

Notification to Nasdaq OMX Copenhagen
10/2020



INTERIM REPORT

FIRST HALF OF 2020



GER no. 80050410

INTERIM REPORT FOR THE FIRST HALF OF 2020 IN HEADLINES

A first half-year marked by Covid-19

In Q1, the economic development in Greenland was subject to greater uncertainty, due to the consequences of Covid-19. Q2 brought a change in the risk assessment of credit and market risks, however, and the business development in the last part of Q2 showed signs of improvement.

This is supported by the latest assessments from the Greenlandic Economic Council, which predicts a decline in GDP of only 1.5% in 2020, provided that the pandemic does not flare up significantly in Greenland during the rest of 2020.

The BANK of Greenland's profit before tax amounts to DKK 55.7 million for the first half of 2020, compared to DKK 69.4 million for the first half of 2019. The profit before value adjustments and write-downs amounts to DKK 72.9 million, compared to DKK 71.6 million for the previous year. Profit before tax for Q2 alone is satisfactory at DKK 39.1 million.

Following sound growth in lending in both 2018 and 2019, lending and guarantees declined in Q1 2020, but increased by an equivalent amount in Q2. Lending and guarantees increased by DKK 20 million in total in the first half-year, totalling DKK 5,258 million at the end of June. The Bank assesses this to be absolutely satisfactory development in the light of the considerable uncertainty that Covid-19 has also created in Greenland.

Net interest and fee income increased by DKK 0.5 million to DKK 159.4 million, compared to the same period of 2019. Income is negatively affected by lower activity and lending volumes during part of the period and is positively affected by income from negative deposit interest rates on customers' deposits.

Total expenses including depreciation amounted to DKK 88.8 million at the end of the first half of 2020, compared to DKK 90.2 million for the same period of 2019. The decrease is related to an increase in personnel costs, which concern an increase in payroll expenses due to adjustment under the collective agreement and an increase in the number of employees, and also a decrease in other costs. The decrease in other costs is partly related to timing differences, while a number of costs have lapsed as a consequence of Covid-19.

At the end of June 2020, value adjustments entail a loss of DKK 7.3 million, compared to a gain of DKK 2.6 million for the same period of 2019. The Bank's bond and equities portfolios both performed positively in Q2 2020, with positive value adjustments of DKK 4.3 million in the quarter. From March, the Bank has maintained the bond portfolio's adjusted risk profile.

Impairments of loans and guarantees show an increase of DKK 5.1 million compared to the first half of 2019 and for the first half of 2020 amount to DKK 9.8 million after write-downs of a modest DKK 0.7 million in Q2. In connection with the quarterly closing, the Bank reviewed the expected impacts of Covid-19 on the Bank's exposures. The total write-downs on exposures, including managerial estimates concerning the risk in sectors affected by Covid-19, thereafter amount to approximately DKK 20 million.

In the announcement to the stock exchange of 27 July 2020, the forecast for the year's profit before tax was changed from a range of DKK 80-120 million to a range of DKK 100-120 million, which is maintained.

- Lending increased by DKK 100 million to DKK 3.737 billion in Q2.
- Deposits increased to DKK 6,016 billion.
- An increase of 0.3% in net interest and fee income
- A decrease of 1.6% in total costs, including depreciation and amortisation.
- Write-downs and provisions of 0.2% for the period.
- Capital ratio and core capital ratio of 23.3 and an individual capital requirement of 11.6%.

TABLE OF CONTENTS

Financial Highlights and Key Figures	4
Management's Review	5 - 10
Income Statement and Statement of Comprehensive Income.....	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes, Accounting Policies, etc.	14
Notes to the Income Statement	15 - 16
Notes to the Balance Sheet.....	17 - 22
Management Statement	23

FINANCIAL HIGHLIGHTS FOR THE FIRST HALF OF 2020

(DKK 1,000)

	Q2 2020	Q2 2019	Full year 2019	Q2 2018	Q2 2017	Q2 2016
Net interest and fee income	159,435	158,894	320,496	155,504	154,643	141,863
Value adjustments	-7,330	2,593	9,585	-345	4,925	-11,518
Other operating income	2,221	2,878	5,722	2,856	2,452	2,418
Staff and administration expenses	83,891	84,919	167,884	78,467	75,289	71,914
Depreciation and impairment of tangible assets	3,449	3,367	6,672	3,367	3,271	2,158
Other operating expenses	1,416	1,889	2,788	838	891	2,022
Write-downs on loans, etc.	9,845	4,787	7,959	6,666	8,797	8,937
Profit before tax	55,725	69,403	150,500	68,677	73,772	47,732
Tax	14,754	4,877	20,582	4,632	6,276	-16,341
Profit for the period	40,971	64,526	129,918	64,045	67,496	64,073
Selected accounting items:						
Lending	3,736,894	3,797,656	3,758,736	3,552,620	3,354,477	2,855,444
Deposits	6,016,314	5,593,007	5,687,451	5,086,734	5,033,678	4,695,186
Equity	1,120,137	1,010,990	1,077,676	957,464	917,065	879,746
Balance sheet total	7,507,427	6,874,825	7,089,915	6,275,024	6,112,595	5,749,788
Contingent liabilities	1,521,275	1,300,697	1,479,537	1,185,142	1,130,244	1,155,276
Key figures:						
Capital ratio	23.3	21.1	23.4	22.1	20.6	19.7
Core capital ratio	23.3	21.1	23.4	22.1	20.6	19.7
Return on equity before tax for the period	5.1	6.9	14.5	7.2	8.0	5.3
Return on equity after tax for the period	3.7	6.6	12.5	6.8	7.5	7.1
Income per cost krone	1.57	1.73	1.81	1.77	1.84	1.56
Rate of return	0.5	0.9	1.8	1.0	1.1	1.1
Interest rate risk	1.0	2.0	2.1	1.9	1.3	1.2
Foreign exchange position	0.7	0.3	0.9	0.8	2.1	5.9
Liquidity coverage ratio	183.7	165.3	238.8	143.9	155.9	n/a
Lending plus write-downs as a ratio of deposits	63.2	69.8	67.2	72.8	69.2	63.3
Lending as a ratio of equity	3.3	3.8	3.5	3.7	3.7	3.2
Growth in lending during the period	-0.6	9.4	8.3	7.0	9.1	1.2
Sum of large exposures	167.6	172.2	163.5	170.5	n/a	n/a
Write-down ratio for the period	0.2	0.1	0.1	0.1	0.2	0.3
Accumulated write-down ratio	3.5	3.3	3.3	3.4	3.0	3.0
Profit per share after tax for the period	22.8	35.8	72.2	35.6	37.5	35.6
Net book value per share	622	562	599	532	509	489
Stock exchange quotation/net book value per share	0.8	1.0	0.9	1.1	1.2	1.2

MANAGEMENT REVIEW THE FIRST HALF OF 2020

Income statement

At TDKK 115,957, compared to TDKK 114,765 for the first half of 2019, net interest income increased by 1%.

At the end of 2019, the Bank achieved better balance in the ratio between the return on the Bank's surplus liquidity and the negative deposit interest rates by introducing negative interest rates for a significantly wider group of business customers than before. As of 1 April 2020, a negative interest rate was introduced for private customers. These factors have a positive impact on net interest income in the first half of 2020. On the other hand, lower bond holdings and a lower level of lending in March-May mean that the Bank's interest income from these areas fell slightly in the first half of 2020.

Share dividend amounts to TDKK 936, compared to TDKK 1,911 for the same period of 2019. The decline in dividend is solely due to extraordinary dividend in 2019.

Fee and commission income increased by TDKK 444 compared to the same period of 2019. This item is affected positively by the increased guarantee volume, while there is a small decline in loan transaction fees and payment settlement charges.

Other operating income decreased by TDKK 657, to TDKK 2,221 compared to the first half of 2019.

Staff and administration expenses decreased by TDKK 1,028 to TDKK 83,891 compared to the same period of 2019. The decrease reflects an increase in staff costs, which is due to an expected increase in the number of employees and salary increases under collective agreements, while other administrative expenses fell in the first half of 2020. The decrease in other administrative expenses is attributable to timing differences and the lapse of a number of costs as a consequence of Covid-19.

Other operating expenses, which concern operation and maintenance of the Bank's office buildings, decreased by TDKK 473 to TDKK 1,416 in the first half of 2020, compared to the same period of 2019.

Depreciation of tangible assets is by and large unchanged, amounting to TDKK 3,449, compared to TDKK 3,367 for the same period of 2019.

Value adjustments show a total loss of TDKK 7,330, compared to a gain of TDKK 2,593 for the same period of 2019. In March in particular, the uncertainty as a consequence of Covid-19 had a significant negative impact on the financial markets. In March, the Bank adjusted its bond portfolio, in order to reduce the risk. In Q2 2020, value adjustments developed positively by TDKK 4,306 for both the Bank's bond and equities portfolios.

Financial Highlights and Key Figures

(DKK 1,000)

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2020	2020	2019	2019	2019	2019	2018	2018
Net interest and fee income	77,419	82,016	80,397	81,205	79,096	79,798	80,468	77,625
Costs, depreciation and amortisation	43,109	45,647	45,680	41,489	45,362	44,813	44,440	39,071
Other operating income	1,134	1,087	1,442	1,402	1,383	1,495	1,251	1,278
Profit before value adjustments and write-downs	35,444	37,456	36,159	41,118	35,117	36,480	37,279	39,832
Value adjustments	4,306	-11,636	-238	7,230	-621	3,214	-2,049	848
Write-downs on loans, etc.	655	9,190	1,344	1,828	2,967	1,820	1,823	2,449
Profit before tax	39,095	16,630	34,577	46,520	31,529	37,874	33,407	38,231

Impairment of loans, etc. amounts to TDKK 9,845, compared to TDKK 4,787 for the same period of 2019.

MANAGEMENT REVIEW THE FIRST HALF OF 2020

As in Q1 2020, the Bank undertook a review of both customer exposures and sectors, in order to identify consequences of Covid-19. The Bank has assessed that its exposure to the tourism sector in particular is challenged as a consequence of Covid-19. The 2020 tourist season can generally be assessed to be lost, with support packages from the Greenland Government underpinning the sector. Other sectors are still assessed to be only slightly affected, and several are progressing well. Unemployment and the housing market are by and large unaffected. The review has resulted in an increase in write-downs, as a management reserve. All exposures amounting to more than 1% of the Bank's capital base are assessed individually.

For exposures in the tourism sector below 1% of the Bank's capital base, as a general rule a managerial addition to the write-downs is made amounting to 50% of the unsecured value for weak exposures, while for exposures with good credit standing, a solvency reserve of 25-50% of the unsecured value is allocated. The total Covid-19 write-downs amount to approximately DKK 20 million.

The profit before tax is TDKK 55,725, having decreased by TDKK 13,678 from the same period of 2019.

Development during the quarter

Net interest and fee income amounted to TDKK 82,016 in Q1 and to TDKK 77,419 in Q2. The decline in Q2 is due to significantly lower activity in April in particular, as a consequence of Covid-19. In addition, there is periodically higher fee and commission income in Q1 compared to Q2. On the positive side, the negative deposit interest rates in Q2 have an impact.

Total costs in Q1 amounted to TDKK 45,647 and in Q2 to TDKK 43,109. Staff expenses have fallen, since in the first quarter holiday allowance, etc. is usually paid, which is not paid in the subsequent quarters. Other administrative expenses also decreased, to a lesser extent, in Q2, which is primarily due to timing differences, while there was also a small decrease in costs as a consequence of Covid-19.

The profit before value adjustments and write-downs thereby decreased in Q2, to TDKK 35,444, which is TDKK 2,012 lower than in Q1 2020. The profit before tax showed a satisfactory increase from DKK 16.6 million to DKK 39.1 million.

Lending decreased by TDKK 122,148 in Q1, but increased by TDKK 100,306 in Q2, which overall corresponds to a decrease of 0.6% from the end of 2019.

Other assets amount to TDKK 71,965 and have declined by TDKK 50,304. This is primarily due to the adjustment of capital contributions to BEC.

Deposits increased by TDKK 54,900 in Q1 2020 and by TDKK 273,963 in Q2. In overall terms, the increase in deposits from 2019 is thus TDKK 328,863.

Balance sheet and equity

During the first six months of the year, the Bank's lending decreased by TDKK 21,842 to TDKK 3,736,894, while the Bank's guarantees to customers increased by TDKK 41,738 compared to the end of 2019 and amounted to TDKK 1,521,275 at the end of June 2020.

The Bank's deposits, which predominantly comprise on-demand deposits, amounted to TDKK 6,016,314 at the end of June 2020.

Total assets have thereby increased by TDKK 417,512, to TDKK 7,507,427. At the end of the first half-year, equity amounted to TDKK 1,120,137.

Uncertainty of recognition and measurement

The principal uncertainties concerning recognition and measurement are related to write-downs on lending,

MANAGEMENT REVIEW THE FIRST HALF OF 2020

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.

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.

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 the first half of 2020 is 23.3%, compared to a capital ratio of 21.1% as at the first half of 2019, and 23.4% as at 31 December 2019. The result for the first half of 2020 has not been verified by the Bank's auditor and is therefore not included in the capital ratio. Including the result for the first half of 2020, the capital ratio is calculated at 24.3%.

During the quarter, the BANK of Greenland did not use the "CRR Quick Fix Bank Package" easing measures of 24 June 2020. The measures entail an improved SME discount for exposures to business enterprises in the calculation of the Bank's risk-weighted assets. The Bank expects to make use of these measures as from Q3 2020, and they are expected to entail a reduction in the Bank's risk-weighted assets.

The BANK of Greenland was designated as an SIFI institution in 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. 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 June 2020, the Bank's individual capital requirement was compiled at 11.6%. The BANK of Greenland thereby has surplus capital cover before the buffer requirements of 11.7%, or DKK 539,077. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 7.7%.

MANAGEMENT REVIEW THE FIRST HALF OF 2020

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

In DKK 1,000	First half of 2020		End of 2019	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	367,364	8.0%	368,576	8.0%
Credit risk	122,165	2.6%	132,315	2.9 %
Market risk	17,615	0.4%	21,338	0.4%
Operational risk	22,168	0.5%	22,229	0.5%
Other conditions	3,365	0.1%	2,100	0.1%
Capital requirement	532,677	11.6%	546,558	11.9%

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

Liquidity

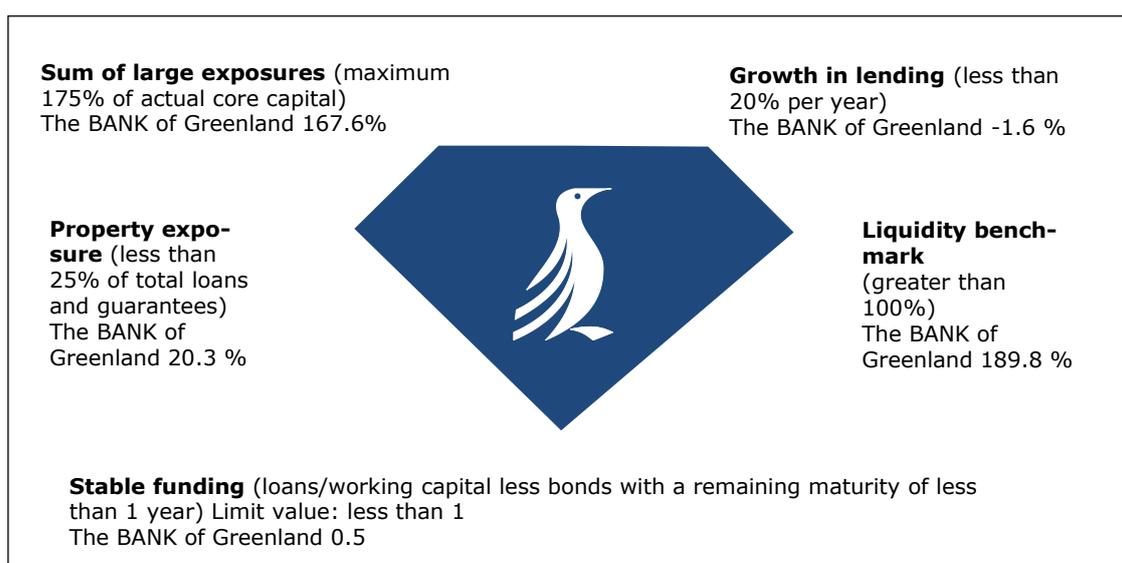
The liquidity coverage ratio (LCR) is a minimum requirement of the ratio between current assets and liabilities, to ensure a satisfactory liquidity ratio.

At the end of the first half-year, the Bank had an LCR of 183.7% 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 36% points of the sum of large exposures.



MANAGEMENT REVIEW THE FIRST HALF OF 2020

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. The price of the BANK of Greenland's shares decreased to a price of 520 at the end of the first half of 2020 from the end of 2019, when the price was 545.

At the Bank's Annual General Meeting on 25 March 2020 a dividend rate of DKK 0 for the Bank's shareholders was adopted. In the Annual Report for 2019 the Board of Directors had proposed dividend of DKK 30 per share to the Annual General Meeting, but due to the Covid-19 situation, this recommendation was amended prior to the Annual General Meeting.

The Board of Directors has reserved the opportunity to convene an extraordinary general meeting concerning payment of dividend during 2020, if the Covid-19 situation improves.

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 for the benefit of Greenland, while also ensuring sound financial activities. The BANK of Greenland is highly 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.

Outlook for the remainder of 2020

Based on assessments of primarily credit quality, it is expected that the BANK of Greenland's financial result for 2020 will be less negatively affected than the potential risk described in the published Q1 report. This is supported, among other things, by the Greenland Economic Council's most recent analysis, which predicts a decrease in GDP of an estimated 1.5% in 2020.

It is expected that the Bank's lending will develop slightly positively during the remainder of 2020.

Deposits are expected to be at the first half-year's very high level for the rest of 2020.

Net interest and fee income is expected to be at a slightly higher level than in 2019. An improved balance is expected between the return on the Bank's surplus liquidity and the negative deposit interest rates, while interest income from loans and bonds is expected to be slightly lower than in 2019.

On the basis of the risk adjustment of the bond portfolio in Q1 2020, the Bank expects only a very moderate effect from value adjustments during the rest of 2020.

Total costs are expected to be at a moderately higher level than in 2019. Staff expenses are expected to show

MANAGEMENT REVIEW THE FIRST HALF OF 2020

more subdued development, on the basis of pay increases under collective agreements, and a small increase in the number of employees. Administration expenses are also expected to increase, primarily in the compliance and IT area. Again in the second half-year, a number of costs can be expected to lapse, however, as a consequence of Covid-19.

On 27 July 2020, the Bank revised its forecast for the year's profit before tax to the level of DKK 100-120 million. Based on the development in the first half-year and the aforementioned assessments for the rest of the year, the expectations are maintained of a profit before tax at the level of DKK 100-120 million.

19 August 2020
Board of Directors

(DKK 1,000)

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Notes	First half-year 2020	Full year 2019	First half-year 2019	
3	Interest income	113,853	237,967	117,309
4	Negative interest income	-7,316	-11,938	-5,817
5	Interest expenses	39	765	75
6	Positive interest expenses	+9,459	+9,046	+3,348
	Net interest income	115,957	234,310	114,765
	Share dividend, etc.	936	2,329	1,911
7	Fees and commission income	42,852	84,761	42,408
	Fees paid and commission expenses	310	904	190
	Net interest and fee income	159,435	320,496	158,894
8	Value adjustments	-7,330	9,585	2,593
	Other operating income	2,221	5,722	2,878
9	Staff and administration expenses	83,891	167,884	84,919
	Depreciation and impairment of tangible assets	3,449	6,672	3,367
	Other operating expenses	1,416	2,788	1,889
16	Write-downs on loans, etc.	9,845	7,959	4,787
	Profit before tax	55,725	150,500	69,403
10	Tax	14,754	20,582	4,877
	Profit for the period	40,971	129,918	64,526
Statement of comprehensive income				
	Profit for the period	40,971	129,918	64,526
	Other comprehensive income:			
	Value adjustment of properties	2,027	3,833	1,913
	Value adjustment of defined-benefit severance/pension scheme	0	-15	0
	Tax on value adjustment of properties	-537	-1,219	-608
	Total other comprehensive income	1,490	2,599	1,305
	Comprehensive income for the period	42,461	132,517	65,831

(DKK 1,000)

BALANCE SHEET

Notes	30 June 2020	31 December 2019	30 June 2019
ASSETS			
	175,205	184,862	176,603
11	2,102,575	1,380,759	1,385,653
16	3,736,894	3,758,736	3,797,656
12	885,580	1,174,084	979,193
	116,479	117,009	111,502
13	174,976	112,341	74,848
	229,646	228,904	218,269
	7,703	7,539	7,387
	0	0	0
	71,965	122,269	119,271
	6,404	3,412	4,443
Total assets	7,507,427	7,089,915	6,874,825
LIABILITIES			
	8,535	13,625	14,355
14	6,016,314	5,687,451	5,593,007
	174,976	112,341	74,848
	44,905	30,772	22,031
	0	0	0
	62,691	67,578	65,740
	5,286	5,895	4,755
Total debt	6,312,707	5,917,662	5,774,736
	1,214	1,082	929
	51,879	51,341	61,327
	13,513	20,483	18,692
	5,015	5,121	5,354
	2,962	16,550	2,797
Total provisions	74,583	94,577	89,099
Total equity			
15	180,000	180,000	180,000
	33,196	31,706	30,397
	906,941	865,970	800,593
Total equity	1,120,137	1,077,676	1,010,990
Total liabilities	7,507,427	7,089,915	6,874,825
01	Accounting policies applied		
02	Accounting estimates		
17	Contingent liabilities		
18	Capital conditions and solvency		

((DKK 1,000)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Re-valuation re-serves	Retained earnings	Proposed dividend, net	Total equity capital
Equity, 01 January 2019	180,000	29,092	736,067	54,000	999,159
Other comprehensive income		1,305			1,305
Profit for the period			64,526		64,526
Dividend paid				-54,000	-54,000
Equity, 30 June 2019	180,000	30,397	800,593	0	1,010,990
Other comprehensive income		1,309	-15		1,294
Profit for the period			65,392		65,392
Equity, 31 December 2019	180,000	31,706	865,970	0	1,077,676
Equity, beginning of 2020	180,000	31,706	865,970	0	1,077,676
Other comprehensive income		1,490			1,490
Profit for the period			40,971		40,971
Equity, 30 June 2020	180,000	33,196	906,941	0	1,120,137

NOTES

Note 1

Accounting policies applied, etc.

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

The accounting policies applied are unchanged from the Annual Report for 2019.

Changed accounting policies in the 2019 annual report describe changed accounting policies for recognition of the value of tax deduction of dividends.

Concerning dividend proposed for the 2018 financial year, this change of policy means that the value of the taxable deduction is not recognised through equity for the first half of 2019, but recognised via the tax on the profit for the period in the first half of 2019. Comparative figures are adjusted.

For the first six half of 2019, the change affects tax on the profit for the period at TDKK -17,172 and the distribution of the profit for the period is affected at TDKK +17,172. Equity as at 30 June 2019 is not affected.

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

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)	First half-year 2020	Full year 2019	First half-year 2019
3 Interest income			
Loans	111,413	230,598	113,492
Bonds	2,440	7,369	3,817
Total interest income	113,853	237,967	117,309
4 Negative interest income			
Receivables from credit institutions and central banks Foreign exchange, interest rate, equities, commodities and other contracts, as well as derivative financial instruments	-5,743	-8,311	-3,990
	-1,573	-3,627	-1,827
Total negative interest	-7,316	-11,938	-5,817
5 Interest expenses			
Credit institutions and central banks	9	30	9
Deposits	30	735	66
Total interest expenses	39	765	75
6 Positive interest expenses			
Deposits and other liabilities	+9,459	+9,046	+3,348
Total positive interest expenses	+9,459	+9,046	+3,348
7 Fees and commission income			
Securities and securities accounts	974	2,758	1,183
Payment settlement	18,285	39,002	18,758
Loan transaction fees	2,410	6,035	2,910
Guarantee commission	12,373	22,144	10,339
Other fees and commission	8,810	14,822	9,218
Total fee and commission income	42,852	84,761	42,408
8 Value adjustments			
Lending at fair value	-291	-100	2,014
Bonds	-8,511	-11,833	-3,215
Shares	-333	17,527	4,186
Currency	1,423	3,826	1,737
Derivative financial instruments	382	165	-2,129
Total value adjustments	-7,330	9,585	2,593

NOTES TO THE INCOME STATEMENT

(DKK 1,000)	First half-year 2020	Full year 2019	First half-year 2019
9 Staff and administration expenses			
Salaries and remuneration to the Board of Directors and the Executive Management			
Board of Directors	932	1,819	960
Exec. Management, incl. free car and other benefits	1,856	3,525	1,810
Total	2,788	5,344	2,770
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 2020 amounts to TDKK 133, 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 2016-2023 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	1,363	2,660	1,697
Employee expenses			
Salaries	37,499	73,412	36,564
Other staff expenses	1,258	2,959	1,485
Pensions	4,702	9,121	4,543
Social security expenses	334	625	322
Total	43,793	86,117	42,914
Other administration expenses	40,098	81,767	42,005
Average no. of full-time employees	131.7	128.4	129.0
10 Tax			
25% of the profit before tax (2019: 30%)	13,932	45,150	20,822
Paid dividend tax for Danish shares	-225	-427	-368
6% supplement	822	2,683	1,227
Total tax on ordinary profit	14,529	47,406	21,681
Paid dividend tax	225	427	368
Change in deferred tax due to a changed tax rate	0	-10,268	0
Adjustment concerning previous years' taxes	0	189	0
Taxation value of dividend paid	0	-17,172	-17,172
Taxes in total	14,754	20,582	4,877
Deferred tax	537	-10,408	0
Taxation value of dividend paid	0	0	0
Tax to be paid	14,217	30,990	4,877
Company tax of TDKK 397 was paid in the period.			

NOTES TO THE BALANCE SHEET

(DKK 1,000)	30 June 2020	31 December 2019	30 June 2019
11	Amounts receivable from credit institutions and central banks		
	1,566,000	1,015,000	639,000
	Receivables subject to terms of notice at central banks		
	536,575	365,759	746,653
	Receivables from credit institutions		
	2,102,575	1,380,759	1,385,653
	Total amounts receivable		
12	Bonds		
	Of the bond portfolio, a nominal amount of TDKK 50,000 is pledged as collateral for accounts with Danmarks Nationalbank		
13	Assets connected to pool schemes		
	174,800	112,304	74,836
	Investment associations		
	176	37	12
	Non-invested funds		
	174,976	112,341	74,848
	Total		
14	Deposits		
	5,494,255	5,029,931	5,006,675
	On demand		
	289,125	376,261	316,438
	On terms of notice		
	21,000	54,436	60,436
	Fixed-term deposits		
	211,934	226,823	209,458
	Special deposit conditions		
	6,016,314	5,687,451	5,593,007
	Total deposits		
15	Share capital		
	Share capital consists of 1,800,000 shares of DKK 100		
	Own holdings of capital investments		
	0	0	0
	Number of own shares		
16	Loans		
	Write-downs on loans, guarantees and non-utilised credit facilities:		
	4,849	46,595	5,570
	New write-downs concerning new facilities		
	-6,727	-15,322	-
	Reversal of write-downs concerning redeemed facilities		
	12,388	-22,368	-
	Net write-downs during the year as a consequence of changes in the credit risk		
	282	636	365
	Losses without preceding write-downs		
	-949	-1,582	-1,148
	Received for claims previously written off		
	9,845	7,959	4,787
	Recognised in the statement of income		

NOTES TO THE BALANCE SHEET

(DKK 1,000)

16 Loans	Stage 1	Stage 2	Stage 3	Total
Write-downs on loans				
30/06/2020				
Start of the period	15,835	41,405	82,938	140,178
New write-downs concerning new facilities during the year	1,407	1,339	1,157	3,903
Reversal of write-downs concerning re-deemed facilities	-1,279	-1,479	-3,432	-6,190
Change in write-downs at the beginning of the year -				
transfer to stage 1	12,341	-10,774	-1,567	0
Change in write-downs at the beginning of the year -				
transfer to stage 2	-2,139	8,098	-5,959	0
Change in write-downs at the beginning of the year -				
transfer to stage 3	-44	-2,919	2,963	0
Net write-downs during the year as a consequence of changes in the credit risk	-11,630	15,336	29,650	33,356
Previously written down, now finally lost			-713	-713
Interest on written-down facilities			2,469	2,469
Write-downs in total	14,491	51,006	107,506	173,003
Write-downs on guarantees				
30.06.2020				
Start of the period	656	267	19,560	20,483
New write-downs concerning new facilities during the year	112	33	318	463
Reversal of write-downs concerning re-deemed facilities	-2	0	0	-2
Change in write-downs at the beginning of the year -				
transfer to stage 1	171	-156	-15	0
Change in write-downs at the beginning of the year -				
transfer to stage 2	-10	16,738	-16,728	0
Change in write-downs at the beginning of the year -				
transfer to stage 3	0	0	0	0
Net write-downs during the year as a consequence of changes in the credit risk	-173	-8,462	1,204	-7,431
Write-downs in total	754	8,420	4,339	13,513

NOTES TO THE BALANCE SHEET

(DKK 1,000)

	Stage 1	Stage 2	Stage 3	Total
Write-downs on non-utilised drawing rights				
30.06.2020				
Start of the period	814	3,408	12,328	16,550
New write-downs concerning new facilities during the year	115	50	318	483
Reversal of write-downs concerning re-deemed facilities	-66	-60	-409	-535
Change in write-downs at the beginning of the year - transfer to stage 1	114	-35	-79	0
Change in write-downs at the beginning of the year - transfer to stage 2	-7	10,630	-10,623	0
Change in write-downs at the beginning of the year - transfer to stage 3	0	0	0	0
Net write-downs during the year as a consequence of changes in the credit risk	-661	-13,424	549	-13,536
Write-downs in total	309	569	2,084	2,962
Write-downs on loans				
31/12/2019				
Start of the period	14,192	28,225	110,967	153,384
New write-downs concerning new facilities during the year	5,705	5,214	4,212	15,131
Reversal of write-downs concerning re-deemed facilities	-1,957	-2,118	-9,460	-13,535
Change in write-downs at the beginning of the year - transfer to stage 1	11,676	-8,969	-2,707	0
Change in write-downs at the beginning of the year - transfer to stage 2	-2,124	20,131	-18,007	0
Change in write-downs at the beginning of the year - transfer to stage 3	-195	-1,045	1,240	0
Net write-downs during the year as a consequence of changes in the credit risk	-11,462	-33	-1,271	-12,766
Previously written down, now finally lost			-6,113	-6,113
Interest on written-down facilities			4,077	4,077
Write-downs in total	15,835	41,405	82,938	140,178

NOTES TO THE BALANCE SHEET

(DKK 1,000)

	Stage 1	Stage 2	Stage 3	Total
Write-downs on guarantees				
31.12.2019				
Start of the period	461	205	13,608	14,274
New write-downs concerning new facilities during the year	364	52	14,975	15,391
Reversal of write-downs concerning re-deemed facilities	0	0	-23	-23
Change in write-downs at the beginning of the year - transfer to stage 1	254	-22	-232	0
Change in write-downs at the beginning of the year - transfer to stage 2	-64	244	-180	0
Change in write-downs at the beginning of the year - transfer to stage 3	0	-19	19	0
Net write-downs during the year as a consequence of changes in the credit risk	-359	-193	-8,607	-9,159
Write-downs in total	656	267	19,560	20,483
	Stage 1	Stage 2	Stage 3	Total
Write-downs on non-utilised drawing rights				
31.12.2019				
Start of the period	436	130	2,119	2,685
New write-downs concerning new facilities during the year	883	145	15,045	16,073
Reversal of write-downs concerning re-deemed facilities	-135	-151	-1,478	-1,764
Change in write-downs at the beginning of the year - transfer to stage 1	200	-35	-165	0
Change in write-downs at the beginning of the year - transfer to stage 2	-9	109	-100	0
Change in write-downs at the beginning of the year - transfer to stage 3	-2	-2	4	0
Net write-downs during the year as a consequence of changes in the credit risk	-559	3,212	-3,097	-444
Write-downs in total	814	3,408	12,328	16,550

NOTES TO THE BALANCE SHEET

(DKK 1,000)

	Stage 1 impairment			
	Beginning of year	-	-	14,192
	Write-downs during the period	-	-	1,230
	Reversal during the period	-	-	0
	End of period	-	-	15,422
	Stage 2 impairment			
	Beginning of year	-	-	28,225
	Write-downs during the period	-	-	16,040
	Reversal during the period	-	-	0
	End of period	-	-	44,265
	Stage 3 impairment			
	Beginning of year	-	-	110,967
	Write-downs during the period	-	-	0
	Reversal during the period	-	-	-14,703
	End of period	-	-	96,264
	Total write-downs at the end of the period	-	-	155,951
17	Contingent liabilities			
	Mortgage finance guarantees	921,033	858,007	773,318
	Registration and remortgaging guarantees	108,693	185,355	90,061
	Other guarantees	491,549	436,175	437,318
	Guarantees, etc. in total	1,521,275	1,479,537	1,300,697
	Provision balance for guarantees	13,513	20,483	18,693
	Provision balance for non-utilised credit facilities	2,962	16,550	2,797

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.

NOTES TO THE BALANCE SHEET

(DKK 1,000)	30 June 2020	31 December 2019	30 June 2019
18 Capital conditions and solvency			
Risk-weighted items:			
Credit risk	3,880,422	3,772,382	3,825,413
CVA risk	3,481	4,432	4,962
Market risk	107,498	229,745	170,720
Operational risk	600,646	600,646	566,841
Weighted items in total	4,592,047	4,607,205	4,567,936
Capital ratio	23.3	23.4	21.1
Core capital ratio	23.3	23.4	21.1
Statutory capital ratio requirements	8.0	8.0	8.0
Core capital	1,071,754	1,076,145	962,314
Capital base	1,071,754	1,076,145	962,314

MANAGEMENT STATEMENT

The Board of Directors and Executive Management have today considered and approved the interim report for the period from 1 January to 30 June 2020, 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's 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 at 30 June 2020, and of the result of the Bank's activities in the first half of 2020.

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.

19 August 2020

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