

Notification to Nasdaq OMX Copenhagen  
9/2019



**QUARTERLY REPORT**

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Q1 - Q3 2019



CVR no. 80050410

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## Q1 - Q3 QUARTERLY REPORT 2019 IN HEADLINES

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

The BANK of Greenland's profit before tax is DKK 115.9 million at the end of September 2019, compared to DKK 106.9 million in 2018. The profit before value adjustments and write-downs amounts to DKK 112.7 million, compared to DKK 115.5 million for the previous year.

After growth in lending in recent years and in the first half of 2019, lending fell in Q3, just as it did in 2018. Lending nonetheless increased by DKK 221 million in the first three quarters, amounting to DKK 3,694 million at the end of September.

Net interest and fee income increased by DKK 7 million to DKK 240.1 million, compared to the same period of 2018. The increase reflects increasing interest income from lending on the positive side, and increasing negative interest income arising from the Bank's surplus liquidity and falling bond yields on the negative side.

Total costs including write-offs amounted to DKK 131.7 million at the end of Q3 2019, compared to DKK 121.7 million for the same period of 2018. The increase concerns staff expenses that are partly related to higher payroll expenses due to adjustments under the collective agreement and an increase in the number of employees. Other costs show an increase in primarily IT expenses to BEC, including compliance-related expenses.

Looking at Q3 in isolation, income has increased and total costs are somewhat lower than in Q1 and Q2, so that core operations have improved significantly.

At the end of September 2019, value adjustments show a gain of DKK 9.8 million, compared to DKK 0.5 million for the same period of 2018. In Q3, the Bank, as expected, realised gains of DKK 8.6 million on the Bank's share of the sale of Sparinvest Holding to Nykredit.

Write-downs on loans and guarantees declined by DKK 2.5 million, amounting to DKK 6.6 million.

The expected annual profit before tax has been adjusted upwards to DKK 135-155 million, compared to the latest forecast of DKK 130-150 million. The profit before tax for 2018 amounted to DKK 140.3 million.

- The profit before tax gives a return of 16.1% p.a. on opening equity after disbursement of dividend.
- Lending increased by DKK 221 million to DKK 3.694 billion.
- Deposits increased to DKK 5.630 billion.
- Core operations improved in Q3
- Write-downs and provisions of 0.1% for the period.
- Capital ratio and core capital ratio of 22.3 and an individual capital requirement of 11.2%.

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**FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR Q1 - Q3 2019**

(DKK 1,000)

	Q1 - Q3 2019	Q1 - Q3 2018	Full year 2018	Q1 - Q3 2017	Q1 - Q3 2016	Q1 - Q3 2015
Net interest and fee income	240,099	233,129	313,597	233,021	215,246	213,776
Value adjustments	9,823	503	-1,546	-4,908	-10,120	-6,774
Other operating income	4,280	4,134	5,385	4,046	3,663	3,789
Staff and administration expenses	124,789	115,426	157,407	110,883	106,987	103,149
Depreciation and impairment of tangible assets	5,023	5,101	6,765	4,899	4,147	4,041
Other operating expenses	1,852	1,216	2,011	1,089	3,226	6,372
Write-downs on loans, etc.	6,615	9,115	10,938	11,510	11,935	14,421
<b>Profit before tax</b>	<b>115,923</b>	<b>106,908</b>	<b>140,315</b>	<b>103,778</b>	<b>82,494</b>	<b>82,808</b>
Tax	36,838	33,972	44,595	32,990	26,195	26,326
Profit for the period	<b>79,085</b>	<b>72,936</b>	<b>95,720</b>	<b>70,788</b>	<b>56,299</b>	<b>56,482</b>
<b>Selected accounting items:</b>						
Loans	3,693,537	3,460,949	3,472,174	3,239,636	2,869,110	2,821,106
Deposits	5,629,837	4,935,056	4,899,044	4,866,301	4,731,290	4,164,900
Equity	1,043,379	984,177	999,159	938,169	904,257	897,993
Balance sheet total	6,986,261	6,158,154	6,164,536	5,963,026	5,799,913	5,258,096
Contingent liabilities	1,403,000	1,222,946	1,277,604	1,169,902	1,150,270	1,188,075
<b>Key figures:</b>						
Capital ratio	22.3	21.8	22.7	21.3	20.5	20.3
Core capital ratio	22.3	21.8	22.7	21.3	20.5	20.3
Return on equity before tax for the period	11.4	11.3	14.3	11.1	9.1	9.2
Return on equity after tax for the period	7.7	7.7	9.8	7.6	6.2	6.2
Income per cost krone	1.84	1.82	1.8	1.81	1.65	1.67
Rate of return	1.1	1.2	1.6	1.2	1.0	1.1
Interest rate risk	2.4	2.3	2.0	1.5	1.2	1.4
Foreign exchange position	0.4	0.8	0.5	1.8	6.2	6.1
Liquidity coverage ratio	153.8	351.4	203.6	160.9	na	na
Loans plus write-downs as a ratio of deposits	67.2	73.3	73.1	69.2	63.2	69.6
Lending as a ratio of equity	3.5	3.5	3.5	3.5	3.2	3.1
Growth in lending during the period	6.4	4.3	5.0	5.4	1.6	0.2
Sum of large exposures	173.3	165.8	160.4	na	na	na
Write-down ratio for the period	0.1	0.2	0.2	0.3	0.4	0.4
Accumulated write-down ratio	3.4	3.5	3.4	3.1	3.1	2.7
Profit per share after tax for the period	43.9	40.5	53.2	39.3	31.3	31.4
Net book value per share	580	547	555	521	502	499
Stock exchange quotation/net book value per share	0.9	1.1	1.0	1.2	1.2	1.2

## MANAGEMENT'S REVIEW Q1 - Q3 2019

### Income statement

At TDKK 174,728, compared to TDKK 165,204 for the first three quarters of 2018, net interest income increased by 5.8%. In 2018, and continuing into 2019, the Bank's lending has increased, which contributes to reducing the impact of the negative return on the Bank's surplus liquidity. At the same time, the Bank's funding costs are at a minimum level, and the positive interest expenses paid by customers with substantial deposits have increased from the same period of 2018.

The Annual Report for 2018 describes the change in accounting policy concerning fees and commission. Loan case fees are now amortised as an integrated element of the loan's effective interest rate, so that TDKK 5,849 is reclassified from fee and commission income to interest income. Taking the reclassification into account, net interest income increased by TDKK 3,675, equivalent to 2.2%.

Share dividend amounts to TDKK 2,329, compared to TDKK 1,945 for the same period of 2018.

Fee and commission income decreased by TDKK 3,044 compared to the same period of 2018. Taking account of the aforementioned change of policy, the item shows an increase of TDKK 2,805, however. The increased guarantee volume in particular makes a positive contribution, but virtually all fee and commission income developed favourably. To some extent, the development can be attributed to increased conversion activity.

Other operating income increased by TDKK 146, to TDKK 4,280 compared to the first three quarters of 2018.

Staff and administration expenses increased, as expected, by TDKK 9,363, to TDKK 124,789 compared to the same period of 2018. The increase is primarily related to staff expenses and is due to an expected increase in the number of employees. In the same period, other administration expenses increased by TDKK 4,253, which can primarily be attributed to higher IT expenses for the Bank's IT centre, and in particular extra expenses for compliance development.

Other operating expenses, which concern operation and maintenance of the Bank's office buildings, increased by TDKK 636, to TDKK 1,852 in the first three quarters of 2019, compared to the same period of 2018.

Depreciation of tangible assets remains by and large unchanged from 2018 at TDKK 5,023.

Value adjustments represent a total capital gain of TDKK 9,823, compared to TDKK 503 for the same period of the previous year. The capital loss on the Bank's bond portfolio is compensated by capital gains, primarily on the Bank's portfolio of sector equities. The Bank has realised gains of TDKK 8,638 on the Bank's share of the sale of Sparinvest Holding to Nykredit.

### Financial Highlights and Key Figures

(DKK 1,000)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest and fee income	81,205	79,096	79,798	80,468	77,625	76,684	78,820	76,525
Costs, depreciation and amortisation	41,489	45,362	44,813	44,440	39,071	41,097	41,575	45,206
Other operating income	1,402	1,383	1,495	1,251	1,278	1,545	1,311	1,194
Profit before value adjustments and write-downs	41,118	35,117	36,480	37,279	39,832	37,132	38,556	32,513
Value adjustments	7,230	-621	3,214	-2,049	848	678	-1,023	-1,460
Write-downs on loans, etc.	1,828	2,967	1,820	1,823	2,449	3,206	3,460	2,224
Profit before tax	46,520	31,529	37,874	33,407	38,231	34,604	34,073	28,829

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## MANAGEMENT'S REVIEW Q1 - Q3 2019

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Impairment of loans, etc. for the first three quarters amounted to TDKK 6,615, compared to TDKK 9,115 for the same period of 2018. 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.

The profit before tax is TDKK 115,923, having increased by TDKK 9,015, or 8.4%, from the same period of 2018.

### **Development during the quarter**

Considering the development in Q3 in isolated terms, net interest and fee income amounted to TDKK 81,205, which exceeds the level for Q1 and Q2.

In the first two quarters of 2019, total costs were at by and large the same level, at TDKK 44,813 in Q1, and TDKK 45,362 in Q2. In Q3, costs fell to TDKK 41,489. Other administration costs, other operating costs and personnel costs all fell in Q3.

The profit before value adjustments and write-downs thereby increased significantly in Q3, to TDKK 41,118, which is TDKK 6,001 higher than in Q2 2019.

Lending increased by TDKK 156,841 in Q1, and again by TDKK 168,939 in Q2. In Q3, however, lending fell by TDKK 104,119. Lending also decreased in Q3 2018, and this is assessed to be normal.

Deposits increased by TDKK 339,452 in Q1 2019, and by TDKK 354,511 in Q2. In Q3, deposits increased by TDKK 36,830. In overall terms, the increase in deposits compared to 2018 is thus TDKK 730,793.

### **Balance sheet and equity**

The Bank's lending increased by TDKK 221,363 to TDKK 3,693,537, or by 6.3%, in the first nine months of the year.

The Bank's deposits, which predominantly comprise on-demand deposits, amounted to TDKK 5,629,837 at the end of September 2019.

The total balance sheet thereby increased by TDKK 821,725, to TDKK 6,986,261. At the end of Q3, equity amounted to TDKK 1,043,379.

Outside the balance sheet, the Bank's guarantees to customers increased by TDKK 125,396 from the end of 2018, amounting to TDKK 1,403,000 at the end of September 2019.

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

The principal uncertainties concerning recognition and measurement are related to write-downs on lending, provisions on guarantees and non-utilised credit facilities, together with the valuation of properties, unlisted securities and financial instruments. The management assesses 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.

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**MANAGEMENT'S REVIEW Q1 - Q3 2019**


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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 incurs financial losses as a consequence of inadequate or inappropriate 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 capital ratio as at 30 September 2019 is 22.3%, compared to 22.7% as at 31 December 2018. The result for the period 1 January - 30 September 2019 has been verified by the Bank's auditor and is therefore included in the capital ratio.

The capital ratio without recognition of the result for the period would amount to 21.4% as at 30 September 2019, and 21.8% as at 30 September 2018.

The BANK of Greenland was designated as an SIFI institution in Q2 2017. In view of the new SIFI requirements concerning capital reserves and new requirements concerning impairment liabilities (MREL requirement), the Board of Directors assesses that the overall capital reserves must be increased. The aim of the Board of Directors is for the Bank to fulfil the maximum MREL capital requirement 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 is not yet subject to an MREL capital requirement. When the final MREL capital requirement is known, more precise capital planning will be possible, including which capital instruments can be put to good use.

As at the end of September 2019, the Bank's individual solvency requirement was compiled at 11.2%. The BANK of Greenland thus has surplus capital cover before the buffer requirements of 11.1% points, or TDKK 497,994. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 7.1% points.

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

In DKK 1,000	Q1 – Q3 2019		End of 2018	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	358,560	8.0%	337,637	8.0%
Credit risk	112,383	2.5%	71,838	1.7%
Market risk	23,151	0.5%	18,391	0.4%
Operational risk	3,800	0.1%	3,800	0.1%
Other conditions	2,100	0.1%	2,100	0.1%
<b>Capital requirement</b>	<b>499,994</b>	<b>11.2%</b>	<b>433,767</b>	<b>10.3%</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/>

## MANAGEMENT'S REVIEW Q1 - Q3 2019

### Liquidity

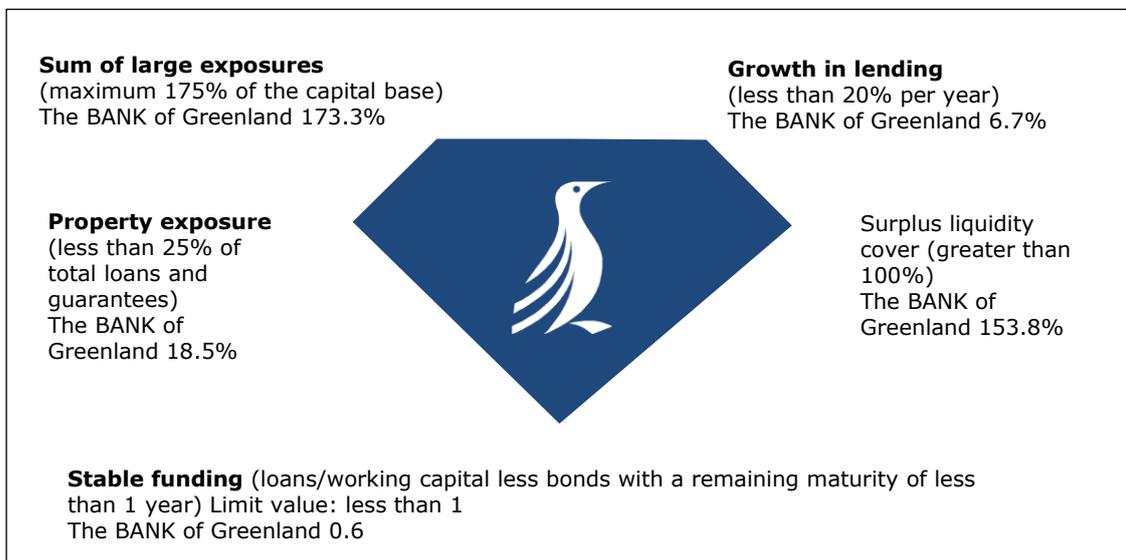
The liquidity coverage ratio (LCR) is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio.

At the end of Q3, the Bank had an LCR of 153.8% and thereby fulfils the LCR requirement of at least 100%.

The Bank's funding is based solely on deposits.

### The Supervisory Diamond for banks

The BANK of Greenland has considered the benchmarks set out in the Danish FSA's Supervisory Diamond for banks. The Supervisory Diamond states five benchmarks for banking activities which the Bank aims to fulfil. It must be noted that publicly-owned enterprises account for 32.5% points of the sum of large exposures.



### 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 535 at the end of Q3 2019, the price of the BANK of Greenland's share had decreased from the end of 2018, when the price was 546. In April 2019, the Bank paid dividend to its shareholders totalling DKK 54 million, or DKK 30 per share.

In accordance with Section 28a of the Danish Companies Act, four shareholders have notified shareholdings in excess of 5%. The Bank has 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 should be viewed in a broader perspective whereby the BANK of Greenland can be seen as the *BANK for all of Greenland*. This entails an enhanced responsibility to participate positively and actively in society's development and to help to create opportunities in Greenland, while also ensuring sound financial activities. The BANK of Greenland is highly aware of this vital role.

## MANAGEMENT'S REVIEW Q1 - Q3 2019

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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).

### **Outlook for the remainder of 2019**

Continued stable economic development in 2019 is expected. The Bank saw a good increase in lending in 2018 and this development has continued in 2019. The Bank expects an unchanged to moderately increasing level during the rest of the year.

Deposits increased in the first nine months of 2019, but the increase is expected to stagnate or decline moderately during the rest of 2019. Society in general, and the Bank's customers, are facing major investments, which could result in great fluctuations in the Bank's deposits in the coming period.

Net interest and fee income is thereby expected to be at a higher level than in 2018.

The BANK of Greenland is continuing the work of developing and expanding the pension area. This area is still new in Greenland and as yet is only expected to make a minor contribution to the Bank's earnings in 2019. In the longer term the Bank considers the pension area to be a significant business area.

A higher level of total costs is expected than in 2018, based on collective wage increases, an increase in the number of employees, and rising compliance and IT costs.

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 the continued low level of interest rates, moderate capital losses on the Bank's bond portfolio must be expected, just as there is generally greater uncertainty in the market area.

The expected annual profit before tax has been adjusted to DKK 135-155 million, compared to the latest forecast of DKK 130-150 million. Profit before tax for 2018 amounted to DKK 140.3 million.

31 October 2019  
Board of Directors

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

Notes	Q1 - Q3 2019	Full year 2018	Q1 - Q3 2018	
3	Interest income	178,497	236,632	169,687
4	Negative interest income	-8,928	-10,825	- 8,043
5	Interest expenses	507	1,706	923
6	Positive interest expenses	+5,666	+6,761	4,483
	<b>Net interest income</b>	<b>174,728</b>	<b>230,862</b>	<b>165,204</b>
	Share dividend, etc.	2,329	1,946	1,945
7	Fee and commission income	63,300	81,636	66,344
	Fees paid and commission expenses	258	847	364
	<b>Net interest and fee income</b>	<b>240,099</b>	<b>309,546</b>	<b>233,129</b>
8	Value adjustments	9,823	-1,546	503
	Other operating income	4,280	5,385	4,134
9	Staff and administration expenses	124,789	157,407	115,426
	Depreciation and impairment of tangible assets	5,023	6,765	5,101
	Other operating expenses	1,852	2,011	1,216
16	Write-downs on loans, etc.	6,615	10,938	9,115
	<b>Profit before tax</b>	<b>115,923</b>	<b>140,315</b>	<b>106,908</b>
10	Tax	36,838	44,595	33,972
	Profit for the period	<b>79,085</b>	<b>95,720</b>	<b>72,936</b>
<b>Statement of comprehensive income</b>				
	Profit for the period	79,085	95,720	72,936
	Other comprehensive income:			
	Value adjustment of properties	2,879	3,747	2,668
	Effect of IFRS9 at the beginning of 2018	0	0	-12,336
	Value adjustment of defined-benefit severance/pension scheme	0	-13	0
	Tax on value adjustment of properties	-916	-1,192	- 721
	<b>Total other comprehensive income</b>	<b>1,963</b>	<b>2,542</b>	<b>- 10,389</b>
	<b>Comprehensive income for the period</b>	<b>81,048</b>	<b>98,262</b>	<b>62,547</b>

(DKK 1,000)

**BALANCE SHEET**

Notes	30 September 2019	31 December 2018	30 September 2018
<b>ASSETS</b>			
	189,926	180,193	181,588
11	1,380,487	1,160,234	1,173,196
16	3,693,537	3,472,174	3,460,949
12	1,175,949	879,093	879,047
	103,798	85,243	87,804
13	82,860	63,043	50,394
	222,397	207,265	207,279
	7,700	8,070	8,486
	125,491	105,748	107,170
	4,116	3,473	2,241
<b>Total assets</b>	<b>6,986,261</b>	<b>6,164,536</b>	<b>6,158,154</b>
<b>LIABILITIES</b>			
	20,615	22,565	25,984
14	5,629,837	4,899,044	4,935,056
	82,860	63,043	50,363
	36,761	17,522	27,343
	66,863	73,570	52,494
	2,299	5,555	2,241
<b>Total debt</b>	<b>5,839,235</b>	<b>5,081,299</b>	<b>5,093,481</b>
	995	796	714
	61,634	60,719	54,863
	19,334	14,274	14,747
	5,426	5,606	5,707
	16,258	2,683	4,465
<b>Total provisions</b>	<b>103,647</b>	<b>84,078</b>	<b>80,496</b>
Equity			
15	180,000	180,000	180,000
	31,055	29,092	28,323
	832,324	753,239	775,854
<b>Total equity</b>	<b>1,043,379</b>	<b>999,159</b>	<b>984,177</b>
<b>Total liabilities</b>	<b>6,986,261</b>	<b>6,164,536</b>	<b>6,158,154</b>
01	<b>Accounting policies applied</b>		
02	<b>Accounting estimates</b>		
17	<b>Contingent liabilities</b>		
18	<b>Capital conditions and solvency</b>		

(DKK 1,000)

**STATEMENT OF CHANGES IN EQUITY**

	Share equity	Re- valua- tion re- serves	Retained earnings	Proposed dividend, net	Total equity total
<b>Equity, 01 January 2018</b>	<b>180,000</b>	<b>26,776</b>	<b>714,854</b>	<b>36,828</b>	<b>958,458</b>
Changes in accounting policies applied			-12,336		-12,336
Dividend paid				-54,000	-54,000
Taxation value of dividend paid				17,172	17,172
Other comprehensive income		1,947			1,947
Profit for the period			72,936		72,936
<b>Equity, 30 September 2018</b>	<b>180,000</b>	<b>28,723</b>	<b>775,454</b>	<b>0</b>	<b>984,177</b>
Changes in accounting policies applied			-8,397		-8,397
Other comprehensive income		369	226		595
Profit for the period			-31,216	54,000	22,784
Taxation value of proposed dividend			17,172	-17,172	0
<b>Equity, 31 December 2018</b>	<b>180,000</b>	<b>29,092</b>	<b>753,239</b>	<b>36,828</b>	<b>999,159</b>
<b>Equity, beginning of 2019</b>	<b>180,000</b>	<b>29,092</b>	<b>753,239</b>	<b>36,828</b>	<b>999,159</b>
Other comprehensive income		1,963			1,963
Profit for the period			79,085		79,085
Dividend paid				-54,000	-54,000
Taxation value of dividend paid				17,172	17,172
<b>Equity, 30 September 2019</b>	<b>180,000</b>	<b>31,055</b>	<b>832,324</b>	<b>0</b>	<b>1,043,379</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 2018.

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 subject to revision or review.

### **Note 2**

#### **Significant accounting estimates**

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

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

Non-listed financial instruments that primarily concern sector equities and that are measured at estimated fair values.

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

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

**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	Q1 - Q3 2019	Full year 2018	Q1 - Q3 2018
<b>3 Interest income</b>			
Loans	172,896	228,114	163,281
Bonds	5,601	8,518	6,406
<b>Total interest income</b>	<b>178,497</b>	<b>236,632</b>	<b>169,687</b>
<b>4 Negative interest income</b>			
Receivables from credit institutions and central banks Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-6,197	-6,614	-4,800
	-2,731	-4,211	-3,243
<b>Total negative interest</b>	<b>-8,928</b>	<b>-10,825</b>	<b>-8,043</b>
<b>5 Interest expenses</b>			
Credit institutions and central banks	12	30	16
Deposits	495	1,676	907
<b>Total interest expenses</b>	<b>507</b>	<b>1,706</b>	<b>923</b>
<b>6 Positive interest expenses</b>			
Deposits and other liabilities	+5,666	+6,761	+4,483
<b>Total positive interest expenses</b>	<b>+5,666</b>	<b>+6,761</b>	<b>+4,483</b>
<b>7 Fees and commission income</b>			
Securities and securities accounts	1,721	3,115	1,989
Funds transfer	29,172	38,227	28,573
Loan case fees	4,364	5,467	9,509
Guarantee commission	16,512	20,265	14,997
Other fees and commission	11,531	14,562	11,276
<b>Total fee and commission income</b>	<b>63,300</b>	<b>81,636</b>	<b>66,344</b>
<b>8 Value adjustments</b>			
Lending at fair value	2,685	-1,017	-1,627
Bonds	-7,391	-7,995	-6,261
Shares	14,480	3,114	4,222
Currency	2,833	3,059	2,213
Derivative financial instruments	-2,784	1,293	1,956
<b>Total value adjustments</b>	<b>9,823</b>	<b>-1,546</b>	<b>503</b>

**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	Q1 - Q3 2019	Full year 2018	Q1 - Q3 2018
<b>9 Staff and administration expenses</b>			
Salaries and remuneration to the Board of Directors and the Executive Management			
Board of Directors	1,395	1,955	1,507
Executive Management, including free car and other benefits	2,663	3,459	2,610
<b>Total</b>	<b>4,058</b>	<b>5,414</b>	<b>4,117</b>
The Bank has established a defined benefit severance/pension scheme for the Bank's managing director. Under this scheme, the Bank is obliged to pay a fixed benefit for a period of time following the managing director's retirement. The present value of the benefit in the first 3 quarters of 2019 is calculated at TDKK 199, which is carried as an element of the executive management's remuneration under staff and administration costs. This obligation, which is earned over the 2016-2023 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	2,308	2,834	1,983
Staff expenses in total			
Salaries	54,064	66,729	49,884
Other staff expenses	2,065	2,472	1,815
Pensions	6,809	8,382	6,114
Social security expenses	467	659	482
<b>Total</b>	<b>63,405</b>	<b>78,242</b>	<b>58,295</b>
<b>Other administration expenses</b>	<b>61,384</b>	<b>79,165</b>	<b>57,131</b>
Average no. of full-time employees	128.9	120.8	120.3
<b>10 Tax</b>			
30% of the result	34,777	42,094	32,072
Paid dividend tax for Danish shares	-427	-414	-414
6% supplement	2,061	2,501	1,900
<b>Total tax on ordinary profit</b>	<b>36,411</b>	<b>44,181</b>	<b>33,558</b>
Paid dividend tax	427	414	414
<b>Taxes in total</b>	<b>36,838</b>	<b>44,595</b>	<b>33,972</b>
Deferred tax	0	9,487	0
Taxation value of dividend paid	17,172	17,172	17,172
Tax to be paid	19,239	17,936	16,800
No company tax was paid during the period			

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	Q1 - Q3 2019	31 December 2018	Q1 – Q3 2018
<b>11</b>	<b>Amounts receivable from credit institutions and central banks</b>		
	811,000	352,000	196,000
	Receivables subject to terms of notice at central banks		
	569,487	808,234	977,196
	Receivables from credit institutions		
	<b>1,380,487</b>	<b>1,160,234</b>	<b>1,173,196</b>
	<b>Total amounts receivable</b>		
<b>12</b>	<b>Bonds</b>		
	Of the bond portfolio, a nominal amount of TDKK 50,000 is pledged as collateral for accounts with Danmarks Nationalbank		
<b>13</b>	<b>Assets connected to pool schemes</b>		
	82,688	63,032	50,363
	Investment associations		
	172	11	31
	Non-invested funds		
	<b>82,860</b>	<b>63,043</b>	<b>50,394</b>
	<b>Total</b>		
<b>14</b>	<b>Deposits</b>		
	4,997,271	4,366,433	4,456,269
	On demand		
	351,045	281,756	254,162
	On terms of notice		
	60,436	60,436	40,436
	Fixed-term deposits		
	221,085	190,419	184,189
	Special deposit conditions		
	<b>5,629,837</b>	<b>4,899,044</b>	<b>4,935,056</b>
	<b>Total deposits</b>		
<b>15</b>	<b>Share capital</b>		
	Share capital consists of 1,800,000 shares of DKK 100		
	<b>Own holdings of capital investments</b>		
	0	0	0
	Number of own shares		
<b>16</b>	<b>Loans</b>		
	<b>Write-downs on loans and receivables</b>		
	-12,019	9,936	7,202
	Loans		
	18,634	3,798	1,913
	Guarantees, non-utilised credit lines and loan undertakings		
	<b>6,615</b>	<b>13,734</b>	<b>9,115</b>
	<b>Total write-downs during the period</b>		
	531	247	184
	Of which losses not previously written down		

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	Q1 - Q3 2019	31 December 2018	Q1 – Q3 2018
<b>16 Loans</b>			
<b>Stage 1 impairment</b>			
Beginning of year	14,192	-	-
Change in accounting policy	-	12,728	12,728
Write-downs during the period	116	1,464	0
Reversal during the period	0	0	765
<b>End of period</b>	<b>14,308</b>	<b>14,192</b>	<b>11,963</b>
<b>Stage 2 impairment</b>			
Beginning of year	28,225	-	0
Change in accounting policy	-	36,222	36,222
Write-downs during the period	13,044	0	0
Reversal during the period	0	-7,997	10,105
<b>End of period</b>	<b>41,269</b>	<b>28,225</b>	<b>26,117</b>
<b>Stage 3 impairment</b>			
Beginning of year	110,966	-	0
Change in accounting policy	-	98,071	98,071
Write-downs during the period	0	12,895	18,156
Reversal during the period	-22,667	-	0
<b>End of period</b>	<b>88,299</b>	<b>110,966</b>	<b>116,227</b>
<b>Total write-downs at the end of the period</b>	<b>143,876</b>	<b>153,383</b>	<b>154,307</b>
<b>17 Contingent liabilities</b>			
Mortgage finance guarantees	825,880	707,584	704,191
Registration and remortgaging guarantees	140,135	136,340	77,286
Other guarantees	436,985	433,680	441,404
<b>Guarantees, etc. in total</b>	<b>1,403,000</b>	<b>1,277,604</b>	<b>1,222,881</b>
<b>Provision balance for guarantees</b>	<b>19,334</b>	<b>14,275</b>	<b>14,747</b>
Irrevocable loan commitments	0	0	65
<b>Other binding agreements total</b>	<b>0</b>	<b>0</b>	<b>65</b>
<b>Provision balance for non-utilised credit facilities</b>	<b>16,258</b>	<b>2,683</b>	<b>4,465</b>

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	Q1 - Q3 2019	31 December 2018	Q1 – Q3 2018
<p>The Bank is a member of BEC (Bankernes EDB Central). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding two and a half years' IT costs.</p>			
<b>18 Capital conditions and solvency</b>			
Risk-weighted items:			
Credit risk	3,670,593	3,486,548	3,435,958
CVA risk	4,689	5,707	6,402
Market risk	239,877	161,366	163,177
Operational risk	566,841	566,841	542,621
<b>Weighted assets in total</b>	<b>4,482,000</b>	<b>4,220,462</b>	<b>4,148,158</b>
Capital ratio	22.3	22.7	21.8
Core capital ratio	22.3	22.7	21.8
Statutory capital ratio requirements	8.0	8.0	8.0
<b>Core capital</b>	<b>997,988</b>	<b>956,236</b>	<b>904,693</b>
<b>Capital base</b>	<b>997,988</b>	<b>956,236</b>	<b>904,693</b>

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## MANAGEMENT'S REVIEW

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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 2019 for the limited liability company, GrønlandsBANKEN A/S.

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

It is our opinion that the interim financial statement gives a true and fair view of the Bank's assets, liabilities and financial position as at 30 September 2019, and of the result of the Bank's activities for the first three quarters of 2019.

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

The quarterly report has not been subject to audit or review, but external audits have verified the profit and thus ensured that the conditions for continuous recognition of the profit for the period in actual core capital are met.

31 October 2019

### **Executive Management**

Martin Birkmose Kviesgaard

### **Board of Directors**

Gunnar í Liða  
Chairman

Kristian Frederik Lennert  
Vice Chairman

Maliina Bitsch Abelsen

Christina Finderup Bustrup

Malene Meilfart Christensen

Lars Holst

Yvonne Jane Poulsen Kyed

Niels Peter Fleischer Rex

Peter Angutinguaq Wistoft