.

A large decrease in income from bond interest gives a decline in net interest income, which is only partly set off by falling funding interest rates.

Share dividend amounts to DKK 3.6 million, compared to DKK 0.5 million for the same period of 2015.

Satisfactory development in fee income, with an increase of DKK 1.2 million to DKK 63.5 million, compared to the same period of 2015. The increase is due to such factors as increased lending activity.

Costs, including depreciation and amortisation, amount to DKK 114.4 million, compared to DKK 113.6 million in the first three quarters of 2015. The increase is due, among other things, to costs related to the introduction of a number of digital solutions for the Bank's customers.

Value adjustments in Q3 are positive at DKK 1.4 million, but in view of the first half-year's negative value adjustment of DKK 11.5 million, the item shows overall negative value adjustment totalling DKK 10.1 million, which is an increase from the same period of 2015, when the capital loss amounted to DKK 6.8 million.

Write-downs on loans and guarantees remain low, amounting to DKK 11.9 million, compared to DKK 14.4 million in the first three quarters of 2015.

In June, the Danish Financial Supervisory Authority performed an ordinary inspection of the BANK of Greenland. The inspection did not lead to any significant changes in the Bank's business activities. It was positive that in the published report the Danish Financial Supervisory Authority assessed that in terms of creditworthiness the Bank's large exposures lie above the average for comparable Danish banks.

- The profit before tax gives a return of 13.0% p.a. on opening equity after dividend.
- A good increase in total loans and guarantees of DKK 73.8 million.
- An increase in net interest and fee income, despite a large decrease in income from bond interest.
- Overall unchanged total costs, including depreciation and amortisation.
- Write-downs and provisions for the period of 0.4%.
- Solvency ratio of 20.5 and a capital requirement of 10.1.

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**FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR Q1 -3 2016**

(DKK 1,000)

	Q1 -3 2016	Q1 -3 2015	Full year 2015	Q1 -3 2014	Q1 -3 2013	Q1 -3 2012
Net interest and fee income	215,246	213,776	284,174	220,133	206,273	206,412
Value adjustments	-10,120	-6,774	-10,775	17,983	-49	12,687
Other operating income	3,663	3,789	6,002	4,262	4,407	4,726
Staff and administration expenses	106,987	103,149	139,414	102,175	95,244	92,253
Depreciation and impairment of tangible assets	4,147	4,041	6,150	6,890	7,560	8,869
Other operating expenses	3,226	6,372	7,780	3,722	4,488	3,312
Write-downs on loans, etc.	11,935	14,421	19,432	14,039	10,882	9,167
<b>Profit before tax</b>	<b>82,494</b>	<b>82,808</b>	<b>106,625</b>	<b>115,552</b>	<b>92,457</b>	<b>110,224</b>
Tax	26,195	26,326	33,899	36,726	29,379	35,041
<b>Profit for the period</b>	<b>56,299</b>	<b>56,482</b>	<b>72,726</b>	<b>78,826</b>	<b>63,078</b>	<b>75,183</b>
<b>Selected accounting details:</b>						
Lending	2,869,110	2,821,106	2,822,572	2,951,687	2,903,096	2,982,423
Deposits	4,731,290	4,164,900	4,741,477	3,620,160	3,450,048	3,808,233
Equity	904,257	897,993	914,282	892,320	852,750	832,738
Balance sheet total	5,799,913	5,258,096	5,846,450	4,735,501	4,495,378	4,843,170
Contingent liabilities	1,150,270	1,188,075	1,123,022	1,046,034	898,945	970,281
<b>Key figures:</b>						
Capital ratio	20.5	20.3	20.8	20.3	20.8	19.5
Core capital ratio	20.5	20.3	20.8	20.3	20.4	18.9
The period's return on equity before tax	9.1	9.2	11.7	13.1	10.9	13.5
The period's return on equity after tax	6.2	6.2	8.0	8.9	7.4	9.3
Income per cost krone	1.65	1.67	1.62	1.91	1.78	1.97
Rate of return	1.0	1.1	1.2	1.7	1.4	1.6
Interest rate risk	1.2	1.4	1.1	1.0	0.9	1.5
Foreign exchange position	6.2	6.1	5.6	3.0	4.3	7.4
Loans plus write-downs in relation to deposits	63.2	69.6	61.7	83.8	86.1	79.8
Loans in relation to equity	3.2	3.1	3.1	3.3	3.4	3.6
Growth in lending during the period	1.6	0.2	0.3	2.7	- 4.7	- 2.6
Excess capital base compared to statutory liquidity requirement	170.3	153.2	203.9	146.5	151.2	183.7
The sum of large exposures	95.3	49.2	69.9	48.1	62.5	96.5
The period's write-down percentage	0.4	0.4	0.6	0.4	0.3	0.3
Accumulated write-down percentage	3.1	2.7	2.8	2.2	2.0	1.5
The period's profit per share after tax	31.3	31.4	15.4	43.8	35.0	41.8
Net book value per share	502	499	508	499	481	473
Stock exchange quotation/net book value per share	1.2	1.2	1.2	1.3	1.2	0.9

## MANAGEMENT REVIEW FOR Q1-3 2016

### Income statement

Net interest income decreased by TDKK 3,251 to TDKK 148,907 in the first nine months of 2016, compared to the same period of 2015. Lower income from bond interest is the primary reason for the decline. The impact of the negative return on the Bank's certificates of deposit at Danmarks Nationalbank and on deposits with other banks has been reduced during the last two quarters, since some of the Bank's largest deposits are subject to negative deposit interest rates.

Share dividend at the end of Q3 of 2016 amounted to TDKK 3,634, compared to TDKK 497 for the same period of 2015. In Q2 2016, dividend of TDKK 2,508 was booked for the Bank's holding of shares in Sparinvest Holding A/S.

Fee and commission income of TDKK 63,466 increased by TDKK 1,227 compared to the same period of 2015,

Other operating income, mainly external rental income on the Bank's homes, fell marginally to TDKK 3,663, from TDKK 3,789 for the same period of 2015.

Staff and administration expenses increased by TDKK 3,838, or 3.7%, to TDKK 106,987 compared to the same period of 2015. This is primarily due to other administration expenses, which showed an increase of TDKK 3,444 to TDKK 52,720. The increase is due, among other things, to the Bank's investment in digital solutions during Q2 2016, as well as high postage increases.

Other operating expenses, which concern operation and maintenance of the Bank's bank buildings, and payments to sector guarantee schemes, fell in the first three quarters of 2016 to TDKK 3,226, from TDKK 6,372 for the same period of 2015.

Depreciation and impairment of tangible assets increased marginally by TDKK 106 to TDKK 4,147 compared to the same period of 2015.

The profit before value adjustments and write-downs of TDKK 104,550 is thus by and large unchanged compared to the same period of 2015.

Value adjustments represent a total capital loss of TDKK 10,120, having increased by TDKK 3,346 from the first three quarters of 2015. Q3 2016 shows an overall positive value adjustment. In Q3, the Bank recognised income of TDKK 605 concerning Visa Europa, after the sector's sale of Nets in 2014. The capital loss for the year is distributed on the Bank's share holdings and bond holdings. In Q2 2016, the Bank booked a capital loss of TDKK 5,420 on its holdings of shares in Sparinvest Holding A/S.

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

(DKK 1,000)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2016	2016	2016	2015	2015	2015	2015	2014
Net interest and fee income	73,383	71,972	69,891	70,398	71,639	70,439	71,698	73,324
Costs, depreciation and amortisation	38,268	36,817	39,275	39,782	37,512	37,458	38,592	37,774
Other operating income	1,245	1,121	1,297	2,213	1,205	1,144	1,440	1,394
Profit before value adjustments and write-downs	36,360	36,276	31,913	32,829	35,332	34,125	34,546	36,944
Value adjustments	1,399	-5,150	-6,369	-4,001	-2,906	268	-4,136	-10,295
Impairment of loans, etc.	2,997	4,875	4,063	5,011	4,687	4,558	5,176	10,768
Profit before tax	34,762	26,251	21,481	23,817	27,739	29,835	25,234	15,881

Impairment of loans, etc. of TDKK 11,935 at the end of September 2016 are lower than for the same period of

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## MANAGEMENT REVIEW FOR Q1-3 2016

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2015, when impairments amounted to TDKK 14,421. 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 and business customers in Greenland. This is supported by how the Bank's accumulated write-downs in recent years have increased considerably, and the very moderate level of written-off claims.

The profit before tax of TDKK 82,494 is thus by and large at the same level as the equivalent period of 2015.

### **Balance sheet and equity**

The bank's lending increased satisfactorily by TDKK 46,538 in the first three quarters of 2016, to TDKK 2,869,110 in relation to the end of 2015.

The Bank's deposits, of which the largest element is deposits on demand, amounted to TDKK 4,731,290 at the end of Q3 2016, which is almost unchanged from the end of 2015, but an increase of more than DKK 560 million, compared to the same period of 2015. The Bank had expected a decline in deposits in the course of the year.

The total balance sheet decreased by TDKK 46,537 to TDKK 5,799,913. Equity amounted to TDKK 904,258 at the end of Q3 2016.

Outside the balance sheet, the bank's guarantees and irrevocable undertakings to customers increased by TDKK 27,248 to TDKK 1,150,270 at the end of September 2016.

### **Development during the first three quarters**

In terms of the development in the first three quarters, net interest and fee income increased satisfactorily in both Q2 and Q3 2016. The increase in Q2 amounts to TDKK 2,084 compared to Q1 2016. This increase is primarily due to dividend payments on the Bank's shareholding in Sparinvest Holding A/S. The increase in Q3 2016 amounts to TDKK 1,408 compared to Q2 and is primarily due to higher lending volumes and lower funding interest rates.

Total costs including depreciation and amortisation decreased by TDKK 2,456 to TDKK 36,819 in Q2. The decrease is primarily due to the decline in staff expenses, although other administration expenses are also lower than in Q2 2016. In Q3, this item increased overall by TDKK 1,449 compared to Q2 2016. The increase is primarily rates to depreciation of the Bank's buildings.

The result before write-downs and value adjustments in Q2 was thus TDKK 4,363 better than in Q1 2016. The Q3 result before write-downs and value adjustments is at the level of the result in Q2 2016. The profit before tax is satisfactory, at DKK 34.7 million in Q3, compared to DKK 26.3 million in Q2 and DKK 21.5 million in Q1 2016.

During the first three quarters of 2016, overall loans and guarantees showed a good increase by a total of TDKK 73,787 to TDKK 4,019,381.

### **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 2016 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:

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## MANAGEMENT REVIEW FOR Q1-3 2016

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**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, excluding the result for the period and after deduction of the tax asset due to payment of dividend, stood at 20.5 at the end of Q3 2016.

The Board of Directors still has the objective for the BANK of Greenland's capital ratio to be approximately 8-10% points above the Bank's individual solvency requirement. The BANK of Greenland now expects SIFI designation in mid-2017, after which a new capital adequacy and solvency target will be determined. It is the Board of Directors' assessment that the Bank's current capital ratio will also be satisfactory after any SIFI designation.

At the end of September 2016, the Bank's individual capital requirement was compiled at 10.1% according to the 8+ model and the Bank thus has surplus cover of 10.4% points, or TDKK 427,762.

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

In DKK 1,000	Q1 -Q3 2016.		End of 2015	
	Capital require- ment	Capital require- ment in %	Capital require- ment	Capital require- ment in %
Pillar I requirement	328,127	8.0%	325,659	8.0%
Credit risk	61,905	1.5%	68,123	1.7%
Market risk	13,837	0.4%	14,169	0.4%
Operational risk	5,500	0.1%	5,500	0.1%
Other conditions	3,600	0.1%	9,038	0.2%
<b>Solvency requirement</b>	<b>412,969</b>	<b>10.1%</b>	<b>422,489</b>	<b>10.4%</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/>

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## MANAGEMENT REVIEW FOR Q1-3 2016

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### Liquidity

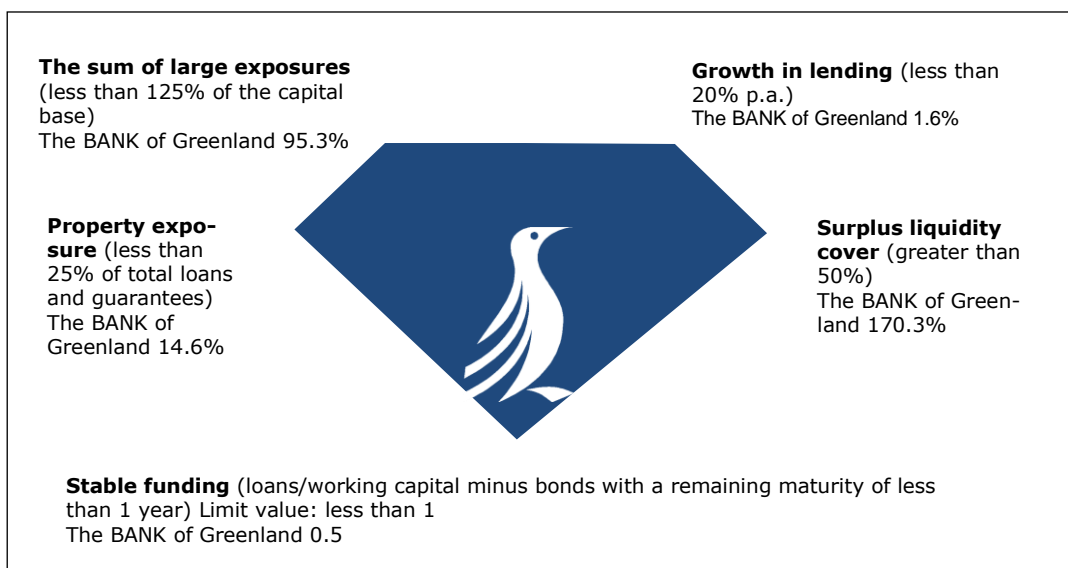
The new liquidity provisions entered into force with effect from 1 October 2015. The Liquidity Coverage Ratio (LCR) expresses how the Bank is able to honour its payment obligations for a coming 30-day period, without access to market funding. The key figure will replace the current Section 152 liquidity ratio.

LCR will be phased in gradually up to 2018, when the ratio must be at least 100% for non-SIFI institutions. For SIFI institutions, as of 1 October 2015 the coverage ratio must already be 100%. The Bank already wishes to adhere to the same rules as apply to SIFI institutions. The statement as of the end of September 2016 shows an LCR ratio of 220.8, which thereby fulfils the requirement.

Based on the current requirements (Section 152 of the Financial Business Act), at the end of Q3 2016, the bank has excess liquidity coverage of 170.3%.

### 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 constituted 95.3% at the end of Q3 2016, of which exposures to publicly owned and sector companies constituted 33.2%. The sum is expected to be reduced in the last quarter of 2016.

### Ordinary inspection by the Danish Financial Supervisory Authority

The Danish Financial Supervisory Authority paid an ordinary inspection visit to the BANK of Greenland in June 2016. The Authority's inspection did not lead to further write-downs or provisions, and no changes in the Bank's valuations besides those identified by the Bank and included in Q1 and Q2. Individual mandatory orders of an administrative nature were given, and these have already been incorporated in the Bank's procedures. The Financial Supervisory Authority's report is published at: <http://www.banken.gl/finanstilsynet/>

### Shareholders and dividend

The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders. At a price of 601 at the end of Q3 2016, the price of the BANK of Greenland's shares has decreased from



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## MANAGEMENT REVIEW FOR Q1-3 2016

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the end of 2015, when the price was 625. During March 2016, 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%.

The Bank aims to maintain low own holdings of between 0 and 3% of the share capital. The Bank may therefore in open trading windows choose to buy and sell own shares within this objective. At the end of Q3 2016, 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'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's values are firmly anchored in the Bank and its employees. The values are **Commitment, Room for Diversity, Decency and Competency**. 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 2016**

Negative GDP development in Greenland in the period from 2012 to 2014 was followed by a cyclical reversal in 2015. The BANK of Greenland expects further economic growth in 2016, especially in view of the increased construction activity and higher prawn quota.

The BANK of Greenland still expects a moderate increase in lending during the year, guarantees at a high level, and an unchanged interest rate margin. There is still considerable uncertainty related to the extremely low level of interest rates, including the negative rate of interest on certificates of deposit at Danmarks Nationalbank. On this basis, the Bank expects by and large unchanged overall income compared to 2015.

The total costs including depreciation and amortisation are also expected to be at the 2015 level.

The bank assesses that the quality of the loan portfolio is satisfactory. Value adjustment of lending at a moderate level is therefore expected in 2016, and probably below the level in 2015.

Profit before value adjustments and write-downs at the level of DKK 125-145 million is still expected, compared to DKK DKK 137 million in 2015.

02 November 2016  
Board of Directors

(DKK 1,000)

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Notes	Q1-3 2016	Full year 2015	Q1-3 2015	
<b>3</b>	Interest income	158,256	215,458	161,684
<b>4</b>	Negative interest income	-9,064	- 8,719	- 5,879
<b>5</b>	Interest expenses	990	5,155	3,953
<b>6</b>	Positive interest expenses	+705	+624	+306
	<b>Net interest income</b>	<b>148,907</b>	<b>202,208</b>	<b>152,158</b>
	Share dividend, etc.	3,634	497	497
<b>7</b>	Fee and commission income	63,466	83,441	62,239
	Fees paid and commission expenses	761	1,972	1,118
	<b>Net interest and fee income</b>	<b>215,246</b>	<b>284,174</b>	<b>213,776</b>
<b>8</b>	Value adjustments	-10,120	-10,775	-6,774
	Other operating income	3,663	6,002	3,789
<b>9</b>	Staff and administration expenses	106,987	139,414	103,149
	Depreciation and impairment of tangible assets	4,147	6,150	4,041
	Other operating expenses	3,226	7,780	6,372
<b>12</b>	Write-downs on loans, etc.	11,935	19,432	14,421
	<b>Profit before tax</b>	<b>82,494</b>	<b>106,625</b>	<b>82,808</b>
<b>10</b>	Tax	26,195	33,899	26,326
	<b>Profit for the period</b>	<b>56,299</b>	<b>72,726</b>	<b>56,482</b>
<b>Statement of comprehensive income</b>				
	Profit for the period	56,299	72,726	56,482
	Other comprehensive income:			
	Property exposures	1,751	-1,170	-1,236
	Tax on other comprehensive income	-556	372	393
	<b>Total other comprehensive income</b>	<b>1,195</b>	<b>- 798</b>	<b>- 843</b>
	<b>Comprehensive income for the year</b>	<b>57,494</b>	<b>71,928</b>	<b>55,639</b>

(DKK 1,000)

**BALANCE SHEET**

Notes	30 September 2016	31 December 2015	30 September 2015
<b>ASSETS</b>			
Cash balance and demand deposits with central banks	156,081	336,618	528,921
<b>11</b> Amounts receivable from credit institutions and central banks	1,370,137	1,454,983	684,707
<b>12</b> Loans and other receivables at amortised cost	2,869,110	2,822,572	2,821,106
<b>13</b> Bonds at fair value	1,008,011	835,754	828,920
Shares, etc.	84,008	84,750	78,115
Land and buildings in total, domicile properties	195,636	194,709	192,526
Other tangible assets	7,818	8,036	8,452
Deferred tax assets	5,921	0	5,280
Other assets	99,436	106,225	105,590
Accruals and deferred income	3,755	2,803	4,479
<b>Total assets</b>	<b>5,799,913</b>	<b>5,846,450</b>	<b>5,258,096</b>
<b>LIABILITIES</b>			
Liabilities to credit institutions and central banks	24,122	45,572	43,368
<b>14</b> Deposits and other liabilities	4,731,290	4,741,477	4,164,900
Current tax liabilities	2,769	2,769	11,490
Other liabilities	65,560	67,530	65,064
Prepayments and deferred expenses	2,119	5,096	3,143
<b>Total debt</b>	<b>4,825,860</b>	<b>4,862,444</b>	<b>4,287,965</b>
Provisions for pensions and similar obligations	183	0	0
Provisions for deferred tax	55,647	55,060	55,515
Provisions for losses on guarantees	7,783	7,620	10,006
Other provisions	6,182	7,044	6,617
<b>Total provisions</b>	<b>69,795</b>	<b>69,724</b>	<b>72,138</b>
Equity			
<b>15</b> Share capital	180,000	180,000	180,000
Revaluation reserves	16,585	15,207	15,704
Retained earnings	707,673	719,075	702,289
<b>Total equity</b>	<b>904,258</b>	<b>914,282</b>	<b>897,993</b>
<b>Total liabilities</b>	<b>5,799,913</b>	<b>5,846,450</b>	<b>5,258,096</b>
<b>01</b> Applied accounting policies			
<b>02</b> Accounting estimates			
<b>16</b> Contingent liabilities			
<b>17</b> Capital conditions and solvency			

((DKK 1,000)

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Re-valuation reserves	Retained earnings	Proposed dividend, net	Total equity
<b>Equity, 01 January 2015</b>	<b>180,000</b>	<b>16,547</b>	<b>645,807</b>	<b>67,518</b>	<b>909,872</b>
Dividend paid				-99,000	- 99,000
Taxation value of dividend paid				31,482	31,482
Other comprehensive income		- 843			-843
Profit for the period			56,482		56,482
<b>Equity, 30 September 2015</b>	<b>180,000</b>	<b>15,704</b>	<b>702,289</b>	<b>0</b>	<b>897,993</b>
Other comprehensive income		- 497	542		45
Profit for the period			16,244		16,244
<b>Equity, 31 December 2015</b>	<b>180,000</b>	<b>15,207</b>	<b>719,075</b>	<b>0</b>	<b>914,282</b>
<b>Equity at the beginning of 2016 after distribution of dividend</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		1,378	-183		1,195
Profit for the period			56,299		56,299
<b>Equity, 30 September 2016</b>	<b>180,000</b>	<b>16,585</b>	<b>707,673</b>	<b>0</b>	<b>904,258</b>

## NOTES

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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 2015.

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 taxation 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 TO THE INCOME STATEMENT**

(DKK 1,000)	Q1-3 2016	Full year 2015	Q1-3 2015
<b>3 Interest income</b>			
Amounts receivable from credit institutions and central banks	0	0	0
Lending	146,279	194,996	145,685
Bonds	11,977	20,462	15,999
<b>Total interest income</b>	<b>158,256</b>	<b>215,458</b>	<b>161,684</b>
<b>4 Negative interest income</b>			
Amounts receivable from credit institutions and central banks	-4,537	-4,412	-2,376
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-4,527	-4,307	-3,503
<b>Total negative interest</b>	<b>-9,064</b>	<b>-8,719</b>	<b>-5,879</b>
<b>5 Interest expenses</b>			
Credit institutions and central banks	136	318	503
Deposits	854	4,837	3,450
<b>Total interest expenses</b>	<b>990</b>	<b>5,155</b>	<b>3,953</b>
<b>6 Positive interest expenses</b>			
<b>Deposits</b>	<b>705</b>	<b>624</b>	<b>306</b>
<b>7 Fees and commission income</b>			
Securities and securities accounts	2,941	5,281	4,103
Funds transfer	25,657	33,038	24,710
Loan case fees	10,052	13,034	9,140
Guarantee commission	13,443	17,796	13,416
Other fees and commission	11,373	14,292	10,870
<b>Total fee and commission income</b>	<b>63,466</b>	<b>83,441</b>	<b>62,239</b>
<b>8 Value adjustments</b>			
Lending at fair value	2,554	-3,107	-1,698
Bonds	-7,367	-28,118	-23,039
Shares	-4,059	14,325	12,173
Currency	2,069	2,387	2,208
Derivative financial instruments	-3,205	3,738	3,582
Other assets	-112	0	0
<b>Total value adjustments</b>	<b>-10,120</b>	<b>-10,775</b>	<b>-6,774</b>

## NOTES TO THE INCOME STATEMENT

(DKK 1,000)	Q1-3 2016	Full year 2015	Q1-3 2015
<b>9 Staff and administration expenses</b>			
Salaries and remuneration to the Board of Directors and the Executive Management			
Board of Directors	1,003	1,338	883
Executive Management	2,461	3,026	2,208
<b>In total</b>	<b>3,464</b>	<b>4,364</b>	<b>3,091</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 as of 30 September 2016 is compiled at TDKK 183, 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>			
Staff expenses			
Salaries	43,803	57,119	42,756
Other staff expenses	1,225	3,233	2,310
Pensions	5,419	7,073	5,321
Social security expenses	356	545	395
<b>In total</b>	<b>50,803</b>	<b>67,970</b>	<b>50,782</b>
<b>Other administration expenses</b>	<b>52,720</b>	<b>67,155</b>	<b>49,276</b>
Average no. of full-time employees	118.4	117.9	117.9
<b>10 Tax</b>			
30%	24,748	31,988	24,842
Paid dividend tax for Danish shares	-634	-124	-124
6% supplement	1,447	1,911	1,484
<b>Total tax on ordinary profit</b>	<b>25,561</b>	<b>33,775</b>	<b>26,202</b>
Paid dividend tax	634	124	124
<b>Taxes in total</b>	<b>26,195</b>	<b>33,899</b>	<b>26,326</b>
Deferred tax	0	-476	0
Taxation value of dividend paid	25,561	31,482	26,202
Tax to be paid	634	2,893	124
No company tax was paid during the period			

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 September 2016	31 December 2015	30 September 2015
<b>11</b>	<b>Amounts receivable from credit institutions and central banks</b>		
Receivables subject to terms of notice at central banks	511,000	723,000	87,000
Receivables from credit institutions	859,137	731,983	597,707
<b>Total amounts receivable</b>	<b>1,370,137</b>	<b>1,454,983</b>	<b>684,707</b>
<b>12</b>	<b>Lending</b>		
Write-downs on loans and receivables			
Lending	11,772	23,573	16,176
Guarantees	163	-4,141	-1,755
<b>Total write-downs during the period</b>	<b>11,935</b>	<b>19,432</b>	<b>14,421</b>
Of which losses not previously written down	211	160	122
<b>Individual write-downs</b>			
Start of the period	77,423	66,664	66,664
Write-downs during the period	31,975	34,427	23,317
Reversal of write-downs in previous financial years	16,582	15,059	8,879
Final loss (depreciated) previously individually depreciated	1,379	8,223	5,052
Other movements	0	-386	0
<b>End of period</b>	<b>91,437</b>	<b>77,423</b>	<b>76,050</b>
<b>Group write-downs</b>			
Start of the period	27,126	18,551	18,551
Write-downs during the period	7,940	8,662	4,894
Reversal of write-downs in previous financial years	7,005	0	0
Other movements	0	-87	0
<b>End of period</b>	<b>28,061</b>	<b>27,126</b>	<b>23,445</b>
<b>13</b>	<b>Bonds</b>		
Of which nominal TDKK 50,000 pledged as security for accounts with Danmarks Nationalbank			
<b>14</b>	<b>Deposits</b>		
On demand	4,186,175	4,108,708	3,494,273
On terms of notice	316,978	303,562	282,945
Fixed-term deposits	117,697	224,000	284,000
Special deposit conditions	110,440	105,207	103,682
<b>Total deposits</b>	<b>4,731,290</b>	<b>4,741,477</b>	<b>4,164,900</b>



**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	30 September 2016	31 December 2015	30 September 2015
<b>15 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
Nominal own holdings of capital investments	0	0	0
Percentage of share capital at year-end	0.00	0.00	0.00
<b>16 Contingent liabilities</b>			
Financial guarantees	0	1,200	1,200
Mortgage finance guarantees	642,736	617,967	609,898
Registration and remortgaging guarantees	64,852	49,137	82,930
Other guarantees	442,682	454,538	445,747
<b>Guarantees, etc. in total</b>	<b>1,150,270</b>	<b>1,122,842</b>	<b>1,139,775</b>
<b>Provision balance for guarantees</b>	<b>7,783</b>	<b>7,620</b>	<b>10,006</b>
Irrevocable loan commitments	0	180	48,300
<b>Other contingent liabilities in total</b>	<b>0</b>	<b>180</b>	<b>48,300</b>
<b>17 Capital conditions and solvency</b>			
Risk-weighted items			
Credit risk	3,419,061	3,375,264	3,399,136
Market risk	136,565	149,519	169,953
Operational risk	545,958	545,958	552,871
<b>Weighted items in total</b>	<b>4,101,584</b>	<b>4,070,741</b>	<b>4,121,960</b>
Capital ratio	20.5	20.8	20.3
Core capital ratio	20.5	20.8	20.3
Statutory capital ratio requirements	8.0	8.0	8.0
Capital base	840,731	845,613	836,231
Core capital	840,731	845,613	836,231

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## MANAGEMENT STATEMENT

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The Board of Directors and Executive Management have today considered and approved the quarterly report for the period 1 January - 30 September 2016 for the limited liability company, GrønlandsBANKEN A/S.

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

It is our opinion that the quarterly financial statement gives a true and fair view of the Bank's assets, liabilities and financial position as of 30 September 2016, and of the result of the Bank's activities for the first three quarters of 2016.

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.

02 November 2016

### **Executive Management**

Martin Kviesgaard

### **Board of Directors**

Gunnar í Liða  
Chairman

Kristian Lennert  
Vice Chairman

Frank Bagger

Anders Brøns

Christina F. Bustrup

Allan Damsgaard

Lars Holst

Yvonne Kyed

Arne G. Petersen

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