

Notification to Nasdaq OMX Copenhagen
10/2018



INTERIM REPORT

FIRST HALF OF 2018



GER-no. 80050410

REPORT FOR FIRST HALF OF 2018 IN HEADLINES

Satisfactory interim profit for the BANK of Greenland

The BANK of Greenland's pre-tax profit for the first half of 2018 is DKK 68.7 million compared with DKK 73.8 million in 2017. The profit before value adjustments and write-downs amounts to DKK 75.7 million compared with DKK 77.6 million the year before.

The growth in lending in recent years has continued in the first half of the year, with lending increasing by DKK 217.5 million to DKK 3,552.6 million at the end of June.

The increase in net interest and fee income is DKK 0.8 million to DKK 155.5 million compared with the same period in 2017. The modest increase encompasses the increase in interest income from loans due to the higher volumes and an expected decline in bond yields. At the same time, yields on the Bank's share portfolio are increasing, as well as income from guarantee commission due to increased guarantee volume.

Total expenses including depreciation amounted to DKK 82.6 million at the end of the first half of 2018 compared with DKK 79.5 million for the same period in 2017. The increase is attributable primarily to staff costs in respect to time differences and increases in salary costs due to wage agreements and additional employees. Other costs show a decrease, in IT expenses for BEC for example, while extraordinary development costs have been expensed to the Bank's pension systems.

Exchange rate adjustments show a small loss of DKK 0.3 million at the end of June 2018 in comparison with an exchange gain of DKK 4.9 million in the same period in 2017.

Write-downs on loans and guarantees show a decline of DKK 2.1 million and total DKK 6.7 million.

- The profit before tax gives a return of 14.9% p.a. on opening equity after disbursement of dividend.
- An increase in lending of DKK 218 million to DKK 3,552 million.
- Deposits increased to DKK 5,086 million.
- A slight increase in net interest and fee income of 0.6%.
- An increase of 4.0% in total costs, including depreciation and amortisation.
- Write-downs and provisions for the period of 0.1%.
- Capital ratio and core capital ratio of 22.1 and an individual capital requirement of 10.0 %

TABLE OF CONTENTS

Financial highlights	4
Management report	5 - 10
Income Statement and Statement of Comprehensive Income.....	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes, Accounting Policies, etc.	14 - 15
Notes to the Income Statement	16 - 17
Notes to the Balance Sheet.....	18 - 20
Management Statement	21

FINANCIAL HIGHLIGHTS FOR FIRST HALF OF 2018

(DKK 1,000)

	First half-year 2018	First half-year 2017	Full-year 2017	First half-year 2016	First half-year 2015	First half-year 2014
Net interest and fee income	155,504	154,643	309,546	141,863	142,137	144,408
Value adjustments	-345	4,925	-6,368	-11,518	-3,868	16,757
Other operating income	2,856	2,452	5,240	2,418	2,585	2,690
Staff and administration expenses	78,467	75,289	152,528	71,914	69,710	69,241
Depreciation and impairment of tangible assets	3,367	3,271	6,840	2,158	1,988	5,165
Other operating expenses	838	891	2,709	2,022	4,353	2,557
Write-downs on loans, etc.	6,666	8,797	13,734	8,937	9,734	8,526
Profit before tax	68,677	73,772	132,607	47,732	55,069	78,366
Tax	21,804	23,448	42,158	15,141	17,505	24,901
Profit for the period	46,873	50,324	90,449	32,591	37,564	53,465
Selected accounting items						
Loans	3,552,620	3,354,477	3,335,119	2,855,444	2,853,879	2,989,814
Deposits	5,086,734	5,033,678	4,205,613	4,695,186	4,206,595	3,901,128
Equity	957,464	917,065	958,458	879,746	878,876	867,978
Balance sheet total	6,275,024	6,112,595	5,355,010	5,749,788	5,288,495	4,964,276
Contingent liabilities	1,185,142	1,130,244	1,161,181	1,155,276	1,158,038	1,007,362
Key figures:						
Capital ratio	22.1	20.6	22.7	19.7	18.6	19.8
Core capital ratio	22.1	20.6	22.7	19.7	18.6	19.3
Return on equity before tax for the period	7.2	8.0	14.1	5.3	6.2	9.0
Return on equity after tax for the period	4.9	5.5	9.6	3.6	4.2	6.1
Income per cost krone	1.77	1.84	1.75	1.56	1.66	1.93
Rate of return	0.8	0.8	1.7	0.6	0.7	1.1
Interest rate risk	1.9	1.3	1.1	1.2	1.4	1.4
Currency position	0.8	2.1	1.6	5.9	15.5	1.9
Loans plus write-downs in relation to deposits	72.8	69.2	82.2	63.3	70.1	78.6
Loans in relation to equity	3.7	3.7	3.5	3.2	3.2	3.4
Growth in lending during the period	7.0	9.1	8.5	1.2	1.4	4.0
Total large exposures	170.5	n/a	160.2	n/a	n/a	n/a
Write-down percentage for the period	0.1	0.2	0.3	0.3	0.3	0.2
Accumulated write-down ratio	3.4	3.0	3.1	3.0	2.6	2.1
Profit per share after tax for the period	26.0	28.0	50.3	18.0	20.9	29.7
Net book value per share	532	509	532	489	488	486
Stock exchange quotation/net book value per share	1.1	1.2	1.2	1.2	1.3	1.3

MANAGEMENT REPORT FOR FIRST HALF OF 2018

Income statement

Net interest income of DKK 109,422 thousand is by and large unchanged compared to the same period of 2017. In 2017, continuing into 2018, the Bank's lending has increased, 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 dividends in 2018 amount to DKK 1,945 thousand compared to DKK 807 thousand for the same period in 2017.

Fee and commission income of DKK 44,379 thousand is by and large unchanged compared to the same period of 2017. There has been a decline in revenue from customers trading in securities, which however is offset primarily by higher revenue on guarantee commissions due to increased guaranteed volume.

Other operating income increased by DKK 404 thousand to DKK 2,856 thousand compared with the first half of 2017.

Staff and administration expenses increased by DKK 3,178 thousand to DKK 78,467 thousand compared to the same period last year. The increase is related primarily to staff expenses and is due to timing differences and agreed increases in salaries, as well as a higher number of employees. Other administration expenses declined in the same period rose by DKK 804 thousand despite a decrease in a number of expenses. The increase is therefore due primarily to costs of DKK 951 thousand associated with development of the Bank's pension system.

Other operating expenses, which consist of operation and maintenance of the Bank's bank buildings, total DKK 838 thousand for the first half of 2018 and remain almost unchanged in compared to the same period in 2017.

Depreciation of tangible assets is largely unchanged compared to the same period of 2017 and amount to DKK 3,367 thousand.

Value adjustments show a total capital loss of DKK 345 thousand compared to a capital gain of DKK 4,925 thousand in the same period last year. Capital loss on the Bank's bond portfolio of DKK 4,647 thousand is largely compensated for by other capital gains, primarily on the Bank's portfolio of sector equities.

Selected Highlights and Key Figures

(DKK 1,000)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2018	2018	2017	2017	2017	2017	2016	2016
Net interest and fee income	76,684	78,820	76,525	78,378	77,243	77,400	74,514	73,383
Costs and depreciation	41,097	41,575	45,206	37,420	38,851	40,600	39,964	38,268
Other operating income	1,545	1,311	1,194	1,594	1,194	1,258	1,191	1,245
Profit before value adjustments and write-downs	37,132	38,556	32,513	42,552	39,586	38,058	35,741	36,360
Value adjustments	678	-1,023	-1,460	-9,833	915	4,010	-2,779	1,399
Write-downs on loans, etc.	3,206	3,460	2,224	2,713	4,938	3,859	2,036	2,997
Profit before tax	34,604	34,073	28,829	30,006	35,563	38,209	30,926	34,762

Impairment of loans, etc. for the half-year period amounted to DKK 6,666 thousand as at the end of June 2018, which is DKK 2,131 thousand less than in the same period of 2017. The effect of IFRS 9, which entered into force on 1 January 2018, entailed further impairment by DKK 18,089 thousand at the beginning of

MANAGEMENT REPORT FOR FIRST HALF OF 2018

2018, and the Bank's opening equity is thereby affected by this amount, which after tax comprises DKK 12,336 thousand.

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 DKK 68,677 thousand and it thereby DKK 5,095 thousand lower than in the same period in 2017.

Development in the quarter

Net interest and fee income totalled DKK 78,820 thousand in Q1 and DKK 76,584 thousand in Q2 2018. Net interest rates have increased in Q2 due to the higher volumes and a decrease in fee income is seen in the same period due to time differences.

Total expenses in the first two quarters of 2018 were almost the same with DKK 41,575 thousand in Q1 and DKK 41,097 thousand in Q2. Thus a decrease in Q2 in total expenses, the cost of IT development for the Bank's pension system has been higher in Q2 in relation to Q1.

Earnings before value adjustments and impairments thereby decreased in Q2 to DKK 37,132 thousand compared with DKK 38,556 thousand in Q1 2018.

Lending increased by DKK 58,226 thousand in Q1 and additionally in Q2 by DKK 159,275 thousand, which corresponds to an increase of 6.5% compared to the end of 2017. The increase is seen on both private and corporate customers.

Deposits increased by DKK 1,077,630 thousand in Q1 and decreased by DKK 196,209 thousand in Q2.

Balance sheet and equity

In the first half of the year, the Bank's lending increased very satisfactorily by DKK 217,501 thousand to DKK 3,552,620, thousand which is the highest level in the Bank to date.

The Bank's deposits, the vast majority of which are on-demand deposits, has increased by DKK 881,121 thousand to DKK 5,086,734 thousand at the end of June 2018. Deposits declined significantly at the end of 2017. This decline at the end of 2017 was expected, and the Bank also expects deposits to fall in the course of 2018.

The total balance sheet has thereby increased by DKK 920,014 thousand to DKK 6,275,024 thousand. Equity amounted to DKK 957,464 thousand at the end of the first half of 2018.

Outside the balance sheet, the Bank's guarantee commitments to customers increased by DKK 23,961 thousand compared with the end of 2017 and amounted to DKK 1,185,142 thousand at the end of June 2018. Thus, there is a decline of DKK 15,586 thousand in Q2 2018.

Uncertainty of recognition and measurement

The principal uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees and undrawn credit facilities, and the valuation of properties, unlisted securities and financial instruments. The management believes that the presentation of the accounts is subject to an appropriate level of uncertainty.

MANAGEMENT REPORT FOR FIRST HALF OF 2018

Financial risks

The BANK of Greenland is exposed to various financial risks, which are managed at different levels of the organisation. The Bank's financial risks consist of:

Credit risk: Risk of loss as a consequence of debtors' or counterparties' default on actual payment obligations.

Market risk: Risk of loss as a consequence of fluctuation in the fair value of financial instruments and derivative financial instruments due to changes in market prices. The BANK of Greenland classifies three types of risk within the market risk area: interest rate risk, foreign exchange risk and share risk.

Liquidity risk: Risk of loss as a consequence of the financing costs increasing disproportionately, the risk that the Bank is prevented from maintaining the adopted business model due to a lack of financing/funding, or ultimately, the risk that the Bank cannot fulfil agreed payment commitments when they fall due, as a consequence of the lack of financing/funding.

Operational risk: The risk that the Bank in full or in part has financial losses as a consequence of inadequate or deficient internal procedures, human errors, IT systems, etc.

Capital requirement

The BANK of Greenland must by law have a capital base that supports the risk profile. The BANK of Greenland compiles the credit and market risk according to the standard method, and the operational risk according to the basic indicator method. It is still the Bank's assessment that there is no need for more sophisticated methods to be used.

In accordance with the Danish Financial Business Act, the Board of Directors and the Executive Management must ensure that the BANK of Greenland has an adequate capital base. The capital requirement is the capital which, according to the management's assessment, as a minimum is needed to cover all risks.

The BANK of Greenland's capital ratio, excluding earnings for the period, was 22.1 at the end of the first half of 2018.

The BANK of Greenland was designated as an SIFI institution in Q2 2017. In view of the new SIFI requirements concerning capital reserves and new requirements concerning impairment liabilities (MREL requirements), the Board of Directors has assessed that the capital ratio must be increased. The aim of the Board of Directors is for the Bank to fulfil the maximum MREL capital requirements in full, in good time before the deadline for full phasing-in, and also that there must be sufficient capital for growth in the Bank's business activities. The BANK of Greenland has not yet been informed of the Bank's MREL capital requirements. When the final MREL capital requirements are known, more precise capital planning will be possible.

As at the end of the first half of 2018, the Bank's individual solvency requirement was 10.0%. The BANK of Greenland thus has surplus capital cover before buffer requirements of 12.1% or TDKK 492,774. After deduction for the capital reserve buffer requirement, the surplus cover is 10.2%. At the end of 2018, the Bank will be required to fulfil an SIFI buffer requirement of 1.2% and in 2019, when it has been fully phased in, the buffer requirement will be 1.5%.

MANAGEMENT REPORT FOR FIRST HALF OF 2018

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

I DKK 1,000	First half of 2018		End of 2017	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	327,582	8.0%	322,050	8.0%
Credit risk	70,316	1.6%	80,669	1.9%
Market risk	7,416	0.2%	10,350	0.3%
Operational risk	3,800	0.1%	3,800	0.1%
Other conditions	2,100	0.1%	2,100	0.1%
Capital requirement	411,214	10.5%	418,969	10.4%

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

Liquidity

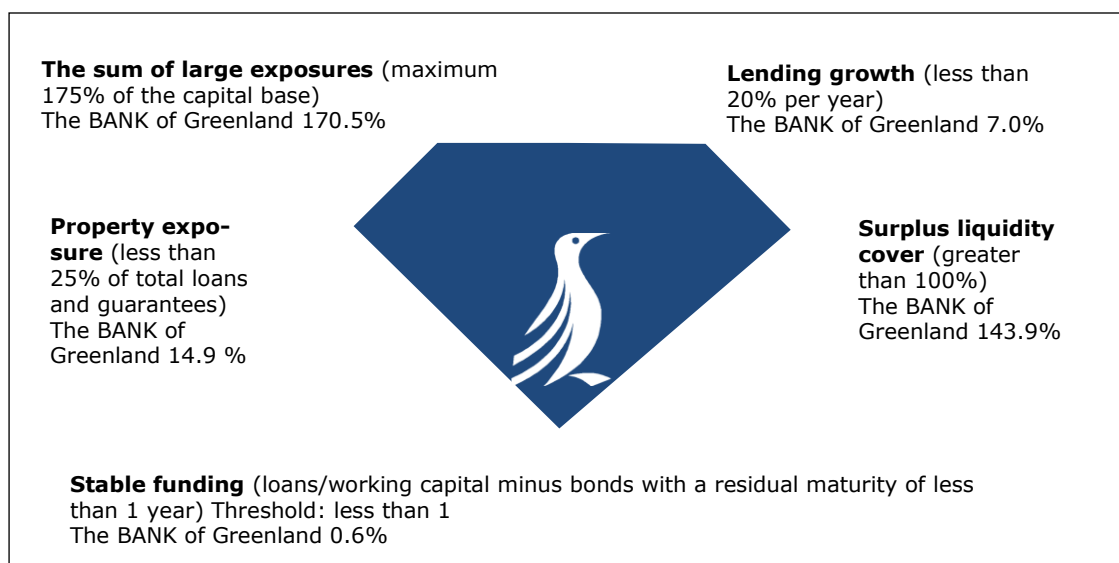
The liquidity coverage ratio (LCR) is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio.

At the end of the first half of 2018, the Bank had an LCR of 143.9% and thereby fulfils the LCR requirement of at least 100% for SIFI institutions.

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 Financial Supervisory Authority's Supervisory Diamond for banks. The Supervisory Diamond indicates five benchmarks for banking activities. With effect from 1 January 2018, the benchmark for large exposures was amended so that it is now calculated as the sum of the Bank's 20 largest exposures, as a ratio of the Bank's actual core capital, with a threshold of 175%. The total is 170.5% of which 42.9 percentage points comprises the exposure to publicly-owned enterprises.



MANAGEMENT REPORT FOR FIRST HALF OF 2018

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 DKK 602 at the end of the first half of 2018, the price of the BANK of Greenland's shares has fallen in relation to the end of 2017, when the price was DKK 649. In March 2018, the Bank paid dividend to its shareholders totalling DKK 54 million, equivalent to DKK 30 per share.

In accordance with Section 28a of the Danish Companies Act, five shareholders have notified shareholdings in excess of 5%. At the end of the first half of 2018, 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 perceived as the *BANK for all of Greenland*. This entails an enhanced responsibility to participate positively and actively in society's development and to help to create opportunities in Greenland, while also ensuring sound financial activities. The BANK of Greenland is extremely aware of this vital role.

The BANK of Greenland's values are firmly anchored in the Bank and its employees. The values are **Commitment, Decency, Customer-oriented and Development-oriented**. These values serve as a guide for how we act and wish to be seen within and outside the Bank.

The BANK of Greenland considers all of the Corporate Governance recommendations and the Danish Executive Order on Management and Control of Banks, etc. and it is the Bank's objective to observe these recommendations at all times and to the greatest possible extent. The Bank's Corporate Governance Statement can be found on the Bank's website www.banken.gl. The BANK of Greenland has endorsed the UN Global Compact, which has ten principles for ethical conduct. The BANK of Greenland publishes its report every year. This is available on the Bank's website.

Expectations for the second half of 2018

The socioeconomic development in 2018 is still considered to be stable and at a high level, partly due to rising shrimp/prawn quotas. The Bank has seen a good increase in lending during 2018 and expects a further high level for the rest of the year.

Deposits increased in the first half of 2018, but are expected to decline slightly during the last two quarters.

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

The BANK of Greenland will continue the work of developing and expanding the pension area. This area is completely new in Greenland and is still expected to make only a small contribution to the Bank's earnings in 2018. In the longer term, however, the Bank considers pension savings to be a significant business area.

Total costs are expected to be at a slightly higher level than in 2017.

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

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

MANAGEMENT REPORT FOR FIRST HALF OF 2018

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

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

On this basis, an unchanged profit before tax at the level of DKK 120 – 140 million compared with DKK 133 million in 2017.

15 August 2018
Board of Directors

(DKK 1,000)

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Notes	First half-year 2018	Full year 2017	First half-year 2017	
INCOME STATEMENT				
3	Interest income	112,399	227,068	111,968
4	Negative interest income	-5,209	-11,741	-5,924
5	Interest expense	802	1,871	1,040
6	Positive interest expense	+3,034	+8,460	+4,606
	Net interest income	109,422	221,916	109,610
	Share dividend, etc.	1,945	807	807
7	Fee and commission income	44,379	87,737	44,488
	Fees paid and commission expenses	242	914	262
	Net interest and fee income	155,504	309,546	154,643
8	Value adjustments	-345	-6,368	4,925
	Other operating income	2,856	5,240	2,452
9	Staff and administration expenses	78,467	152,528	75,289
	Depreciation and impairment of tangible assets	3,367	6,840	3,271
	Other operating expenses	838	2,709	891
16	Write-downs on loans, etc.	6,666	13,734	8,797
	Profit before tax	68,677	132,607	73,772
10	Tax	21,804	42,158	23,447
	Profit for the period	46,873	90,449	50,325
Statement of comprehensive income				
	Profit for the period	46,873	90,449	50,325
	Other comprehensive income:			
	Value adjustment of properties	1,902	13,681	11,799
	Effect of IFRS9 at the beginning of 2018	-12,336	0	0
	Value adjustment of defined-benefit severance/pension scheme	0	-13	0
	Tax on value adjustment of properties	-605	-4,351	-3,751
	Total other comprehensive income	-11,039	9,317	8,048
	Total income for the year	35,834	99,766	58,373

(DKK 1,000)

BALANCE SHEET

Notes	30 June 2018	31 December 2017	30 June 2017
ASSETS			
	177,268	178,789	172,909
11	1,209,663	522,060	1,249,450
16	3,552,620	3,335,119	3,354,477
12	878,577	894,679	911,691
	87,538	89,353	95,269
13	44,194	6,767	460
	207,619	207,728	207,004
	8,741	8,392	7,185
	0	0	8,220
	105,082	109,136	101,835
	3,722	2,987	4,095
Assets total	6,275,024	5,355,010	6,112,595
LIABILITIES			
	23,856	22,670	17,195
14	5,086,734	4,205,613	5,033,218
	44,194	6,767	460
	15,175	10,957	4,107
	65,122	65,687	58,684
	4,757	5,282	4,392
Debt in total	5,237,838	4,316,976	5,118,056
	648	518	370
	54,560	59,708	59,576
	13,494	12,792	11,424
	6,353	6,558	6,104
	4,667	0	0
Total provisions	79,722	79,576	77,474
Equity			
15	180,000	180,000	180,000
	28,073	26,776	25,494
	749,391	751,682	711,571
Equity total	957,464	958,458	917,065
Liabilities total	6,275,024	5,355,010	6,112,595
01	Applied accounting policies		
02	Accounting estimates		
17	Contingent liabilities		
18	Capital conditions and solvency		

((DKK 1,000)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Re-valuation reserves	Transferred earnings	Proposed dividend, net	Total equity
Equity as at 01 January 2017	180,000	17,446	661,246	67,518	926,210
Dividend paid				-99,000	-99,000
Taxation value of dividend paid				31,482	31,482
Other comprehensive income		8,048			8,048
Profit for the period			50,325		50,325
Equity as at 30 June 2017	180,000	25,494	711,571	0	917,065
Other comprehensive income		1,282	-13		1,269
Profit for the period			-13,876	54,000	40,124
Taxation value of proposed dividend			17,172	-17,172	0
Equity as at 31 December 2017	180,000	26,776	714,854	36,828	958,458
Equity, opening balance 2018	180,000	26,776	714,854	36,828	958,458
Dividend paid				-54,000	-54,000
Taxation value of dividend paid				17,172	17,172
Other comprehensive income		1,297	-12,336		-11,039
Profit for the period			46,873		46,873
Equity as at 30 June 2018	180,000	28,073	749,391	0	957,464

NOTES

Note 1

Accounting policies etc.

The interim report has been prepared in accordance with the Danish Financial Business Act, the statutory order on financial reports for credit institutions and investment service companies, etc. and the Danish disclosure requirements for the interim reports of listed financial companies.

The accounting policies applied are unchanged, apart from amended impairment rules as a consequence of IFRS 9, unchanged from the Annual Report for 2017.

With effect from 1 January 2018, the Bank began to use impairment rules that are compatible with the IFRS 9 accounting standard. The overall provisions of IFRS 9 have been incorporated in the Danish Accounting Order and supplemented with special Danish impairment rules, which fulfil the overall principles in IFRS 9, in Annex 10 of the Accounting Order.

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

With IFRS 9, the current impairment model, based on incurred losses (the "incurred loss" model), is replaced by an impairment model based on expected losses (the "expected loss" model). The new, expectations-based impairment model entails that on first recognition a financial asset is written down by an amount equivalent to the expected credit loss over 12 months (stage 1). On any subsequent significant increase in the credit risk from the time of first recognition, the asset is written down by an amount equivalent to the expected credit loss during the asset's expected remaining term to maturity (stage 2).

If active impairment is found (stage 3) the asset is written down unchanged, as an amount equivalent to the expected credit loss in the asset's remaining term to maturity, but based on an increased probability of loss.

This interim report is presented in accordance with the going concern principle, based on current practice and interpretation of the rules for Danish banking institutions.

Tax, which consists of current tax and changes in deferred tax, is recognised in the income statement when it relates to the result for the period, and directly to equity when it relates to items recognised directly in equity.

On calculating the taxable income, Greenland allows tax deduction of dividends for the dividend-paying company. The 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.

NOTES

Note 2

Significant accounting estimates

Calculation of the carrying amount of certain assets and liabilities is associated with a certain degree of uncertainty and an estimate of how future events may affect the value of these assets and liabilities. The most significant estimates relate to:

- measurement of loans, guarantees and undrawn credit facilities
- financial instruments
- fair value of domicile properties
- provisions

At the beginning of 2018, the Bank began to apply the impairment rules under IFRS 9. The new impairment system is still being developed and is thus still subject to some uncertainty.

Unlisted financial instruments that primarily consist of sector shares and which are measured at estimated fair values.

Valuation of the bank's domicile properties is associated with significant accounting estimates and assessments, including expectations for the property's future return and the defined return rates.

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.

NOTES ON THE INCOME STATEMENT

(DKK 1,000)	First half-year 2018	Full year 2017	First half-year 2017
3 Interest income			
Credit institutions	0	181	0
Loans	108,341	217,006	106,726
Bonds	4,058	9,881	5,242
Total interest income	112,399	227,068	111,968
4 Negative interest income			
Amounts receivable from credit institutions and central banks	-2,969	- 6,487	-3,118
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-2,240	-5,254	-2,806
Total negative interest	- 5,209	-11,741	- 5,924
5 Interest expense			
Credit institutions and central banks	12	148	71
Deposits	790	1,723	969
Total interest expense	802	1,871	1,040
6 Positive interest expense			
Deposits and other liabilities	+3,034	+8,460	+4,606
Total positive interest expense	+3,034	+8,460	+4,606
7 Fee and commission income			
Securities and securities accounts	1,360	3,824	2,013
Funds transfer	18,492	36,040	17,441
Loan case fees	6,181	15,089	7,567
Guarantee commission	9,767	18,481	8,716
Other fees and commission	8,579	14,303	8,751
Total fees and commission income	44,379	87,737	44,488
8 Value adjustments			
Lending at fair value	-1,125	-1,710	-2,230
Bonds	-4,647	-2,742	1,766
Shares	2,575	-6,540	1,783
Currency	1,496	2,805	1,047
Derivative financial instruments	1,356	1,819	2,559
Total value adjustments	-345	-6,368	4,925

NOTES ON THE INCOME STATEMENT

(DKK 1,000)	First half-year 2018	Full year 2017	First half-year 2017
9 Expenses for staff and administration			
Salaries and remuneration to the Board of Directors and Executive Management			
Board of Directors	1,019	1,338	668
Executive Management, including company car and other benefits	1,773	3,392	1,752
Total	2,792	4,730	2,420
<p>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 half of 2018 amounts to DKK 130 thousand, which is expensed 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	1,348	2,706	1,211
Staff expenses			
Salaries	31,116	60,578	29,717
Other staff expenses	1,492	2,190	1,186
Pensions	3,779	7,314	3,559
Social security expenses	364	582	289
Total	36,751	70,664	34,751
Other administration expenses	38,960	77,208	38,156
Average no. of full-time employees	119.7	117.5	117.0
10 Tax			
30% of net earnings	20,594	39,782	22,131
Paid dividend tax for Danish shares	-414	-186	-186
6% supplement	1,210	2,376	1,316
Total tax on ordinary profit	21,390	41,972	23,261
Paid dividend tax	414	186	186
Total tax	21,804	42,158	23,447
Deferred tax liability	0	-467	0
Taxation value of dividend paid	17,172	31,482	23,261
Income tax to be paid	4,632	11,143	186
No corporate income tax was paid during the period			

NOTES ON THE BALANCE SHEET

(DKK 1,000)	30 June 2018	31 December 2017	30 June 2017
11 Receivables from credit institutions and central banks			
Receivables subject to terms of notice at central banks	203,000	0	523,000
Receivables from credit institutions	1,006,663	522,060	726,450
Total receivables	1,209,663	522,060	1,249,450
12 Bonds			
Of which nominal TDKK 50,000 pledged as collateral for accounts with Danmarks Nationalbank			
13 Assets connected to pool schemes			
Investment associations	44,094	6,764	457
Non-invested funds	100	3	3
Total	44,194	6,767	460
14 Deposits			
On demand	4,582,495	3,774,589	4,464,116
On terms of notice	286,717	267,379	361,913
Fixed-term deposits	40,436	40,436	92,836
Special deposit conditions	177,086	123,208	114,353
Total deposits	5,086,734	4,205,612	5,033,218
15 Share capital			
Share capital consists of 1,800,000 shares of DKK 100 each			
There have been no changes in the share capital in recent years.			
Own holdings of capital investments			
Number of own shares	0	0	0
16 Loans			
Impairment of loans and other receivables			
Loans and undrawn credit facilities, net	6,006	9,936	6,367
Guarantees	660	3,798	2,430
Write-downs over the period total	6,666	13,734	8,797
Of which losses not previously written down	184	247	125

NOTES ON THE BALANCE SHEET

(DKK 1,000)	30 June 2018	31 December 2017	30 June 2017
16 Loans			
Individual write-downs:			
Start of the period	92,953	85,380	85,380
Change in accounting policy	-92,953	0	0
Write-downs during the period	0	48,403	26,237
Reversal of write-downs in previous financial years	0	31,483	19,213
Final loss (depreciated) previously individually depreciated	0	4,898	1,373
Other cash flows	0	-4,449	0
End of period	0	92,953	91,031
Group write-downs:			
Start of the period	36,021	31,841	31,841
Change in accounting policy	-36,021	0	0
Write-downs during the period	0	11,605	6,391
Reversal of write-downs in previous financial years	0	6,628	3,143
Other cash flows	0	-797	0
End of period	0	36,021	35,089
Stage 1 impairment			
Opening balance	0	-	-
Change in accounting policy	12,728	-	-
Write-downs during the period	0	-	-
Reversal during the period	360	-	-
End of period	12,368	-	-
Stage 2 impairment			
Opening balance	0	-	-
Change in accounting policy	36,222	-	-
Write-downs during the period	1,920	-	-
Reversal during the period	0	-	-
End of period	38,142	-	-
Stage 3 impairment			
Opening balance	0	-	-
Change in accounting policy	98,071	-	-
Write-downs during the period	3,103	-	-
Reversal during the period	0	-	-
End of period	101,174	-	-
Total write-downs at the end of the period	151,684	-	-

NOTES ON THE BALANCE SHEET

(DKK 1,000)	30 June 2018	31 December 2017	30 June 2017
17	Contingent liabilities		
Mortgage finance guarantees	677,037	674,335	644,357
Registration and remortgaging guarantees	95,156	47,371	77,910
Other guarantees	412,949	439,475	407,977
Total guarantees etc.	1,185,142	1,161,181	1,130,244
Provision balance for guarantees	13,494	12,792	11,242
Irrevocable loan commitments	0	0	0
Other binding agreements, total	0	0	0
Provision balance for undrawn credit facilities	4,667	0	0
<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>			
18	Capital conditions and solvency		
Risk-weighted items:			
Credit risk	3.415.644	3,375,435	3,488,885
Market risk	136,508	107,567	111,281
Operational risk	542,621	542,621	543,651
Total weighted assets	4.094.773	4,025,623	4,143,817
Capital ratio	22.1	22.7	20.6
Core capital ratio	22.1	22.7	20.6
Statutory capital ratio requirements	8.0	8.0	8.0
Core capital	903,988	914,586	851,705
Capital base	903,988	914,586	851,705

MANAGEMENT REVIEW

The Board of Directors and Executive Management have today considered and approved the interim report for the period from 1 January to 30 June 2018, 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 2018, and of the result of the Banks activities in the first half of 2018.

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

15 August 2018

Executive management

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða
Chairman

Kristian Frederik Lennert
Vice Chairman

Maliina Bitch Abelsen

Ben Arabo

Hans Niels Boassen

Anders Jonas Brøns

Christina Finderup Bustrup

Lars Holst

Yvonne Jane Poulsen Kyed

Elise Love Nicoline Zeeb

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