

Notification to Nasdaq OMX Copenhagen  
13/2020



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## QUARTERLY REPORT

Q1 - Q3 2020



CVR no. 80050410

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## Q1 - Q3 QUARTERLY REPORT 2020 IN HEADLINES

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### Satisfactory performance in Q3 2020

The latter part of Q2 2020 brought a positive change in the risk assessment of credit and market risks, and business development that showed signs of progress. This development continued in Q3.

The BANK of Greenland's profit before tax is DKK 94.0 million at the end of September 2020, compared to DKK 115.9 million in 2019. The profit before value adjustments and write-downs amounts to DKK 109.1 million, compared to DKK 112.7 million for the previous year.

Following sound growth in lending in 2018 and 2019, lending declined in Q1 2020, while it increased in Q2. In Q3, lending was at the level of Q2, amounting to DKK 3,735 million. Lending and guarantees showed an overall increase of DKK 82 million in 2020, and totalled DKK 5,320 million. In view of the uncertainty due to Covid-19, the Bank assesses this performance to be satisfactory.

Net interest and fee income decreased by DKK 0.4 million to DKK 239.7 million, compared to the same period of 2019. Income is affected negatively by lower dividend and interest income from bonds, and slightly lower activity and lending volumes during part of the period; and positively by income from negative deposit interest rates on customers' deposits.

Total expenses including depreciation amounted to DKK 133.9 million at the end of Q3 2020, compared to DKK 131.7 million for the same period of 2019. The increase is related to higher staff expenses, reflecting an increase in payroll expenses due to adjustments under the collective agreement and an increase in the number of employees, and 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 September 2020, value adjustments entail a loss of DKK 4.7 million, compared to a gain of DKK 9.8 million for the same period of 2019. Value adjustments developed positively in Q3 2020. In 2019, Q3 was affected positively by DKK 8.6 million as the Bank's share of the sale of Sparinvest Holding to Nykredit. From March, the Bank has maintained the bond portfolio's adjusted risk profile.

Impairments of loans and guarantees show an increase of DKK 3.8 million compared to the first three quarters of 2019, and amounted to DKK 10.4 million. In Q2 and Q3, impairments totalled a modest DKK 1.2 million. As for the previous quarters of 2020, the Bank reviewed the expected impacts of Covid-19 on its exposures. The total write-downs on exposures, including managerial estimates concerning the risk in sectors affected by Covid-19 and possible derived effects in other sectors, thereafter amount to approximately DKK 20 million.

In the announcement to the stock exchange of 20 October 2020, the forecast for the year's profit before tax was changed from a range of DKK 100-120 million to a range of DKK 110-125 million, which remains unchanged.

- Increase in loans and guarantees of DKK 82 million to DKK 5.32 billion.
- Deposits increased to DKK 5.909 billion.
- Write-downs and provisions of 0.2% for the period.
- Capital ratio and core capital ratio of 23.0 and an individual capital requirement of 11.6%

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**FINANCIAL HIGHLIGHTS AND KEY FIGURES FOR Q1 - Q3 2020**

(DKK 1,000)

	Q1 - Q3 2020	Q1 - Q3 2019	Full year 2019	Q1 - Q3 2018	Q1 - Q3 2017	Q1 - Q3 2016
Net interest and fee income	239,671	240,099	320,496	233,129	233,021	215,246
Value adjustments	-4,691	9,823	9,585	503	-4,908	-10,120
Other operating income	3,343	4,280	5,722	4,134	4,046	3,663
Staff and administration expenses	126,964	124,789	167,884	115,426	110,883	106,987
Depreciation and impairment of tangible assets	5,213	5,023	6,672	5,101	4,899	4,147
Other operating expenses	1,746	1,852	2,788	1,216	1,089	3,226
Write-downs on loans, etc.	10,394	6,615	7,959	9,115	11,510	11,935
<b>Profit before tax</b>	<b>94,006</b>	<b>115,923</b>	<b>150,500</b>	<b>106,908</b>	<b>103,778</b>	<b>82,494</b>
Tax	24,898	19,666	20,582	16,800	15,818	-5,287
<b>Profit for the period</b>	<b>69,108</b>	<b>96,257</b>	<b>129,918</b>	<b>90,108</b>	<b>87,960</b>	<b>87,781</b>
<b>Selected accounting items:</b>						
Lending	3,734,998	3,693,537	3,758,736	3,460,949	3,239,636	2,869,110
Deposits	5,909,284	5,629,837	5,687,451	4,935,056	4,866,301	4,731,290
Equity	1,149,052	1,043,379	1,077,676	984,177	938,169	904,257
Balance sheet total	7,447,672	6,986,261	7,089,915	6,158,154	5,963,026	5,799,913
Contingent liabilities	1,585,426	1,403,000	1,479,537	1,222,946	1,169,902	1,150,270
<b>Key figures:</b>						
Capital ratio	23.0	22.3	23.4	21.8	21.3	20.5
Core capital ratio	23.0	22.3	23.4	21.8	21.3	20.5
Return on equity before tax for the period	8.4	11.4	14.5	11.3	11.1	9.1
Return on equity after tax for the period	6.2	9.5	12.5	9.4	9.5	9.7
Income per cost krone	1.65	1.84	1.81	1.82	1.81	1.65
Rate of return	0.9	1.4	1.8	1.5	1.5	1.5
Interest rate risk	1.1	2.4	2.1	2.3	1.5	1.2
Foreign exchange position	0.6	0.4	0.9	0.8	1.8	6.2
Liquidity coverage ratio	243.1	153.8	238.8	351.4	160.9	na
Lending plus write-downs as a ratio of deposits	63.9	67.2	67.2	73.3	69.2	63.2
Lending as a ratio of equity	3.3	3.5	3.5	3.5	3.5	3.2
Growth in lending during the period	-0.7	6.4	8.3	4.3	5.4	1.6
Sum of large exposures	168.4	173.3	163.5	165.8	na	na
Write-down ratio for the period	0.2	0.1	0.1	0.2	0.3	0.4
Accumulated write-down ratio	3.3	3.4	3.3	3.5	3.1	3.1
Profit per share after tax for the period	38.4	53.5	72.2	50.1	48.9	48.8
Net book value per share	638	580	599	547	521	502
Stock exch. quotation/net book value per share	0.9	0.9	0.9	1.1	1.2	1.2

## MANAGEMENT'S REVIEW Q1 - Q3 2020

### Income statement

At TDKK 175,129, compared to TDKK 174,728 for the first three quarters of 2019, net interest income increased by 0.2%.

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 had a positive impact on net interest income in the first three quarters of 2020. On the other hand, lower bond holdings and a lower level of lending during part of the period meant that the Bank's interest income from these areas fell slightly in the first three quarters of 2020.

Share dividend amounts to TDKK 936, compared to TDKK 2,329 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 860 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 937 to TDKK 3,343 compared to the first three quarters of 2019.

Staff and administration expenses increased by TDKK 2,175, to TDKK 126,964 compared to the same period of 2019. The increase 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 three quarters 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, and contributions to settlement and guarantee assets, decreased by TDKK 106, to TDKK 1,746, in the first three quarters of 2020, compared to the same period of 2019.

Depreciation amounted to TDKK 5,213, which is TDKK 190 higher than the same period last year.

Value adjustments show a total loss of TDKK 4,691, compared to a gain of TDKK 9,823 for the same period of 2019. In 2019, the value adjustments were extraordinarily positively affected, at an amount of TDKK 8,638, by the Bank's share of the sale of Sparinvest Holding to Nykredit. In 2020, the uncertainty as a consequence of Covid-19 has a significant negative impact on the financial markets. In March, the Bank adjusted its bond portfolio in order to reduce the risk. In Q3 2020, value adjustments developed positively by TDKK 2,637.

### Financial Highlights and Key Figures

(DKK 1,000)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest and fee income	80,238	77,419	82,016	80,397	81,205	79,096	79,798	80,468
Costs, depreciation and amortisation	45,167	43,109	45,647	45,680	41,489	45,362	44,813	44,440
Other operating income	1,122	1,134	1,087	1,442	1,402	1,383	1,495	1,251
Profit before value adjustments and write-downs	36,193	35,444	37,456	36,159	41,118	35,117	36,480	37,279
Value adjustments	2,637	4,306	-11,636	-238	7,230	-621	3,214	-2,049
Write-downs on loans, etc.	549	655	9,190	1,344	1,828	2,967	1,820	1,823
Profit before tax	38,281	39,095	16,630	34,577	46,520	31,529	37,874	33,407

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## MANAGEMENT'S REVIEW Q1 - Q3 2020

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Impairment of loans, etc. amounts to TDKK 10,394 for the first three quarters of 2020, compared to TDKK 6,615 for the same period of 2019.

Since the first outbreak of Covid-19 in Q1 2020, the Bank has reviewed 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. 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, including a management reserve for possible derived effects, amounts to approximately DKK 20 million.

The profit before tax is TDKK 94,006, having decreased by TDKK 21,917 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. Considering the development in Q3 in isolation, net interest and fee income amounted to TDKK 80,238.

Total costs in Q1 amounted to TDKK 45,647, and in Q2 to TDKK 43,109. In Q3, costs increased to TDKK 45,167. The fluctuations are due to timing differences, as well as change in costs as a consequence of Covid-19.

The profit before value adjustments and write-downs thereby increased in Q3, to TDKK 36,193, which is TDKK 749 higher than in Q2 2020.

Lending decreased by TDKK 122,148 in Q1, while in Q2 it increased by TDKK 100,306. In Q3, lending was at the level of Q2.

Other assets amount to TDKK 81,281 and have declined by TDKK 40,988. 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 Q3, deposits decreased by TDKK 107,030. In overall terms, the increase in deposits compared to 2019 is thus TDKK 221,833.

### **Balance sheet and equity**

During the first nine months of the year, the Bank's lending decreased by TDKK 23,738 to TDKK 3,734,998, while the Bank's guarantees to customers increased by TDKK 105,889 compared to the end of 2019, and amounted to TDKK 1,585,426 at the end of September 2020.

The Bank's deposits, which predominantly comprise on-demand deposits, amounted to TDKK 5,909,284 at the end of September 2020.

Total assets have thereby increased by TDKK 357,715, to TDKK 7,447,672. At the end of Q3, equity amounted to TDKK 1,149,052.

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## MANAGEMENT'S REVIEW Q1 - Q3 2020

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### **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.

**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 30 September 2020 is 23.0%, compared to a capital ratio of 22.3% as at 30 September 2019, and 23.4% as at 31 December 2019. The result for the period 1 January - 30 September 2020 has not been verified by the Bank's auditor and is therefore not included in the capital ratio. If the profit or loss for the period is recognised, the capital ratio can be calculated at 24.6%.

The BANK of Greenland has not used the "CRR Quick Fix Bank Package" relief 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 cannot make use of these relief measures because the necessary legislation has not been implemented in Greenlandic legislation. If the Bank were able to use the measures, they would be expected to give 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.

## MANAGEMENT'S REVIEW Q1 - Q3 2020

As at the end of September 2020, the Bank's individual solvency requirement was compiled at 11.6%. The BANK of Greenland thus has surplus capital cover before the buffer requirements of 11.4% points, or TDKK 531,864. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 7.4% points.

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

In DKK 1,000	Q1 - Q3 2020		End of 2019	
	Capital requirement	Capital requirement in %	Capital requirement	Capital requirement in %
Pillar I requirement	371,897	8.0%	368,576	8.0%
Credit risk	122,113	2.6%	132,315	2.9%
Market risk	18,501	0.4%	21,338	0.4%
Operational risk	22,395	0.5%	22,229	0.5%
Other conditions	4,622	0.1%	2,100	0.1%
<b>Capital requirement</b>	<b>539,528</b>	<b>11.6%</b>	<b>546,558</b>	<b>11.9%</b>

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

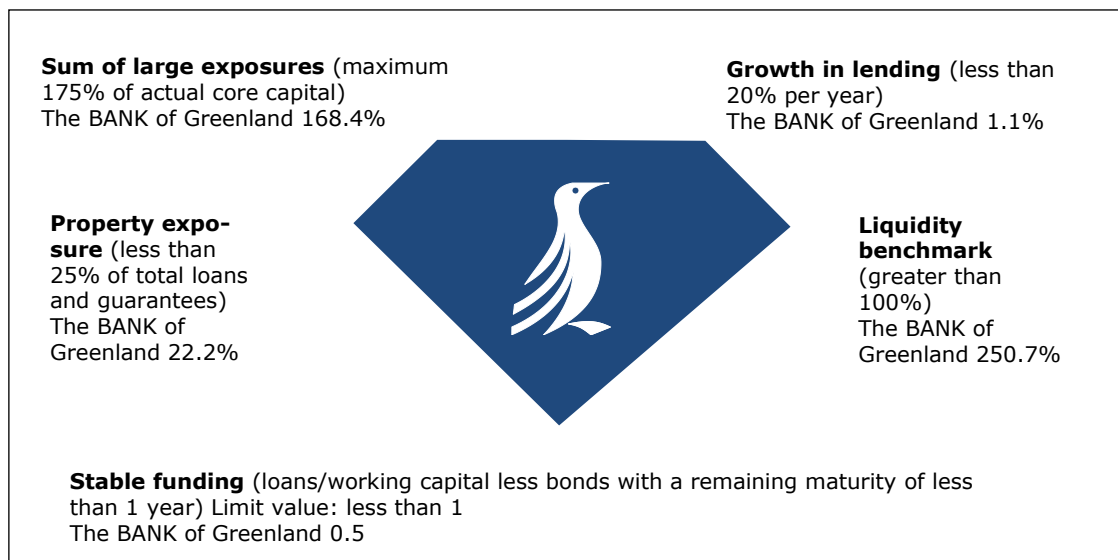
The liquidity coverage ratio (LCR) is a minimum requirement of the ratio between current assets and liabilities, to ensure a satisfactory liquidity ratio.

At the end of Q3, the Bank had an LCR of 243.1% 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 37.5% points of the sum of large exposures. The Bank's property exposures are affected by a number of housing-cooperative construction projects that are expected to be completed within the next three to nine months.





## MANAGEMENT'S REVIEW Q1 - Q3 2020

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### 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 560 at the end of Q3 2020, the price of the BANK of Greenland's share has increased since 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.

On the basis of the ongoing uncertainty, the Board of Directors does not expect that an extraordinary general meeting will be convened in 2020 with a view to payment of dividend. The payment of dividend is expected to be assessed on the presentation of the annual report for 2020, taking due account of developments and the authorities' recommendations.

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](http://www.banken.gl).

### Outlook for the remainder of 2020

Based on an uncertain scenario after Q1 2020, the Bank's business and financial development improved in Q2 and Q3, and the Bank has not yet recorded any significant losses as a consequence of Covid-19. The Bank expects this development to continue in Q4 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 higher level than in 2019. Staff expenses are expected to show more subdued development, on the basis of a small increase in the number of employees. Administration

## MANAGEMENT'S REVIEW Q1 - Q3 2020

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expenses are also expected to increase, primarily in the compliance and IT area. A number of costs can also be expected to lapse during the remainder of 2020, however, as a consequence of Covid-19.

On 20 October 2020, the Bank revised its forecast for the year's profit before tax to the level of DKK 110-125 million. The Board of Directors maintains this expectation.

29 October 2020  
Board of Directors

(DKK 1,000)

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Notes	Q1 - Q3 2020	Full year 2019	Q1 - Q3 2019	
<b>3</b>	Interest income	171,458	237,967	178,497
<b>4</b>	Negative interest income	-10,994	-11,938	-8,928
<b>5</b>	Interest expenses	274	765	507
<b>6</b>	Positive interest expenses	+14,939	+9,046	+5,666
	<b>Net interest income</b>	<b>175,129</b>	<b>234,310</b>	<b>174,728</b>
	Share dividend, etc.	936	2,329	2,329
<b>7</b>	Fees and commission income	64,160	84,761	63,300
	Fees paid and commission expenses	554	904	258
	<b>Net interest and fee income</b>	<b>239,671</b>	<b>320,496</b>	<b>240,099</b>
<b>8</b>	Value adjustments	-4,691	9,585	9,823
	Other operating income	3,343	5,722	4,280
<b>9</b>	Staff and administration expenses	126,964	167,884	124,789
	Depreciation and impairment of tangible assets	5,213	6,672	5,023
	Other operating expenses	1,746	2,788	1,852
<b>16</b>	Write-downs on loans, etc.	10,394	7,959	6,615
	<b>Profit before tax</b>	<b>94,006</b>	<b>150,500</b>	<b>115,923</b>
<b>10</b>	Tax	24,898	20,582	19,666
	<b>Profit for the period</b>	<b>69,108</b>	<b>129,918</b>	<b>96,257</b>
<b>Statement of comprehensive income</b>				
	Profit for the period	69,108	129,918	96,257
	Other comprehensive income:			
	Value adjustment of properties	3,085	3,833	2,879
	Value adjustment of defined-benefit severance/pension scheme	0	-15	0
	Tax on value adjustment of properties	-818	-1,219	-916
	<b>Total other comprehensive income</b>	<b>2,267</b>	<b>2,599</b>	<b>1,963</b>
	<b>Comprehensive income for the period</b>	<b>71,375</b>	<b>132,517</b>	<b>98,220</b>

(DKK 1,000)

**BALANCE SHEET**

Notes	30 September 2020	31 December 2019	30 September 2019	
<b>ASSETS</b>				
	Cash balance and demand deposits with central banks	187,738	184,862	189,926
<b>11</b>	Receivables from credit institutions and central banks	2,004,081	1,380,759	1,380,487
<b>16</b>	Loans and other receivables at amortised cost	3,734,998	3,758,736	3,693,537
<b>12</b>	Bonds at fair value	885,557	1,174,084	1,175,949
	Shares, etc.	118,725	117,009	103,798
<b>13</b>	Assets connected to pool schemes	190,540	112,341	82,860
	Land and buildings in total, domicile properties	229,616	228,904	222,397
	Other tangible assets	7,268	7,539	7,700
	Other assets	81,281	122,269	125,491
	Prepayments and deferred expenses	7,868	3,412	4,116
	<b>Total assets</b>	<b>7,447,672</b>	<b>7,089,915</b>	<b>6,986,261</b>
<b>LIABILITIES</b>				
	Liabilities to credit institutions and central banks	9,455	13,625	20,615
<b>14</b>	Deposits and other liabilities	5,909,284	5,687,451	5,629,837
	Deposits in pool schemes	190,540	112,341	82,860
	Current tax liabilities	55,239	30,772	36,761
	Other liabilities	52,714	67,578	66,863
	Accruals and deferred income	2,234	5,895	2,299
	<b>Total debt</b>	<b>6,219,466</b>	<b>5,917,662</b>	<b>5,839,235</b>
	Provisions for pensions and similar obligations	1,281	1,082	995
	Provisions for deferred tax	52,159	51,341	61,634
	Provisions for losses on guarantees	8,512	20,483	19,334
	Other provisions	5,061	5,121	5,426
	Provisions for losses on non-utilised credit facilities	12,141	16,550	16,258
	<b>Total provisions</b>	<b>79,154</b>	<b>94,577</b>	<b>103,647</b>
	Total equity			
<b>15</b>	Share capital	180,000	180,000	180,000
	Revaluation reserves	33,974	31,706	31,055
	Retained earnings	935,078	865,970	832,324
	<b>Total equity</b>	<b>1,149,052</b>	<b>1,077,676</b>	<b>1,043,379</b>
	<b>Total liabilities</b>	<b>7,447,672</b>	<b>7,089,915</b>	<b>6,986,261</b>
<b>01</b>	<b>Accounting policies applied</b>			
<b>02</b>	<b>Accounting estimates</b>			
<b>17</b>	<b>Contingent liabilities</b>			
<b>18</b>	<b>Capital conditions and solvency</b>			

((DKK 1,000))

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Re-valuation reserves	Retained earnings	Proposed dividend, net	Total equity capital
<b>Equity, 01 January 2019</b>	<b>180,000</b>	<b>29,092</b>	<b>736,067</b>	<b>54,000</b>	<b>999,159</b>
Other comprehensive income		1,963			1,963
Profit for the period			96,257		96,257
Dividend paid				-54,000	-54,000
<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>
Other comprehensive income		651	-15		636
Profit for the period			33,661		33,661
<b>Equity, 31 December 2019</b>	<b>180,000</b>	<b>31,706</b>	<b>865,970</b>	<b>0</b>	<b>1,077,676</b>
<b>Equity, beginning of 2020</b>	<b>180,000</b>	<b>31,706</b>	<b>865,970</b>	<b>0</b>	<b>1,077,676</b>
Other comprehensive income		2,268			2,268
Profit for the period			69,108	0	69,108
<b>Equity, 30 September 2020</b>	<b>180,000</b>	<b>33,974</b>	<b>935,078</b>	<b>0</b>	<b>1,149,052</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 from the Annual Report for 2019.

Changed accounting policies in the 2019 annual report described 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 Q3 2019, but recognised via the tax on the profit for the period in Q3 2019. Comparative figures are adjusted.

For Q3 2019, the change affects the 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 September 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 recognised in the statement of income 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 auditing 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 2020	Full year 2019	Q1 - Q3 2019
<b>3 Interest income</b>			
Loans	168,139	230,598	172,896
Bonds	3,319	7,369	5,601
<b>Total interest income</b>	<b>171,458</b>	<b>237,967</b>	<b>178,497</b>
<b>4 Negative interest income</b>			
Receivables from credit institutions and central banks Foreign exchange, interest rate, equities, commodities and other contracts, as well as derivative financial instruments	-8,867	-8,311	-6,197
	-2,127	-3,627	-2,731
<b>Total negative interest</b>	<b>-10,994</b>	<b>-11,938</b>	<b>-8,928</b>
<b>5 Interest expenses</b>			
Credit institutions and central banks	38	30	12
Deposits	236	735	495
<b>Total interest expenses</b>	<b>274</b>	<b>765</b>	<b>507</b>
<b>6 Positive interest expenses</b>			
Deposits and other liabilities	+14,939	+9,046	+5,666
<b>Total positive interest expenses</b>	<b>+14,939</b>	<b>+9,046</b>	<b>+5,666</b>
<b>7 Fees and commission income</b>			
Securities and securities accounts	1,633	2,758	1,721
Payment settlement	28,448	39,002	29,172
Loan transaction fees	3,778	6,035	4,364
Guarantee commission	18,957	22,144	16,512
Other fees and commission	11,344	14,822	11,531
<b>Total fee and commission income</b>	<b>64,160</b>	<b>84,761</b>	<b>63,300</b>
<b>8 Value adjustments</b>			
Lending at fair value	-801	-100	2,685
Bonds	-9,042	-11,833	-7,391
Shares	2,174	17,527	14,480
Currency	2,031	3,826	2,833
Derivative financial instruments	947	165	-2,784
<b>Total value adjustments</b>	<b>-4,691</b>	<b>9,585</b>	<b>9,823</b>

**NOTES TO THE INCOME STATEMENT**

(DKK 1,000)	Q1 - Q3 2020	Full year 2019	Q1 - Q3 2019
<b>9 Staff and administration expenses</b>			
Salaries and remuneration to the Board of Directors and the Executive Management			
Board of Directors	1,397	1,819	1,395
Exec. Management, incl. free car and other benefits	2,728	3,525	2,663
<b>Total</b>	<b>4,125</b>	<b>5,344</b>	<b>4,058</b>
<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 three quarters of 2020 amounts to TDKK 199, 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.</p> <p>Four other employees whose activities have a significant influence on the Bank's risk profile (two employees in 2019):</p>			
Salaries and pensions, including free car and other benefits	3,310	2,660	2,308
Staff expenses in total			
Salaries	56,228	73,412	54,064
Other staff expenses	2,053	2,959	2,065
Pensions	7,116	9,121	6,809
Social security expenses	488	625	467
<b>Total</b>	<b>65,885</b>	<b>86,117</b>	<b>63,405</b>
<b>Other administration expenses</b>	<b>61,079</b>	<b>81,767</b>	<b>61,384</b>
Average no. of full-time employees	132.3	128.4	128.9
<b>10 Tax</b>			
25% of the profit before tax (2019: 30%)	23,501	45,150	34,777
Paid dividend tax for Danish shares	-225	-427	-427
6% supplement	1,397	2,683	2,061
<b>Total tax on ordinary profit</b>	<b>24,673</b>	<b>47,406</b>	<b>36,411</b>
Paid dividend tax	225	427	427
Change in deferred tax due to a changed tax rate	0	-10,268	0
Adjustment of taxes paid in previous years	0	189	0
Taxation value of dividend paid	0	-17,172	-17,172
<b>Taxes in total</b>	<b>24,898</b>	<b>20,582</b>	<b>19,666</b>
Deferred tax	818	-10,408	0
Taxation value of dividend paid	0	0	0
Tax to be paid	24,080	30,990	19,666
Company tax of TDKK 206 was not paid in the period.			



**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	Q1 - Q3 2020	31 December 2019	Q1 - Q3 2019
<b>11</b>	<b>Amounts receivable from credit institutions and central banks</b>		
	1,125,000	1,015,000	811,000
	879,081	365,759	569,487
	<b>2,004,081</b>	<b>1,380,759</b>	<b>1,380,487</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>		
	190,462	112,304	82,688
	78	37	172
	<b>190,540</b>	<b>112,341</b>	<b>82,860</b>
<b>14</b>	<b>Deposits</b>		
	5,381,106	5,029,931	4,997,271
	285,610	376,261	351,045
	21,000	54,436	60,436
	221,568	226,823	221,085
	<b>5,909,284</b>	<b>5,687,451</b>	<b>5,629,837</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
<b>16</b>	<b>Loans</b>		
	Write-downs on loans, guarantees and non-utilised credit facilities:		
	13,970	46,595	7,409
	-12,924	-15,322	-
	10,099	-22,368	-
	406	636	531
	-1,157	-1,582	-1,325
	<b>10,394</b>	<b>7,959</b>	<b>6,615</b>

**NOTES TO THE BALANCE SHEET**

16	Loans	Stage 1	Stage 2	Stage 3	Total
	<b>Write-downs on loans</b>				
	<b>30.09.2020</b>				
	Start of the period	15,835	41,405	82,938	140,178
	New write-downs concerning new facilities during the year	2,291	3,137	2,939	8,367
	Reversal of write-downs concerning re-deemed facilities	-1,676	-4,160	-6,361	-12,197
	Change in write-downs at the beginning of the year -				
	transfer to stage 1	13,049	-9,440	-3,609	0
	Change in write-downs at the beginning of the year -				
	transfer to stage 2	-1,912	7,184	-5,272	0
	Change in write-downs at the beginning of the year -				
	transfer to stage 3	-60	-2,687	2,747	0
	Net write-downs during the year as a consequence of changes in the credit risk	-13,274	20,115	24,514	31,355
	Previously written down, now finally lost			-6,847	-6,847
	Interest on written-down facilities			2,896	2,896
	<b>Write-downs in total</b>	<b>14,253</b>	<b>55,554</b>	<b>93,945</b>	<b>163,752</b>
	<b>Write-downs on guarantees</b>				
	<b>30.09.2020</b>				
	Start of the period	656	267	19,560	20,483
	New write-downs concerning new facilities during the year	144	84	2,535	2,763
	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	197	-197	0	0
	Change in write-downs at the beginning of the year -				
	transfer to stage 2	-34	16,762	-16,728	0
	Change in write-downs at the beginning of the year -				
	transfer to stage 3	0	-2	2	0
	Net write-downs during the year as a consequence of changes in the credit risk	-374	-16,398	2,040	-14,732
	<b>Write-downs in total</b>	<b>587</b>	<b>516</b>	<b>7,409</b>	<b>8,512</b>

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**NOTES TO THE BALANCE SHEET**


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	Stage 1	Stage 2	Stage 3	Total
<b>Write-downs on non-utilised drawing rights</b>				
<b>30.09.2020</b>				
Start of the period	814	3,408	12,328	16,550
New write-downs concerning new facilities during the year	155	148	2,537	2,840
Reversal of write-downs concerning re-deemed facilities	-94	-131	-500	-725
Change in write-downs at the beginning of the year -				
transfer to stage 1	144	-62	-82	0
Change in write-downs at the beginning of the year -				
transfer to stage 2	-5	10,621	-10,616	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	-598	-5,071	-855	-6,524
<b>Write-downs in total</b>	<b>416</b>	<b>8,913</b>	<b>2,812</b>	<b>12,141</b>
<b>Write-downs on loans</b>				
<b>31.12.2019</b>				
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
<b>Write-downs in total</b>	<b>15,835</b>	<b>41,405</b>	<b>82,938</b>	<b>140,178</b>

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**NOTES TO THE BALANCE SHEET**


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	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Write-downs on guarantees</b>				
<b>31.12.2019</b>				
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
<b>Write-downs in total</b>	<b>656</b>	<b>267</b>	<b>19,560</b>	<b>20,483</b>

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Write-downs on non-utilised drawing rights				
<b>31.12.2019</b>				
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
<b>Write-downs in total</b>	<b>814</b>	<b>3,408</b>	<b>12,328</b>	<b>16,550</b>

**NOTES TO THE BALANCE SHEET**

(DKK 1,000) (DKK 1,000)	Q1 - Q3 2020	31 December 2019	Q1 - Q3 2019
<b>Stage 1 impairment</b>			
Beginning of year	-	-	14,192
Write-downs during the period	-	-	116
Reversal during the period	-	-	0
<b>End of period</b>	-	-	<b>14,308</b>
<b>Stage 2 impairment</b>			
Beginning of year	-	-	28,225
Write-downs during the period	-	-	13,044
Reversal during the period	-	-	0
<b>End of period</b>	-	-	<b>41,269</b>
<b>Stage 3 impairment</b>			
Beginning of year	-	-	110,966
Write-downs during the period	-	-	0
Reversal during the period	-	-	-22,667
<b>End of period</b>	-	-	<b>88,299</b>
<b>Total write-downs at the end of the period</b>	-	-	<b>143,876</b>
<b>17 Contingent liabilities</b>			
Mortgage finance guarantees	972,795	858,007	825,880
Registration and remortgaging guarantees	118,248	185,355	140,135
Other guarantees	494,383	436,175	436,985
<b>Guarantees, etc. in total</b>	<b>1,585,426</b>	<b>1,479,537</b>	<b>1,403,000</b>
<b>Provision balance for guarantees</b>	<b>8,512</b>	<b>20,483</b>	<b>19,334</b>
<b>Provision balance for non-utilised credit facilities</b>	<b>12,141</b>	<b>16,550</b>	<b>16,258</b>

The Bank is a member of BEC (Bankernes EDB Central). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding two and a half years' IT costs.

**NOTES TO THE BALANCE SHEET**

	Q1 - Q3 2020	31 December 2019	Q1 - Q3 2019
(DKK 1,000) (DKK 1,000)			
<b>18 Capital conditions and solvency</b>			
Risk-weighted items:			
Credit risk	3,941,946	3,772,382	3,670,593
CVA risk	3,291	4,432	4,689
Market risk	102,834	229,745	239,877
Operational risk	600,646	600,646	566,841
<b>Weighted items in total</b>	<b>4,648,717</b>	<b>4,607,205</b>	<b>4,482,000</b>
Capital ratio	23.0	23.4	22.3
Core capital ratio	23.0	23.4	22.3
Statutory capital ratio requirements	8.0	8.0	8.0
<b>Core capital</b>	<b>1,071,392</b>	<b>1,076,145</b>	<b>997,988</b>
<b>Capital base</b>	<b>1,071,392</b>	<b>1,076,145</b>	<b>997,988</b>

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## MANAGEMENT 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 2020 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 2020, and of the result of the Bank's activities for the first three quarters 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.

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.

29 October 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