

Notification to Nasdaq OMX Copenhagen  
2/2021

A large, stylized blue bird logo is positioned on the left side of the page. The bird is facing right, with its head and neck in the upper right quadrant and its tail feathers extending towards the bottom left. The bird's body is a solid dark blue, and its beak is a white circle. The tail feathers are represented by several curved, overlapping blue shapes. The background of the page is white with a light blue diagonal gradient.

**ANNUAL REPORT 2020**

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CVR no. 80050410

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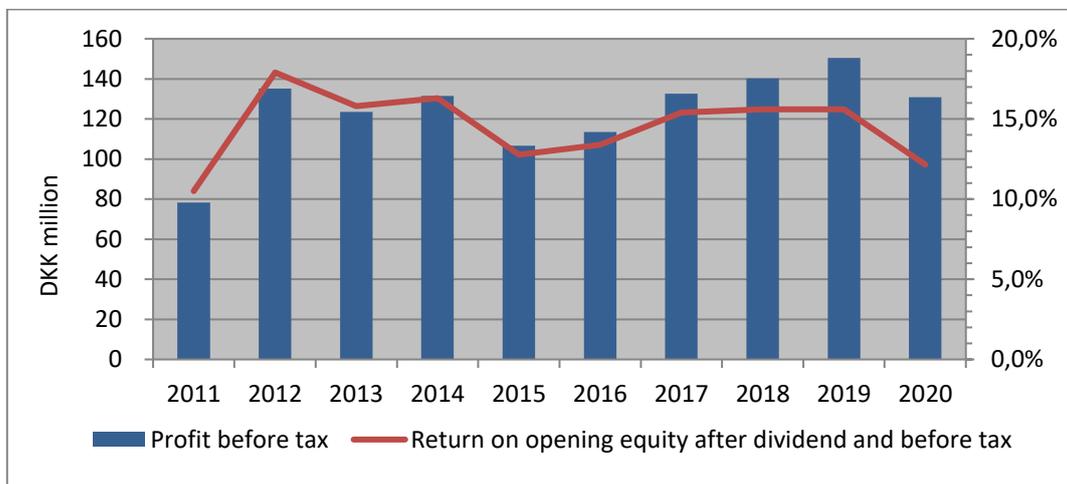
## ANNUAL REPORT IN HEADLINES

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### Satisfactory performance in an extraordinary year

At the start of 2020, the predictions for the course of Greenland's economy were that the country would continue the positive growth of recent years, with expected GDP growth of around 3%. On this basis, among other things, the Bank expected a profit before tax in the range of DKK 120-140 million in 2020.

Covid-19 has changed the conditions for banking activities on a scale that we have not seen since the financial crisis. So far, the crisis has been handled well in Greenland, with far lower economic consequences than in most other countries. The crisis has affected the Bank's business, however, and on this basis we assess the profit for the year of DKK 130.9 million before tax to be satisfactory. The return on equity has decreased as a consequence of the lower profit than in 2019, which was a record year, and also as a consequence of higher equity since, in line with the authorities' expectations, the Bank did not pay out dividend for 2019.



### Core operations at a good level

The Bank's core operations were affected by the low level of interest rates, a lower lending volume and rising costs, and the profit before value adjustments and write-downs also fell, from DKK 148.9 million in 2019 to DKK 143.6 million in 2020. The negative interest rates in the money market and at Danmarks Nationalbank continued in 2020. The significant increase in the Bank's deposits amplified the challenge of placing liquidity. Negative deposit interest rates were broadly introduced for business customers at the end of 2019, and for private customers in the spring of 2020. This reduced the impact of the low level of interest rates on the Bank's net interest.

As a consequence of Covid-19, for much of 2020 the Bank's lending was at a lower level than in 2019, and lower than expected at the start of the year. On the other hand, lending increased significantly at the end of Q4, so that the Bank's lending and guarantees totalled DKK 5,628 million, which is the highest level in the Bank's history. The average level of lending was lower, however, which had a negative impact on income from interest, particularly in the first three quarters of the year.

Costs also increased in 2020. This was primarily due to a budgeted increase in staff numbers to safeguard capacity to execute business growth and compliance in the coming years. The Bank's income per krone in costs is affected negatively by the development in costs and also the decline in activity during part of the year. However, we still assess that, based on investments in the pension area, growth in the overall business, and further phasing-in of negative deposit interest rates, the level is acceptable and it should be possible to improve core operations.

### Limited losses and write-downs, despite a substantial Covid-19 write-down

Write-downs and provisions increased to DKK 12.8 million, after declining for several years. The overall level

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of write-downs is still relatively low, but does reflect a significant management reserve of almost DKK 20 million that is related to uncertainty concerning the Covid-19 situation. Further write-downs concerning relevant customers have been made for an additional around DKK 10 million. The continued moderate level of write-downs is due to the reversal of a number of write-downs on exposures that are no longer at risk of losses, or that have been redeemed. Overall, the Bank assesses that society and customers have demonstrated considerable economic resilience during the first year with Covid-19.

### Capital gains

The Bank's liquidity is placed in the money market, in bonds and, to a certain extent, in investment certificates and sector shares. The negative interest rate environment unavoidably entails capital losses on bonds. In the spring, the Bank reduced its exposure in the face of market turbulence and capital losses, but during the rest of the year sound capital gains were achieved, which gives a small surplus on this item for the year.

### Growth across the entire Bank

A considerable effort throughout the Bank, and loyal and enterprising customers, are the background to growth in lending and guarantees of no less than DKK 390 million, to a record level of DKK 5,628 million. The increase in lending to just over DKK 4 billion primarily took place in the last part of the year. Even though Covid-19 only affected the lending level negatively for part of the year, it may still have an impact in 2021. In the slightly longer term, the Bank still expects that investments directed at such areas as tourism, and general growth in the private elements of the economy, will affect the Bank's performance positively.

### Balance sheet, capital and dividend

The BANK of Greenland's capital-intensive element of activities, and loans and guarantees in particular, achieved satisfactory growth in 2020, despite Covid-19. We see continued opportunities for growth in the coming years, which requires focus on the Bank's capital.

As an SIFI-designated banking institution since 2017, this means that the Bank's management continuously assesses the capital structure. In this respect, consideration of the authorities' expectations of the current and future optimum capitalisation of a banking institution is a significant aspect. There is also the need to have sufficient capital to take part in credit granting in Greenland.

The capital base is assessed to be robust. Payment of dividend of DKK 25 per share, which will maintain the Bank's solvency rate at 23.5, compared to 23.4 in 2019, is therefore proposed. During the year, the solvency requirement fell from 11.9% to 11.2%. The Bank can increase the core capital in the coming years, if deemed appropriate. However, there is ongoing assessment of opportunities for alternative capital instruments. The Bank is not yet subject to a requirement concerning impairment liabilities. With a dividend rate of DKK 25 per share, the distribution level is in line with the authorities' expectations.

### Outlook for 2021

Greenland's economic course was clearly affected by Covid-19 in 2020 and this will continue in 2021. In the slightly longer term, increased activity related to the construction of new airports, for example, must be expected. The BANK of Greenland expects positive development in traditional banking activities in 2021.

The Bank will naturally be challenged by the continued low level of interest rates and increasing compliance-related costs. Furthermore, political decisions could alter the framework conditions in Greenland and in the sector. The Bank's value adjustments are affected by the customary capital market uncertainty. We nonetheless expect losses and write-downs at a sustained low level, and the Covid-19 risk for 2021 is assessed to be addressed with the write-downs made in 2020. The Bank expects a profit before tax of DKK 115-135 million for 2021.

Nuuk, 1 March 2021

Martin Birkmose Kviesgaard, Bank Director

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## GREENLAND'S SOCIETY AND ECONOMY

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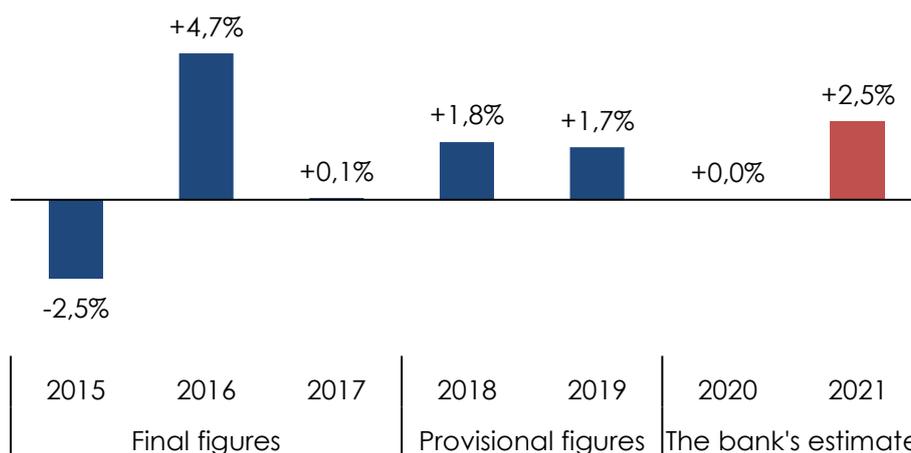
### Covid-19 affected the economy, but less than feared

After several years of economic growth, like the rest of the world economy Greenland's economy slowed down in 2020 as a consequence of the Covid-19 pandemic. In the assessment of the BANK of Greenland, however, the overall level of activity in 2020 was at the 2019 level. The BANK of Greenland also assesses that growth will pick up again in 2021, with a growth rate of +2.5%, cf. Figure 1. The BANK of Greenland's growth estimate is in line with the Economic Council's growth forecasts from September 2020 of -0.2% in 2020 and +2.1% in 2021.<sup>1</sup>

**Figure 1**

### Economic development

Real GDP growth



Note: The figure shows the real growth in GDP as a measure of value creation in Greenland. Real growth in GDP does not take account of income and transfers to and from abroad, or changes in purchasing power due to e.g. rising export prices compared to import prices.

Sources: Statistics Greenland and the Economic Council.

Even though a growth forecast of +0.0% in 2020 reflects a significant economic downturn, compared to the BANK of Greenland's estimate from last year of +3.0% in 2020, Greenland's economy is by no means as severely affected as several other countries. The OECD assesses that in 2020 global activity fell by 4.5% overall, and by as much as 7.9% in the euro area.<sup>2</sup> In this context, the contraction of Greenland's economy is very moderate.

Greenland's economy came through 2020 so favourably as a consequence of two mutually opposing factors, which overall set off each other.

*On the one hand*, the tourism industry, particularly hotels, saw a strong downturn as a consequence of lockdowns and travel restrictions. Fisheries were also negatively affected, due to declining fish prices. In 2020, the prices of the most important species fell by around 10%, and even though the prawn quota was increased by 5%, the value of exports from Greenland was affected negatively.

<sup>1</sup> Economic Council (2020), Greenland's Economy, Autumn 2020.

<sup>2</sup> OECD Economic Outlook, Interim Report, September 2020.

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*On the other hand*, the level of activity in the building and construction sector rose in 2020, and from a high starting point in 2019. This brought an increase in imports to the building and construction sector of no less than 20% in value terms. Moreover, some sectors prospered as a consequence of the travel restrictions, which increased demand for local goods and services. TELE Greenland A/S, for example, presented interim financial statements showing a profit before tax for the first half of 2020 that was DKK 15.5 million higher than for the first half of 2019.<sup>3</sup> This increase was driven by the need for good telecom connections for working from home and for home entertainment. Our overall assessment is that the negative performance of tourism and fisheries was offset by positive growth in retail and construction.

To a significant extent, the relatively sound performance in 2020, despite the Covid-19 crisis, is due to the authorities' effective handling of the situation. Consistent measures to avoid new infection, as well as strong collaboration between the Greenland Government and the labour market parties on the establishment and implementation of business support measures, were of critical importance. The economy was also stabilised by the block grant from the Danish State. The block grant is independent of the crisis and was thereby unchanged at around 30% of the public sector's revenue.<sup>4</sup>

### Expected growth in 2021

The BANK of Greenland's growth forecast for 2021 is subject to greater uncertainty than usual. Economic performance will depend on the persistence of the Covid-19 crisis. The decisive factors will probably be how quickly the vaccine can be administered – thereby strengthening consumption in the markets, and among the tourists, that create growth in Greenland – and that there are no significant setbacks.

The BANK of Greenland's estimate for 2021 reflects expectations of moderate growth in the building and construction sector, and a partial *bounce back* for fish prices in 2021. China is one of fisheries' major export markets, and the OECD predicts that the Chinese economy will grow by 8% in 2021.<sup>5</sup> This growth will contribute to driving up demand, although the current challenges as a consequence of the pandemic may delay progress. The prawn quota for 2021 has been raised, and there are indications of increased mineral exploration in 2021. The estimate is thereby not based on a full recovery for tourism, but that for this sector, a significantly lower level of activity again in 2021 must be expected.

In 2020, the BANK of Greenland suffered losses on business customers who, due to the crisis, could no longer fulfil their obligations to the Bank, and this is expected to continue on a smaller scale again in 2021. The Bank has therefore made a substantial provision for losses as a consequence of the crisis. This level of credit loss provisions reflects a precautionary approach, as the Bank generally finds that businesses fared well during the first year of Covid-19. Even though only a very small proportion face difficulties, the credit losses do reflect how some businesses are suffering losses and losing value – particularly in the tourism industry.

### Development in government budgets

Several years' surplus on the OI balance can be assumed to have been followed by a deficit in 2020. In view of the Covid-19 crisis, the Greenland Government adopted a number of financial support measures, which increased public expenditure in 2020. Expenditure on social benefits and emergency aviation also increased, while fisheries taxes fell. The Economic Council has assessed that the deficit may be as high as DKK 500 million in 2020.<sup>6</sup>

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<sup>3</sup> <https://telepost.gl/da/nyheder/tele-post-flere-tusass-kunder-i-bygderne-og-paent-halvaarsregnskab-for-2020>

<sup>4</sup> The block grant from the Danish State accounted for 30% of total operating revenue in 2019. Source: Statistics Greenland.

<sup>5</sup> Article in *Børsen* on 2 December 2020: "OECD: Europa i nødsfor, Kina i raket fart" (OECD: Europe in the emergency lane, China at rocket speed), <https://eavis.borsen.dk/titles/borsen/2065/publications/28254/articles/1256642/21/1>

<sup>6</sup> Economic Council (2020), Greenland's Economy, Autumn 2020.

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In 2021, the Greenland Government also has a budgeted deficit on the OI balance, but as from 2022, once again has a budget surplus, cf. Table 1. In overall terms, and despite the crisis, the Budget Act's requirement for government finances to balance or show a surplus over a four-year period is complied with. It is positive that it has been possible to maintain a budgeted OI balance in equilibrium during the coming four years. In this scenario, a larger budgeted deficit in 2021 is not alarming. In the special economic situation as a consequence of the Covid-19 crisis, a deficit in order to temporarily support healthy businesses in industries subject to lockdown restrictions can be worthwhile in socioeconomic terms. This will be the case if healthy businesses would otherwise be forced to close down and lay off employees, and production would not be resumed immediately once the restrictions were lifted again. In this situation, re-establishing businesses and hiring new employees would entail greater economic costs than when financial support measures are used to help healthy businesses survive.<sup>7</sup>

**Table 1**  
**The Greenland Government's OI balance**

DKK million, annual prices	2017	2018	2019	2020	2021	2022	2023	2024	2017-2020	2021-2024
Budgeted OI balance	+21.7	+11.2	+7.2	+49.6	-76.9	+14.9	+56.4	+30.8	+89.7	+25.2
Actual OI result	+230.3	+132.7	+142.0	-	-	-	-	-	+505.0	-
Difference	+208.6	+121.5	+134.8						+464.9	

Note: A minus indicates a deficit. The figures for 2017-2019 are actual figures, while the figures for 2020-2021 are those adopted for the year, and the figures for 2022-2024 are budget estimates. The total for 2017-2020 excludes 2020 for 'Actual OI result' and 'Difference'. Concerning 2020, the Economic Council expects an actual deficit of up to DKK 500 million as a consequence of the Covid-19 situation.

Source: Finance Act for 2020 and Finance Act for 2021.

A considerable deficit in 2020 and 2021 means that the Treasury will probably have to raise loans. As a consequence of several consecutive years with a surplus on the OI balance, borrowing terms are favourable.

The government debt level was also low compared to the European and Danish levels, cf. Figure 2. At the end of 2019, net interest-bearing debt amounted to 24% of GDP. Comparable ratios for Denmark and the EU were 33% and 78%, respectively. As Covid-19 has not affected Greenland more severely than Denmark and the EU, and since the fiscal-policy sustainability issue also presents a challenge for Denmark and the EU, Greenland has a relatively better starting point.

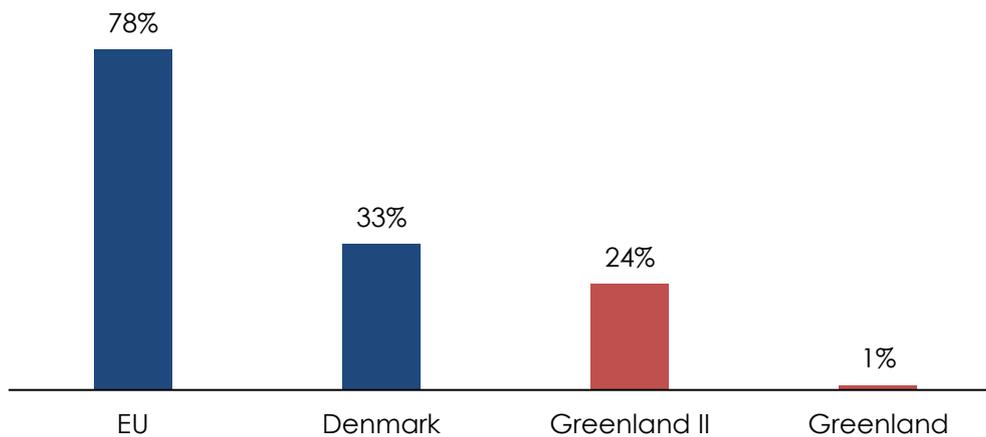
<sup>7</sup> Economic Council (2020), <https://dors.dk/oevrige-publikationer/kronikker-artikler/kan-corona-indgrebene-betale>

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**Figure 2**

**Gross government debt in 2019**

Per cent of GDP



Note: 'Greenland' denotes the Greenland Government and the municipalities' consolidated gross interest-bearing debt as a ratio of GDP. 'Greenland II' also includes the consolidated gross interest-bearing debt of government-owned limited liability companies.

Source: The Greenland Government's Finance Bill for 2020, Statistics Greenland and Eurostat.

Since 2017, the actual government surplus has significantly exceeded the budgeted surplus. The failure to build up greater economic leeway in the government budgets gives grounds for concern, however, as government budgets were buoyed up by extraordinary favourable circumstances in the fishing industry, with record-high fisheries taxes. It is necessary to build up economic leeway in view of the future fiscal-policy sustainability issues, with an ageing population, large cohorts who can soon take retirement, and smaller younger generations and, moreover, this leeway also constitutes a risk-minimising measure when unexpected events with significant negative economic consequences occur, as we have seen in 2020.

### Fisheries

Covid-19 had a negative impact on Greenland's largest export industry. The consequence was declining prices for the most important species, while businesses appear to have managed to sell by and large the same volumes in 2020 as in 2019. As a consequence, catch landing could be held relatively unchanged from 2019. This supported local fishermen's activities, and despite adjustments to prices, this has maintained earnings levels, for the benefit of the local communities, which depend on fisheries. The Covid-19 crisis curtailed demand in the food service sector (restaurants, cafés and canteens, etc.), due to the lockdown, but businesses managed to sell their goods to retail businesses instead. The increased sales to the retail sector, which operates with lower prices than food service, overall reduced prices for fish from Greenland, however.

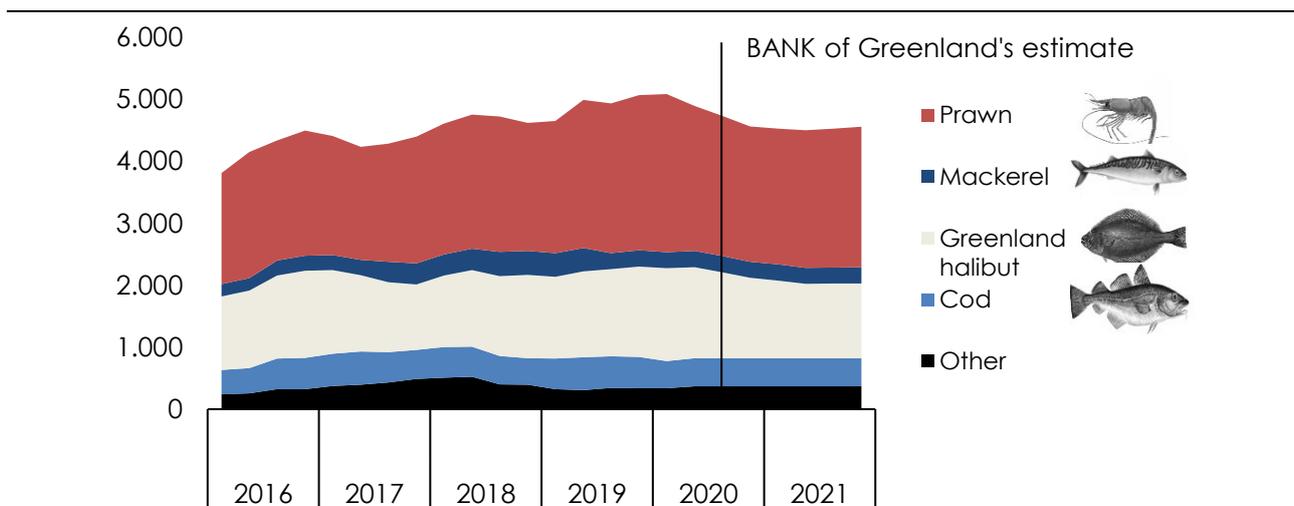
In overall terms, the export value of prawn and fish fell by around 10% from 2019 to 2020, and the export value has thereby declined for the first time since 2017, cf. Figure 3. The export value is back at the 2018 level, and even though the value has fallen, it is still at a high level. There is significant variation in the different fisheries segments, however.

As fisheries is still at a high level, and has not been subject to enforced closure, the Economic Council assesses that it is not appropriate to establish broad financial support and assistance measures for the fisheries industry, in view of the course of the crisis so far. Fisheries has seen changes in demand and

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consequential price fluctuation, but this in itself does not justify the establishment of such measures.<sup>8</sup>

**Figure 3**  
**Annual value of exports of fish and shellfish**  
 DKK million



Note: The figure shows the total for the last four quarters, measured in current prices. For prawn, the estimate for Q3 and Q4 2020 and full-year 2021 is based on unchanged prices from Q2 2020, and an increase in volume terms of +5% compared to the same quarter of the previous year. For Greenland halibut, the estimate is based on an estimated price drop of 17.5% from Q2 2020, and a change in volume terms of -7% in 2020 and +1% in 2021. For cod, mackerel and other species, the estimate is based on the expectation of unchanged volumes and prices compared to the same quarter of the previous year.

Source: Statistics Greenland and own estimates.

In 2021, the prawn quota for West Greenland is set at 115,000 tonnes, which constitutes an increase of 5% from 2020. The quota increase will help to ensure better opportunities for an increase in the value of fisheries exports in 2021. On the other hand, Brexit and the uncertainty concerning the course of the Covid-19 pandemic in the key markets in the UK and China, respectively, present sales challenges and considerable uncertainty concerning the development in 2021.

The quota increase for prawn adheres to the biological advice. The opposite applies to the quotas for cod and inshore Greenland halibut, where once again the quotas set exceed the level of the biological advice significantly.<sup>9</sup> The inshore Greenland halibut quota thereby totalled 25,148 tonnes, which exceeds the biological advice by 73%. For 2021, the biological advice for inshore Greenland halibut represents a reduction of almost 1,700 tonnes, from 16,250 to 14,567 tonnes.<sup>10</sup> For coastal cod fishing, the biological advice for 2021 has declined to 10,566 tonnes. With a quota of 21,000 tonnes for 2021, the quota for coastal cod exceeds the biological advice almost twofold.

It is not sustainable in either economic or biological terms that, for a number of years, the quotas for e.g. Greenland halibut and cod have been set higher than the biological advice levels. Besides the risk of a biological collapse, the importance of sustainable fisheries is particularly apparent when considering Greenland's trade with abroad. Many buyers require MSC (Marine Stewardship Council) sustainability-

<sup>8</sup> Economic Council (2020), Greenland's Economy, Autumn 2020.

<sup>9</sup> In the autumn of 2020, the quota for inshore Greenland halibut (fishing from small boats) for Uummannaq was raised by 528 tonnes. The quota for the small boat segment in Uummannaq was thereby raised to 6,890 tonnes in total, and the overall quota for both vessels and small boats was increased to 10,028 tonnes. The biological advice for Uummannaq amounts to 5,800 tonnes.

<sup>10</sup> This concerns the Disko Bay, Uummannaq and Upernavik areas.

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certified fish and shellfish. Today, Greenland has already achieved MSC sustainability certification of cod, haddock, pollack and prawn (West Greenland), offshore Greenland halibut (West Greenland) and lumpfish (West Greenland), and for these species, the exports from Greenland meet foreign buyers' expectations.<sup>11</sup> The certification of cod, haddock, pollack and lumpfish expired in 2020, and these species must be re-certified in 2021. To achieve MSC certification, fisheries must be based on three key principles<sup>12</sup>:

- Fishing must be at a level that is sustainable for the fish population. This means that fishing must be at a level which ensures that it can continue indefinitely and that the fish population can remain productive and healthy.<sup>13</sup>
- Fishing activities must be managed carefully so that other species and habitats within the ecosystem retain their structure, productivity, function and diversity.
- Fishing must be in compliance with local, national and international legislation and must have a management system in place that can react to changed conditions and maintain sustainability.

In addition, overfishing of inshore Greenland halibut has a direct negative impact on the profitability of the individual fisherman. Besides the influx of additional fishermen, which reduces the individual fisherman's earnings, the stock of inshore Greenland halibut is being depleted. This means that, all other things being equal, individual fishermen have to make more fishing trips and devote more resources, time and costs to catching the same volume of Greenland halibut. In the current situation, with less fish, fisheries thereby entails higher costs, which reduces profitability and undermines the economic basis

At the BANK of Greenland, the consequences of overfishing can be clearly noted. Every month, there are inshore fishermen who are unable to meet their current obligations and face financial difficulties. It is alarming that skilled, hardworking fishermen cannot make an adequate living from their hard work at sea, and that their capital is eroded. As a consequence, these families are severely financially squeezed. Since the autumn of 2019, the BANK of Greenland has declined credit finance applications from new inshore fishermen. This is due to the need to reduce the number of fishermen and curtail the depletion of the fish resources, since the fishing is not managed on a financially and biologically sustainable basis. The BANK of Greenland has previously described this as a "gradual collapse" of inshore fishing, and the course of 2020 has not changed this assessment.

While the quota limits may appear to be a constriction for individual fishermen, restricting their earnings, this is just one side of the coin. As more and more consumers expect sustainability, MSC certification would appear to entail that fishermen can achieve a *premium*, i.e. a higher price, for their fish, compared to a situation where the fishing is not MSC-certified. Based on recent economic analyses of consumers' willingness to pay a premium price for MSC-certified fish, Copenhagen Economics estimates that MSC certification of inshore Greenland halibut fishing can entail a total revenue increase of close to DKK 46 million, cf. Figure 4, if the full catch volume can be sold on these markets. This increase is due to a higher price of around 9%, which is the average premium price that the economic analyses assess that consumers will pay for MSC certification. Even though the willingness to pay a higher price for sustainable fish can vary, and not all markets are ready to pay a premium price, it must be expected that demand for sustainability will spread to more consumers and markets.

It must naturally also be taken into account that, since the volumes will have to adhere to the biological advice, the volumes will decrease outright as a consequence of MSC certification. In the longer term, however, it is not certain that the volumes will remain lower than today.

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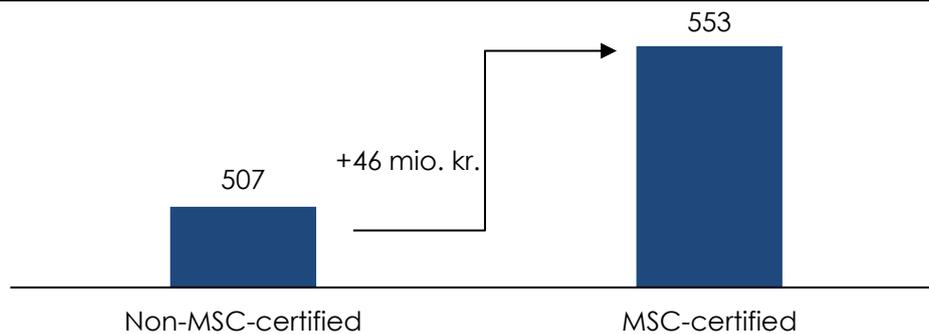
<sup>11</sup> <https://naalakkersuisut.gl/da/Naalakkersuisut/Departementer/Fiskeri-Fangst-og-Landbrug/Fiskeri/MSC>

<sup>12</sup> <http://www.sfg.gl/da/hvad-er-msc>

<sup>13</sup> <https://www.msc.org/dk/standarder-og-certificering/msc-fiskeristandarden>

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**Figure 4**  
**Theoretical price effect of MSC certification on inshore Greenland halibut**  
 DKK million



Note: The calculation was made on the basis of a sales volume for inshore Greenland halibut equivalent to the quota of 26,665 tonnes from 2020. Statistics Greenland shows an average catch price in 2019 of DKK 19 per kg. This gives revenue of DKK 507 million. With a premium of around 9% for MSC certification, the price increases to almost DKK 21 per kg. With an unchanged catch handling volume, this gives revenue of DKK 553 million. The figure of 9% is an average across species in the two analyses mentioned in the source and is therefore not necessarily a precise expression of an expected premium price for inshore Greenland halibut.

Source: Copenhagen Economics on the basis of Statistics Greenland, Bloomquist, Bartolino & Waldo (2020) and Asche & Bronnmann (2017).

Finally, it is also important that the Greenland Government is aware of the signals it is sending out when the quotas are repeatedly set far higher than recommended by the biological advice. In a global world in which Greenland has become significantly more visible in recent years, foreign investors, fish buyers and tourists cannot necessarily distinguish fisheries policy measures, for example, from an overall assessment of Greenland's sustainability profile. In this way, to put it bluntly, Greenland can face the paradoxical situation that a decision to increase the quotas for a given species in one part of the country may reduce investments and earnings in a very different sector, in another part of Greenland.

### Tourism

Covid-19 has had a severe impact on the tourism industry. After several years' progress, in 2020 tourism growth braked sharply. Lockdowns and travel restrictions significantly reduced the number of foreign visitors, and Greenland's entire 2020 tourism season was more or less lost. The significant decline in tourism was, and is, not just a Greenlandic phenomenon, cf. Figure 5.

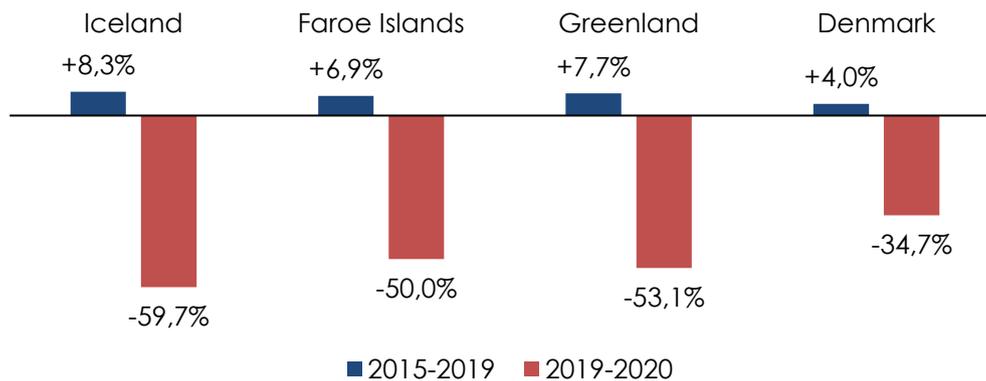
Greenland, Iceland, the Faroe Islands and Denmark all share in common that the number of foreign-tourist overnight stays fell dramatically in 2020.

The decline in tourism is a major setback for Greenland's tourism ambitions, and has led to the deferral of a number of tourism investments, just as the players in the industry are severely affected financially. When a crisis suddenly appears, it is necessary to think out of the box. This was demonstrated by several tourism operators in 2020. One example of this innovation was Visit Greenland's "Nunarput Nuan – our wonderful Greenland" campaign, which encouraged many residents of Greenland to experience their own country. As a consequence, some tourism operators were able to maintain some of their activity in 2020, even though the increase in domestic tourism could not make up for the loss of foreign tourists.

## GREENLAND'S SOCIETY AND ECONOMY

**Figure 5**  
**Growth in tourism measured by the number of foreign-visitor overnight stays**

Average annual growth



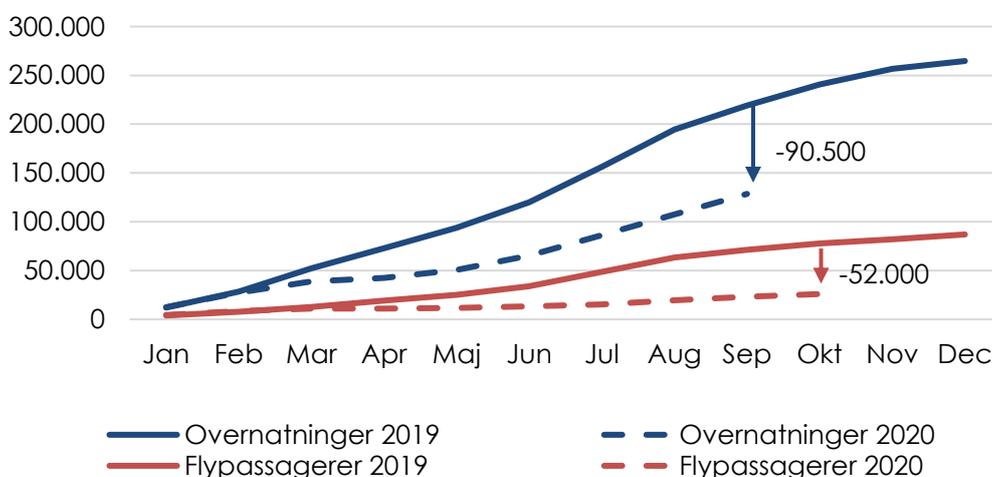
Note: The figure shows the average annual growth in the number of foreign-visitor overnight stays from the 2015 tourist season up to and including the 2019 tourist season, and from the 2019 to the 2020 tourist seasons. The 2020 tourist season is compiled as running from 1 October 2019 up to and including 30 September 2020.

Sources: Statistics Iceland, Statistics Faroe Islands, Statistics Greenland and Statistics Denmark.

Despite an increase in the number of domestic tourists, in the first nine months of 2020 the number of overnight stays fell by 90,500 compared to the same period of 2019, and in the first ten months of 2020 the number of airline passengers dropped by almost 52,000 from 2019, cf. Figure 6.

**Figure 6**  
**Development in the number of airline passengers and hotel overnight stays in Greenland in 2019-2020**

Accumulated number of hotel overnight stays and airline passengers



Note: The figure shows the accumulated number of hotel overnight stays (in total) and the number of airline passengers travelling from Denmark.

Source: Statistics Greenland.

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Tourism is designated as one of the elements in establishing the foundation for a self-sufficient economy. It is therefore necessary for tourism to return to Greenland. In this respect, sustainability plays a key role in the demands made by the tourists of the future. Visit Greenland has sustainability as one of the fundamental principles in its strategy for 2020-2023, including the UN Sustainable Development Goals<sup>14</sup>. It is very positive that Visit Greenland is focused on sustainability, which will be an agenda that can be transformed from a risk that has to be minimised, to an opportunity to stand stronger than competing destinations. There are thus two particular areas in which the Bank assesses that sustainability should be actively incorporated.

*First of all*, tourist businesses must integrate sustainability into their business model. Sustainability can be defined in economic, social and environmental terms. Visit Greenland proposes that sustainability in all three dimensions can be achieved by, for example, recommending tourists to spend longer at each destination, and thereby reduce their climate impact by using local guides, raw materials and drinking water, and avoiding disposable plastic. The BANK of Greenland assesses that the expectations of the individual destinations' and operators' sustainability profile will increase significantly in coming years, with an impact on financing, investment and economic opportunities in the sector.

*Secondly*, the airport policy should also include sustainability. To an increasing extent, airlines and destinations are expected to incorporate CO<sub>2</sub> compensation measures, even though this can be a financial burden. This is a challenge that requires thorough consideration in the light of tourists' expectation that they will be able to travel sustainably. In other countries, airlines and travellers are already using the opportunity for CO<sub>2</sub> compensation for their travel. A case in point is SAS, whose passengers can pay extra for biofuel and thereby reduce the CO<sub>2</sub> impact of their trip.<sup>15</sup> At the BANK of Greenland, we view the green agenda as a growth driver and business development opportunity for Greenland's tourism, and Visit Greenland's strategy is a key element.

Airports in Greenland command a natural monopoly, since it is only possible to fly to one airport in order to get to e.g. Ilulissat. Natural monopolies are not exposed to competition, and in many countries the airports' rates for airlines are governed by WACC regulation.

Often either the *dual-till* or *single-till* principle is used to observe the WACC regulation. The *dual-till* principle means that the airport may retain all of its earnings on non-aeronautical, i.e. non-airline-related, activities. This increases the incentive to invest in the airports' commercial activities, which among other things means renting out retail premises in the airport. The income from non-aeronautical activities is thus not used to reduce rates for the airlines, and the entire revenue can be retained.

The other option is the *single-till* principle, whereby all of the airport's costs, less income from non-aeronautical activities, are included when the rates are determined. In practice, this means that the income from non-airport-related activities is included and used to subsidise the aviation side, leading to lower prices for the airlines.<sup>16</sup>

The aim of the regulation is to give the airports an incentive for investment and development, but also to set a ceiling on the price that the airports may require airlines to pay for their aircraft to use the airport. The aim is to ensure economic growth by keeping airport taxes low, since they are a key parameter of the competition with other destinations. The lower the price the airlines have to pay to use the airport, the lower the airfares, and the greater the socioeconomic value of the airport.

### Construction

During 2020, there was sustained high growth in construction in Greenland. Previously, consumption by the

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<sup>14</sup> The following four Sustainable Development Goals are must-wins in Visit Greenland's strategy: 4 Quality Education, 8 Decent Work and Economic Growth, 12 Responsible Consumption and Production, and 17 Partnerships for the Goals; see the strategy here: <https://traveltrade.visitgreenland.com/da/wp-content/uploads/2020/02/Strategi-DA-060220.pdf>

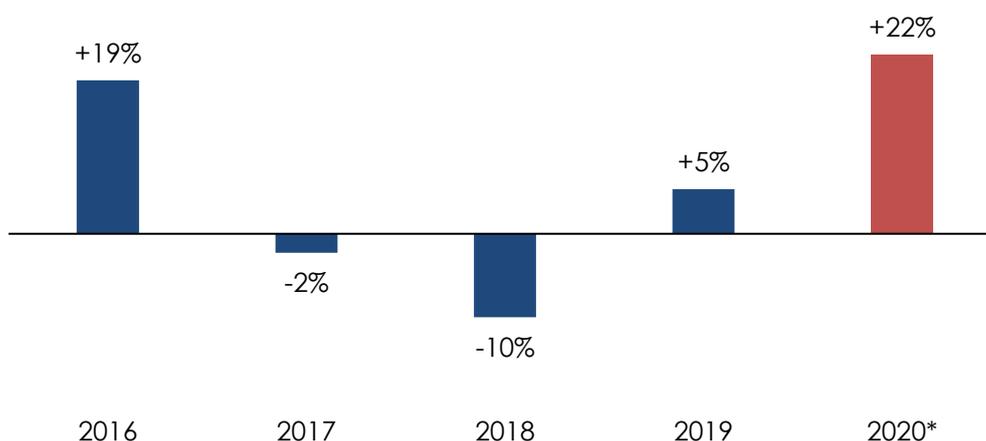
<sup>15</sup> <https://www.sas.dk/baredygtighed/>

<sup>16</sup> Copenhagen Economics for the Greenland Government (2014), "Liberalisering af Grønlands lufthavne" (Liberalisation of Greenland's Airports).

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Civil Engineering and Renovation Fund served as an indicator of capacity utilisation in Greenland's building and construction industry, but the fund's significance has declined as other (private) investors have appeared. Furthermore, the Greenland Government invests via other companies, including for the construction of the new airports<sup>17</sup>, and thereby not directly via the Civil Engineering and Renovation Fund. Instead, the high growth in construction is reflected in growth of no less than 22% in the value of goods for building and construction enterprises in the first three quarters of 2020, compared to the first three quarters of 2019, cf. Figure 7.

**Figure 7**  
**Import of goods for building and construction enterprises**  
 Growth compared to one year before



Note: The figure shows the growth in the value of goods imports by building and construction enterprises compared to one year before. \*For 2020, growth is measured for the first three quarters of 2020 compared to the first three quarters of 2019.

Source: Statistics Greenland.

In contrast to many other sectors, construction activity did not slow down as a consequence of Covid-19. In other words, construction activity could continue by and large unchanged, despite the lockdowns in the spring. Some projects were delayed, however, as a consequence of delays in the imports of required materials or recruitment of the necessary manpower.

The lack of (qualified) manpower is a clear sign that activity in the building and construction sector was and still is high. Since 2017, an average of 64% of building and construction enterprises in Copenhagen Economics' cyclical indicator have responded that they lack manpower. This figure had increased to 100% of enterprises after the first half of 2020, cf. Figure 8.

The shortage of manpower has contributed to pushing up the prices of projects. On this basis, some projects were not initiated as planned in 2020. In 2020, the tendering round for the construction of an airport in Qaqortoq was cancelled because the prices in the five bids received were too high compared to Kalaallit Airports Domestic A/S' construction budget.<sup>18</sup> This may also prove to be the case for other future projects. The BANK of Greenland assesses that the high level of construction activity will continue in the coming years. This is because some projects that should have been executed by now have been deferred until later years.

<sup>17</sup> The Greenland Government invests in airport projects via Kalaallit Airports.

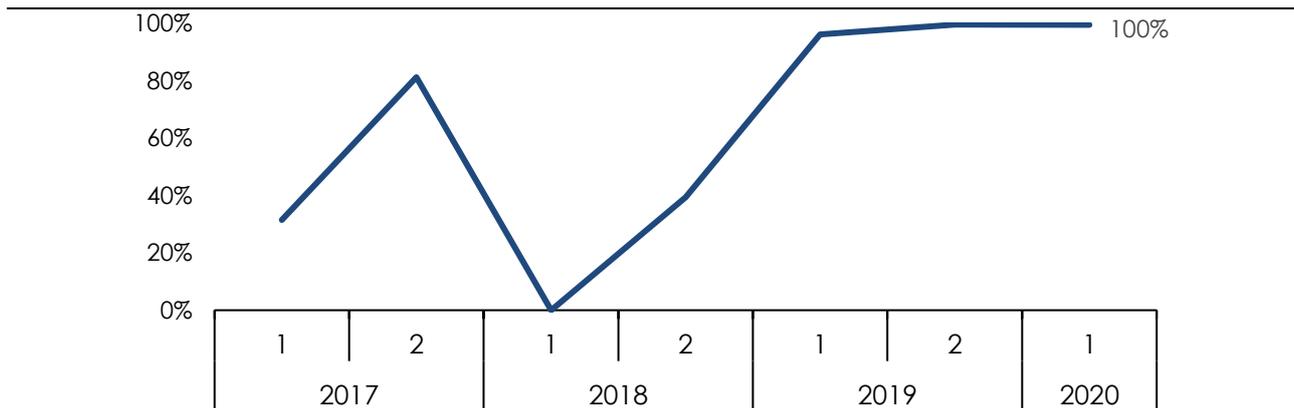
<sup>18</sup> <https://kair.gl/da/Nyhedsarkiv/2020/8/Kalaallit-Airports-Domestic-AS-annullerer-udbud-af-landingsbane-og-lufthavnsbygninger-i-Qaqortoq>

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**Figure 8**  
**Lack of manpower among building and construction enterprises**  
 Weighted share of responses



Note: In the questionnaire, enterprises were asked about factors limiting growth. The figure shows the proportion of enterprises responding that their growth is limited by the lack of manpower. In the calculation, the enterprises are weighted in terms of their size, measured by employment, and in their responses, the enterprises are requested to take account of customary seasonal fluctuations.

Source: Copenhagen Economics' cyclical indicator.

It is positive that currently more and more private investors are engaged in investment in new construction. For these investors, including those abroad, stable framework conditions, enabling them to estimate the return on an investment with a reasonable degree of certainty, are of great importance. This not only applies to the building and construction sector. For some investors, varying interpretations of key elements of legislation between the Greenland Government and the municipalities can lead to significant uncertainty concerning the expected return on a planned investment. A case in point is PensionDanmark's recent withdrawal from a construction project in Nuuk. PensionDanmark withdrew as an investor due to conflict between the Greenland Government and Kommuneqarfiik Sermersooq concerning private rental homes. The conflict could affect the future private rental housing regulations, and due to this uncertainty, PensionDanmark withdrew from the project. Political discussion concerning specific legislation is at the heart of politicians' work, but how this is handled in practice can be of great significance for any player embarking on new economic activities. At a time of increased worldwide focus on Greenland and easy access to information, new risks are arising concerning case management and signal effects, and these risks need to be addressed, so that Greenland can continue to attract investment and essential know-how from beyond its borders.

### Housing market

Greenland's housing market has not been affected by the Covid-19 crisis, and the BANK of Greenland assesses that the market's performance is driven by local conditions. In the largest market, residential properties in Nuuk, home sales were at the same level as in recent years. After the price increase from 2018 to 2019, owner-occupied flats are sold at prices close to the 2019 level. In other large towns, sales are limited by the market's modest size, yet the Bank nonetheless assesses that homes are sold at stable prices, while in Ilulissat there is a degree of upward pressure on prices.

The market in Nuuk is assessed to be positive, with good sales levels and short listing times. Prices do, however, appear to present challenges for some first-time buyers, for whom price and financing of down payments can be an impediment. This leads buyers to opt for slightly smaller homes. The BANK of Greenland has also seen transactions in which the high price level does not justify the customary mortgage financing, with a higher down payment being required. Both of these factors indicate that there is demand for private homes, so that there will continue to be a basis for and need to increase residential construction, as

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seen for the largest towns to varying degrees. This will furthermore ease the pressure on non-profit residential construction.

As public loans are phased out in Nuuk, going forward new residential construction will be based solely on customary mortgage credit and bank financing, as well as down payments. In view of the historically low level of interest rates and increases in property prices from 2018 to 2020, the Bank assesses that it is a positive and stabilising market factor that the usual market conditions, without interest-free public loans, once again apply. This also releases public funds for other purposes.

So far, sustainability has had only little impact on residential construction and the housing market, but the green transformation of the energy area, increasing energy optimisation and materials requirements, and the opportunities for e.g. environmental loans for energy optimisation, will gradually drive property values up or down, depending on the sustainability rating of the individual home.

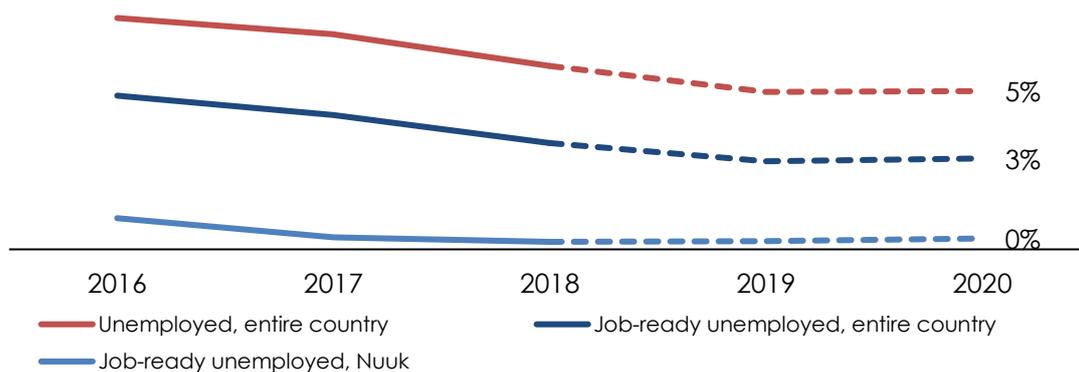
### Labour market

In global terms, Covid-19 has pushed up unemployment significantly, but in Greenland this increase has been modest. In overall terms, unemployment did not rise in 2020 compared to 2019, and the ratio of job-ready job-seekers was still only 3% of the total workforce at the end of 2020, cf. Figure 9. At the start of the Covid-19 crisis, many feared soaring unemployment. Fortunately, this did not materialise, which to a great extent is due to the stable economy and the financial support measures introduced, which helped to mitigate the impact on the labour market. The financial support measures have therefore had the required effect, although the BANK of Greenland agrees with the Economic Council's assessment that these measures should be phased out. <sup>19</sup>

**Figure 9**

### Unemployment

Unemployed persons as a percentage of the labour force



Note: The number of unemployed is the number of job-seekers, less non-residents and persons who gained employment within the same month in which they were registered as unemployed. The number of job-ready job-seekers is found by weighting the number of unemployed by the ratio of job-seekers assessed to be job-ready (falling in match group 1) by the local labour market office. Note that the match grouping across municipalities is not identical, and that in Kommuneqarfik Sermersooq, for example, job seekers are grouped as match group 2 unemployed relatively more quickly. Unemployment in Nuuk can therefore seem 'artificially' low compared to the national average. In 2020, the number of unemployed is an average for the year up to and including October. Since data is not yet available, the number of unemployed in both 2019 and 2020 is estimated using the number of unemployed as a ratio of registered job-seekers in 2018. Unemployment in 2019 and 2020 is measured as a ratio of the workforce in 2018, since the latest data is from 2018.

Source: Copenhagen Economics based on Statistics Greenland.

<sup>19</sup> Economic Council (2020), Greenlandic Economy, fall 2020

## GREENLAND'S SOCIETY AND ECONOMY

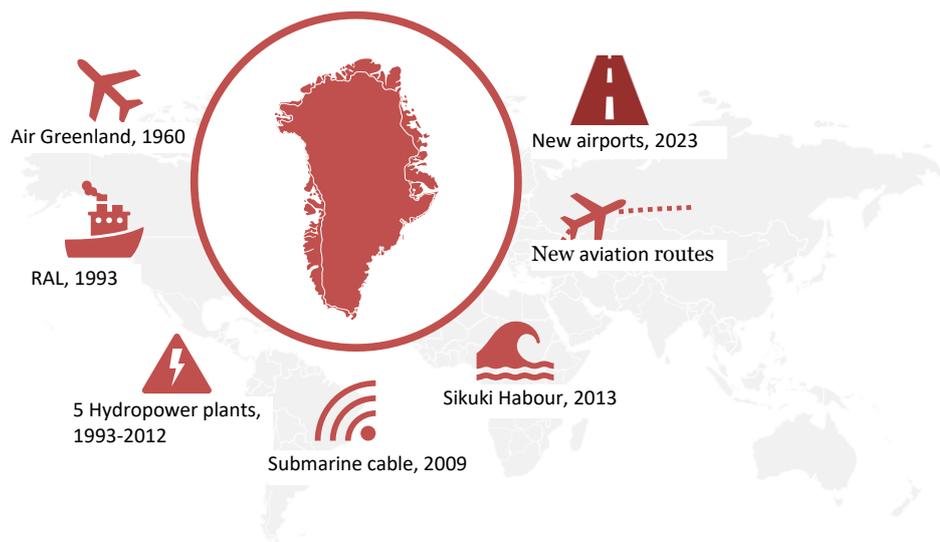
Despite the low overall employment rate, there are still structural challenges in the labour market. With prospects of economic growth in 2021, this is a problem that will not disappear in the coming years. The unemployment rate is almost 20 times higher among people with only lower-secondary level educational qualifications, compared to those with higher educational qualifications. The lack of qualified manpower has in several instances prompted a debate as to whether Greenland should introduce a fast-track scheme for manpower from abroad. Under a fast-track scheme, companies with advance approval would quickly be able to bring in the necessary manpower. A further step was taken in 2020, with work on a specific solution in collaboration with the Danish Ministry of Immigration and Integration, and a fast-track scheme for the health service is now in place. The BANK of Greenland assesses that fast-track schemes can serve as good buffers for cyclical fluctuations, which makes it positive that a scheme for the health service is being introduced, as a first step. The health service has a big shortage of manpower, but it is also important that any such scheme also includes other sectors.

### Spotlight on Greenland

The world has discovered Greenland and its people and enterprises now have easier access to the rest of the world. During the last three decades, Greenland has built up a stronger infrastructure and international connections. Examples of significant infrastructure improvement initiatives are the establishment of Royal Arctic Line in 1993, the development of hydropower, new aviation routes, Eimskip and Royal Arctic Line's and Sikuki Nuuk Harbour's most recent investments, Tele Greenland's establishment of a fibre submarine cable system, and the expected completion of new airports. The infrastructure improvements during the last three decades were a precondition for achieving the opportunities presented by today's increased international focus. In view of the current sharper focus on the Arctic, Greenland is now in the unique position of being able to shape its own destiny. Yet new opportunities also entail risks, and how Greenland conducts itself in the next few years will determine whether it is able to exploit these opportunities.

**Figure 10**

**Greenland's infrastructure and international connections have been strengthened**



Note: The four events highlighted are examples of events that increased Greenland's ties to the rest of the world.

Source: Illustration by Copenhagen Economics.

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### **Greater awareness and better access create new opportunities**

Improved infrastructure and international connections enable a country's businesses and people to utilise the opportunities presented by closer integration with the global economy. This gives more scope for investment than the country itself can generate, and thereby also access to new know-how.

A clear example of this is the minerals sector, in which investments and operations are driven by international operators. Most recently, the Australian company Tanbreez has been granted a utilisation licence for Killavaat Alannguat in Southern Greenland<sup>20</sup>, and the British company Bluejay Mining, via Dundas Titanium A/S, has been granted a utilisation licence for Moriusaq in Northwestern Greenland.<sup>21</sup> In view of the 2019 Minerals Strategy's ambition to increase mineral activities and achieve more foreign investment in exploration, increased economic contributions from this foreign investment are expected.

This increased awareness is also apparent from the recent Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Greenland on enhancing cooperation on fisheries and related issues.<sup>22</sup> The Memorandum of Understanding will be an important step in ensuring Greenland's exports of fish to the UK as from and including 2021. Furthermore, both the USA and the UK have focus on Greenland, with the establishment of a US consulate in Nuuk, and an All-Party Parliamentary Group for Greenland in the British Parliament.

There are also new opportunities in the education area, as the Covid-19 crisis has opened up online teaching as an area of opportunity. Thanks to good internet connections, remote learning is possible. This has the potential to break down a significant barrier within higher education, because young people in Greenland will no longer have to travel far in order to achieve qualifications. It is still important to gain vital inspiration from educational programmes abroad, but in future this will no longer be the sole privilege of students who are able to travel abroad.

It has been predicted that, in some areas, online teaching may completely replace classroom lessons in the future.<sup>23</sup> Online teaching will make the supply of education programmes more flexible, making it easier to match the labour market's demand. The transition to virtual classrooms will, however, require a change in how teaching is organised and education is structured in Greenland. But this initiative could play a vital role in achieving the much-needed improvement in the general level of education.<sup>24</sup>

A fundamental requirement is to improve the results achieved in lower secondary schools. This will ensure that every young person has the opportunity to choose vocational or academic upper secondary education and, in some cases, higher education. The higher the level of education, the firmer the ties to the labour market, with the opportunity to earn a higher salary. This would be good for the individual, and also for the country's economy. Even though progress is being made, the pace is too slow. The BANK of Greenland has previously described the education area and still considers it to be the single most important factor in developing Greenland and its economy.

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<sup>20</sup> See e.g. <https://naalakkersuisut.gl/da/Naalakkersuisut/Nyheder/2020/08/130820-Tanbreez-faar-meddelt-en-udnyttelsestilladelse>

<sup>21</sup> [https://naalakkersuisut.gl/da/Naalakkersuisut/Nyheder/2020/12/1112\\_dundas](https://naalakkersuisut.gl/da/Naalakkersuisut/Nyheder/2020/12/1112_dundas)

<sup>22</sup> [https://naalakkersuisut.gl/da/Naalakkersuisut/Nyheder/2020/11/0911\\_fiskeriaftale](https://naalakkersuisut.gl/da/Naalakkersuisut/Nyheder/2020/11/0911_fiskeriaftale)

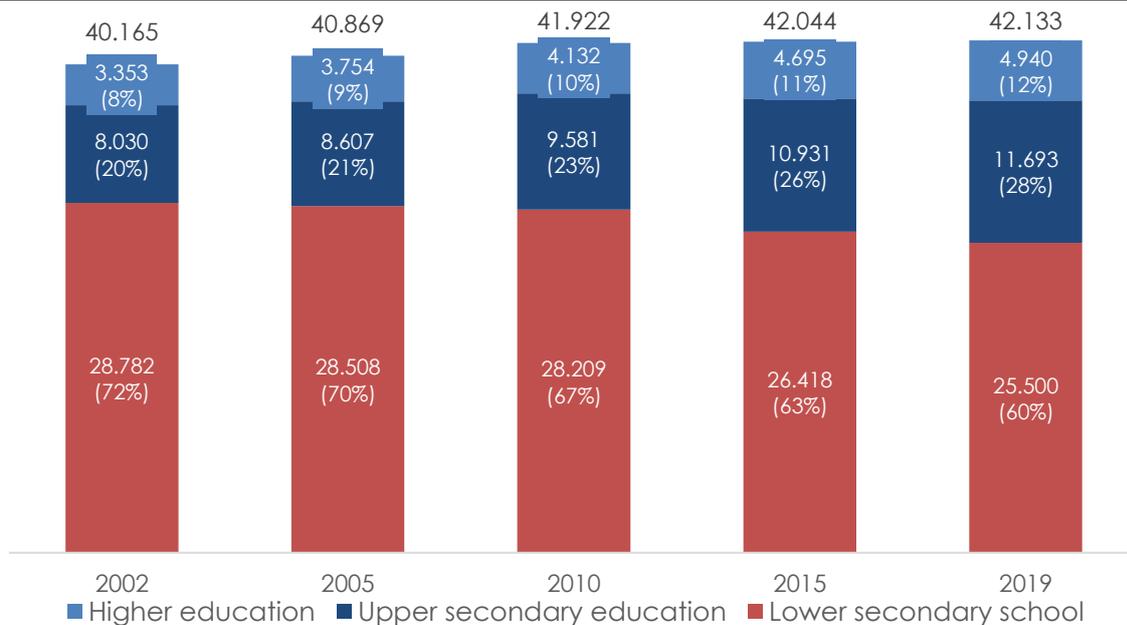
<sup>23</sup> Forbes (2020), The Rise Of Online Learning, <https://www.forbes.com/sites/ilkerkoksal/2020/05/02/the-rise-of-online-learning/?sh=337dcf2b72f3>

<sup>24</sup> McKinsey & Company (2020), New global data reveal education technology's impact on learning, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/new-global-data-reveal-education-technologys-impact-on-learning>

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**Figure 11**  
**The population's highest completed education programme (16-74 years), 2002-2019**

Number



Note: Some percentages will add up to more than 100%, due to rounding of the figures.

Source: Copenhagen Economics based on Statistics Greenland.

There are still challenges in the social welfare area. Too many children have a childhood marked by neglect and parents who fail to live up to their responsibilities. As an integrated player in a global world, there are far better opportunities now than ever before to cooperate with other countries and organisations. One example is the joint Greenlandic-Danish initiative in the social welfare area. Under this agreement, Denmark has allocated DKK 80 million to implement recommendations for strengthened initiatives for vulnerable children and young people.<sup>25</sup>

**Sustainability required across the board**

The increased exposure, with the new opportunities it presents, also turns the spotlight on Greenland, and what we have to offer is assessed according to international standards. The examples from fisheries and tourism, where the sustainability agenda is already influencing markets and decisions, will soon apply to virtually every sector.

The mining industry requires heavy machinery that is often powered by fossil fuels, so that this industry is rarely associated with sustainability. But electrification based on e.g. green energy is one of the opportunities open to Greenland. Sustainability is becoming more and more important for the mining industry and, as in other sectors, the sustainability transformation has gained momentum in recent years. A case in point is the major Swedish mining company, LKAB, which extracts iron ore. In November 2020, LKAB announced a highly ambitious strategy to make the company CO<sub>2</sub>-neutral by 2045. This transformation is described as the

<sup>25</sup> The Danish Ministry of Social Affairs and the Interior, the Danish Ministry of Justice and the Government of Greenland (2020), Greenlandic-Danish interdisciplinary work to strengthen initiatives for vulnerable children and young people in Greenland.

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## GREENLAND'S SOCIETY AND ECONOMY

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biggest investment in Sweden's history. The transformation to CO2-neutral production will make LKAB part of the sustainable solutions of the future, rather than part of the problem.<sup>26</sup>

Greenland will have new activities in the minerals area, and this will affect our CO2 footprint. Yet if electrification, or other elements of sustainable mining operations, become part of Greenland's minerals industry, this may generate the required growth and will also be more compatible with e.g. tourists' and investors' expectations of a sustainable Arctic nation.

Companies' focus on sustainability and the UN Sustainable Development Goals is not only vital to reversing the negative environmental development, since if companies do not become sustainable, they risk losing investment or revenue, and may also see how the value of their current assets is eroded. Boston Consulting Group assesses that investments in companies that incorporate ESG (Environmental, Social, and Governance performance) factors perform better and yield higher returns than investments in companies that do not incorporate the ESG factors.<sup>27</sup> One consequence is that it becomes more expensive for non-sustainable companies to attract investments and financing, and that, all other things being equal, the value of their current assets declines. Companies that fail to incorporate sustainability into their business models may find that they are jeopardising their prospects in the immediate future.

### **What is needed to harvest these opportunities?**

The new attention being paid to Greenland is creating opportunities that we must harvest, but also risks that need to be avoided. As described under each main topic, the new interest from abroad and the sustainability agenda are already affecting every sector, or will do so in the near future. The BANK of Greenland can identify two important steps on the path to ensuring that companies and society harvest the opportunities and avoid the risks:

*First of all*, we believe that the Government of Greenland must continue to adopt and communicate ambitions and, not least, strategies within the major areas of opportunity. This concerns the new business areas such as tourism and minerals, but also housing, construction, fisheries, energy, education and social welfare. While the tourism and minerals areas have made good progress with cohesive strategies, there is still a need to devise strategies for the rest of the economy, under *sustainability* as the common denominator. Solutions can be based on one sector at a time, but should preferably encompass both the public and private sectors.

*Secondly*, there is a need for companies to develop and change their business models so that they can harvest the benefits and address the risks entailed by the sustainability agenda.

The question is whether, some years from now, Greenland will be the country that did not do anything, did not fulfil stakeholders' sustainability expectations, lost ground to their competitors, and failed to reap the benefits of the positive interest? Or whether Greenland and Greenland's companies have been part of a winning team and have made adjustments and used this positive interest and sustainability to drive their growth.

In all circumstances, the BANK of Greenland views this as a very exciting future, presenting unique opportunities.

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<sup>26</sup> <https://www.lkab.com/en/news-room/press-releases/historic-transformation-plan-for-lkab-the-biggest-thing-we-in-sweden-can-do-for-the-climate/?aid=16447>

<sup>27</sup> Boston Consulting Group (2019), How Asset Managers Can Seize the Lead in Sustainable Investing, <https://www.bcg.com/en-nor/publications/2019/asset-managers-seize-lead-sustainable-investing>

## IN BRIEF ABOUT the BANK of Greenland

### About the BANK of Greenland in brief

The BANK of Greenland was established in 1967 by a group of Danish banks. The founding general meeting was held on 26 May 1967 at Danske Bankers Fællesrepræsentation's premises in Copenhagen. This marked the birth of the first bank in Greenland. The Bank opened on 1 July 1967.

Nine months before, Bikuben (restructured in 1985 as Nuna Bank) established a branch in Nuuk. In 1997, the BANK of Greenland and Nuna Bank merged.

### The BANK of Greenland's mission

*"The BANK of Greenland creates value through advisory services and other services in the financial area for all citizens of Greenland. We support society by promoting financial understanding, cooperating with educational institutions and the business community, and supporting sustainable local initiatives and development."* the Bank's mission should thus be viewed in a broader perspective whereby the BANK of Greenland can be seen as the BANK for all of Greenland. This imposes an enhanced responsibility to participate positively and actively in society's development and to help to create opportunities in Greenland, while also ensuring sound financial activities. The BANK of Greenland is highly aware of this vital role.

### The BANK of Greenland's values

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's strategy, vision and objectives

"Strategy 2023" supports the vision and objective to be "Greenland's best company – for the benefit of Greenland". The strategy determines the Bank's key development areas for the coming years, as well as setting out an overall action plan. The Bank seeks to involve all employees in supporting the Bank in achieving the specific goal of being "Greenland's best company – for the benefit of Greenland".

The BANK of Greenland hereby wishes to ensure the continued favourable development of the Bank through balanced focus on the four main areas:

***Greenland's best customer experience, best at employee development, best at business development, and we create growth in Greenland.*** On an annual basis, the main areas are included in objectives which are continuously adjusted to the long-term strategy and vision for 2023. The BANK of Greenland will thereby ensure that we continue to give value to society and are the preferred bank for customers, shareholders and employees, and that we thereby fulfil the vision to be "Greenland's best company – for the benefit of Greenland".



Figure 1 the Bank's vision 2023 – Greenland's best company – for the benefit of Greenland.

## SUMMARY OF FINANCIAL HIGHLIGHTS AND KEY FIGURES

(DKK 1,000)

	2020	2019	2018	2017	2016
<b>Selected operating items:</b>					
Net interest and fee income	326,513	323,507	316,647	312,528	292,686
Value adjustments	136	9,585	-1,546	-6,368	-12,899
Other operating income	5,369	5,722	5,385	5,240	4,854
Staff and administration expenses	178,734	170,895	160,457	155,510	147,133
Depreciation and impairment of tangible	6,948	6,672	6,765	6,840	5,981
Other operating expenses	2,610	2,788	2,011	2,709	4,136
Write-downs on loans and receivables, etc.	12,828	7,959	10,938	13,734	13,971
<b>Profit before tax</b>	<b>130,898</b>	<b>150,500</b>	<b>140,315</b>	<b>132,607</b>	<b>113,420</b>
Tax	34,671	20,582	27,423	24,986	4,547
<b>Profit for the year</b>	<b>96,227</b>	<b>129,918</b>	<b>112,892</b>	<b>107,621</b>	<b>108,873</b>
<b>Selected balance sheet items:</b>					
Lending	4,006,248	3,758,736	3,472,174	3,335,119	3,073,861
Deposits	5,847,772	5,687,451	4,899,044	4,205,612	4,822,362
Equity	1,176,917	1,077,676	999,159	958,458	926,210
Total assets	7,438,325	7,089,915	6,164,536	5,355,010	5,911,496
Contingent liabilities	1,621,831	1,479,537	1,277,604	1,161,181	1,216,537
<b>Key figures for the Bank (in per cent)</b>					
The period's return on equity before tax and after dividend	12.1	15.6	15.6	15.4	13.4
The period's return on equity after tax and after dividend	8.9	13.5	12.0	12.5	12.9
Capital ratio	23.5	23.4	22.7	22.7	21.2
Individual solvency requirement	11.2	11.9	10.3	10.4	10.1
<b>Key ratios per share in DKK</b>					
Profit for the year per share, before tax	72.7	83.6	78.0	73.7	63.0
Profit for the year per share, after tax	53.5	72.2	62.7	59.8	60.5
Net book value per share	654	599	555	532	515
Dividend per share	25	0	30	30	55
Closing share price	590	545	545	649	614

### Definition of key figures for the Bank

*The period's return on equity before tax and after dividend*

Profit before tax as a ratio of equity less the taxable value of dividend

*The period's return on equity after tax and after dividend*

Profit after tax as a ratio of equity less the taxable value of dividend

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## MANAGEMENT'S REVIEW FOR 2020

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### Principal activity

The BANK of Greenland's principal activity is to offer financial services to private customers, business customers and public institutions. The Bank's private customers are resident in Greenland and Denmark, while business customers are primarily from Greenland. The Bank wishes to offer a wide product range that is adapted to Greenland's society and customers' requirements, combined with professional advisory services.

### Statement of income

Net interest income increased by TDKK 108 compared to the same period of 2019.

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 measures reduced the negative impact on net interest income in 2020. On the other hand, lower bond holdings and a lower level of lending during part of the year meant that the Bank's interest income from these areas fell slightly from 2019.

Dividend on the Bank's shareholdings amounts to TDKK 1,222, compared to TDKK 2,329 in 2019.

Fee and commission income increased by TDKK 4,189 from 2019 to 2020. This reflects a good increase in guarantee commission and in the securities item. Loan case fees showed a small decrease from 2019. Net interest and fee income increased by a total of TDKK 3,006 to TDKK 326,513.

Other operating income, primarily external rental income on the Bank's residential properties, amounted to TDKK 5,369, compared to TDKK 5,722 in 2019.

Staff and administration expenses increased by TDKK 7,839 to TDKK 178,734. This increase concerns both staff expenses and administration expenses. It was expected that the Bank's increasing business volume in recent years would require an increase in staff numbers in 2020. The average number of full-time employees increased by around five people in 2020. Administration expenses increased by TDKK 2,642. The change reflects cost decreases that are primarily due to the impact of the Covid-19 pandemic on such activities as training and travel, as well as cost increases for, most significantly, BEC, consulting, recruitment costs and non-recurring costs as a consequence of Covid-19.

Depreciation of property and fixtures and fittings is at the 2019 level, amounting to TDKK 6,948, compared to TDKK 6,672 in 2019.

Other operating expenses decreased by TDKK 178 to TDKK 2,610. Other operating expenses primarily concern operation and maintenance of bank buildings, and contributions to guarantee and settlement assets.

The profit before value adjustments and write-downs is thereby below the 2019 level, amounting to TDKK 143,590, compared to TDKK 148,874 in 2019.

## MANAGEMENT'S REVIEW FOR 2020

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

(DKK 1,000)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest and fee income	84,306	81,098	78,230	82,880	81,261	81,930	79,792	80,554
Costs, depreciation and amortisation	51,832	46,028	43,920	46,511	46,544	42,214	46,028	45,569
Other operating income	2,025	1,122	1,134	1,087	1,442	1,402	1,383	1,495
Profit before value adjustments and write-downs	34,499	36,192	35,444	37,456	36,159	41,118	35,117	36,480
Value adjustments	4,828	2,638	4,306	-11,636	-238	7,230	-621	3,214
Write-downs on loans, etc.	2,435	549	655	9,190	1,344	1,828	2,967	1,820
Profit before tax	36,892	38,281	39,095	16,630	34,577	46,520	31,529	37,874

Considering Q4 2020 in isolation, net interest and fee income amounted to TDKK 84,306, compared to TDKK 81,261 for the same period of 2019. Total costs are extraordinarily high, amounting to TDKK 51,832, compared to TDKK 46,544 in Q4 2019. The increase is due to such factors as additional non-recurring costs for pension development, and higher holiday pay and overtime obligations booked in Q4. Write-downs and provisions at TDKK 2,435 are slightly higher than for the same period last year and are due to a revised management addition as a consequence of Covid-19. The profit before tax in Q4 is thereby TDKK 36,892, compared to TDKK 34,577 for the same quarter of 2019.

For the overall year, value adjustment of securities and currencies resulted in a gain of TDKK 136, compared to a gain of TDKK 9,585 in 2019. Value adjustments in 2019 were affected extraordinarily positively, at an amount of TDKK 8,638, by the Bank's share of the sale of Sparinvest Holding to Nykredit. In 2020, the financial markets were affected by unrest as a consequence of Covid-19. In March 2020, the Bank adjusted its bond portfolio in order to reduce the risk. After Q1, value adjustments developed positively.

Impairment of loans, etc. amounted to TDKK 12,828, which is TDKK 4,869 higher than for 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. Fisheries is also affected, but the directly impacted exposure for the Bank is limited. Other sectors are still assessed to be only slightly affected. Unemployment and the housing market are by and large unaffected. The review resulted in increased write-downs, as a management reserve.

The management reserve includes a Covid-19 sector and cyclical addition that gives weight to the sectors assessed to be subject to direct and derived impacts. The total Covid-19 write-downs, including the management reserve, amount to approximately DKK 20 million, including amounts for derived cyclical effects. Further write-downs concerning relevant customers have been made for an additional around DKK 10 million.

After the reversal of a number of write-downs in stage 3 in 2020, total net write-downs in 2020 are modest, amounting to 0.2% of the Bank's loans and guarantees. Write-downs and provisions on the Bank's loans and guarantees are still at a limited level, despite the impact of Covid-19, and thereby reflect the continued strong credit standing of the Bank's customers in Greenland.

In view of the impact of Covid-19, the profit before tax is a satisfactory TDKK 130,898, compared to TDKK 150,500 in 2019. The profit for the year is thereby at the high end of the revised estimates made on the outbreak of Covid-19 in the spring of 2020, and at the top end of the most recently announced interval of DKK 128-131 million. The result gives a return on equity before tax of 11.6%.

## MANAGEMENT'S REVIEW FOR 2020

Tax is calculated at 26.5% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses. The profit after tax is TDKK 96,227 in 2020, giving a return on equity after tax of 8.5%.

### Balance sheet and equity

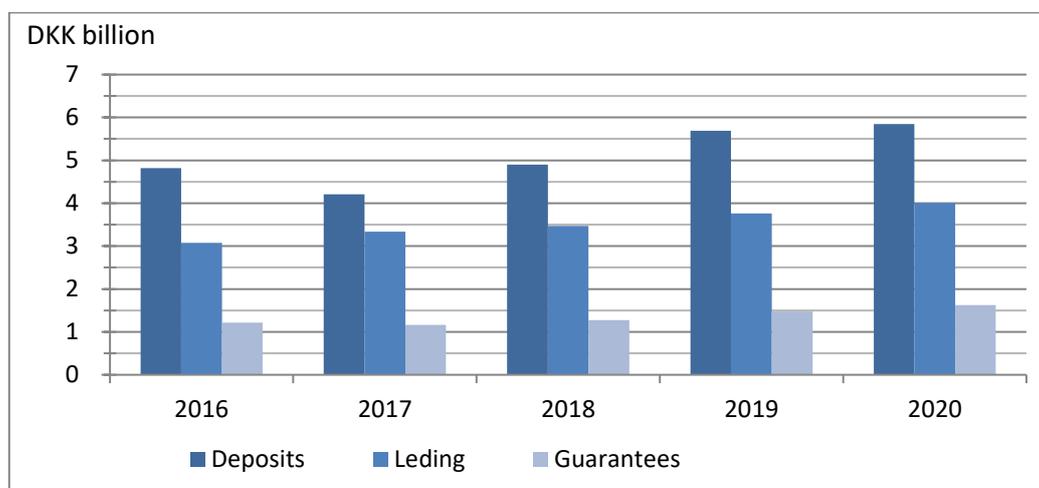
The BANK of Greenland's balance sheet at year-end 2020 totals TDKK 7,438,325, which is an increase of TDKK 348,410 from 2019. Deposits decreased in Q4 2020, amounting to TDKK 5,847,772 at year-end 2020. Compared to 2019, this is an increase of TDKK 160,321. The Bank's deposits are mainly held on demand.

Lending increased significantly in Q4, by TDKK 271,250 to TDKK 4,006,248. Compared to 2019, this is an increase of TDKK 247,512, or 6.6%. As expected, guarantees increased during the year, by TDKK 142,294 to TDKK 1,621,831. The increase was primarily in the Bank's mortgage finance guarantees, which is related to the increased lending to the real estate segment in recent years.

Total loans and guarantees thereby increased very satisfactorily, by TDKK 389,806 in total to TDKK 5,628,079, and are thereby at the highest-ever level.

The pension area, expressed as assets in pool schemes, increased by 97% in 2020, to TDKK 229,650.

Other assets decreased by TDKK 40,028 to TDKK 82,241. This is primarily due to adjustment of the Bank's capital contributions to BEC.



*Development in business scope*

Equity amounts to TDKK 1,176,917, compared to TDKK 1,077,676 at the end of 2019. Share capital amounts to TDKK 180,000. The Bank has no hybrid or other subordinate loan capital. The capital ratio is 23.5, compared to 23.4 in 2019.

### Uncertainty of recognition and measurement

The main uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees, the valuation of financial instruments, and properties. The management assesses that the uncertainty concerning the presentation of the accounts for 2020 has increased as a consequence of the estimates required to counter the risks related Covid-19.

### Compliance and anti-money laundering

The Danish FSA conducted an ordinary inspection visit in 2019, with a concluding report on 12 March 2020. The mandatory orders received after the inspection are described on the Bank's website under the following

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## MANAGEMENT'S REVIEW FOR 2020

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link (in danish only): [https://www.banken.gl/media/julpif1r/2020-03-12\\_redegoerelse-til-hjside\\_dk.pdf](https://www.banken.gl/media/julpif1r/2020-03-12_redegoerelse-til-hjside_dk.pdf).

Finally, in the summer of 2020 the BANK of Greenland was subject to a thematic investigation of the Bank's handling of the liquidity area, including compliance with the LCR regulation. The Danish FSA's mandatory orders are described on the Bank's website under the following link (in danish only): [https://www.banken.gl/media/zwmf513x/2020-12-16\\_redeg%C3%B8relse-gr%C3%B8nlandsbanken\\_til-hj-siden\\_dk.pdf](https://www.banken.gl/media/zwmf513x/2020-12-16_redeg%C3%B8relse-gr%C3%B8nlandsbanken_til-hj-siden_dk.pdf)

### 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 as a consequence of 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 deficient internal procedures, or 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. Concerning risk management, reference is made to Note 2.

In accordance with the Danish Financial Activities Act, the Board of Directors and the Executive Management must ensure that the BANK of Greenland has an adequate capital base. The capital adequacy requirement is the capital which, according to the management's assessment, as a minimum is needed to cover all risks. In 2020, this level was affected by the authorities' notification of the need to ensure a strong capital base in the light of the risk presented by the spread of the Covid-19 pandemic. In accordance with the authorities' expectations, the Bank therefore did not pay any dividend in 2020 on the basis of the profit for 2019. Furthermore, at the annual general meeting the Bank's Board of Directors will propose a dividend rate for 2020 that will ensure a strong capital base, in line with the authorities' requirements and expectations.

The BANK of Greenland's capital ratio was 23.5 as at year-end 2020.

The BANK of Greenland was designated as an SIFI institution in April 2017. In view of the new SIFI requirements concerning capital reserves and new requirements concerning impairment liabilities (MREL requirements), the Board of Directors expects that the overall capital reserves must be increased. The aim of the Board of Directors is that there must be sufficient capital for growth in the Bank's business activities. When the final MREL capital requirements and phasing-in are known, more precise capital planning will be possible, including which capital instruments can be put to good use.

As at 31 December 2020, the Bank's individual solvency requirement was compiled at 11.2%. The BANK of Greenland thereby has surplus capital cover before the buffer requirements of 12.3%. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 8.3%.

## MANAGEMENT'S REVIEW FOR 2020

The individual solvency requirement is compiled on the basis of the Order on the calculation of risk exposures, capital base and solvency requirements, as well as the Danish FSA's guideline in this respect. On the basis of the calculated capital requirement, the Bank has calculated immediate surplus cover of TDKK 592,956, which comprises the difference between the capital requirement (solvency requirement) and the actual capital (capital ratio). The management assesses that the capital is adequate to cover the risk related to the Bank's activities.

The BANK of Greenland meets the requirements in full, so that the annual financial statements are presented on a going-concern basis.

### The BANK of Greenland's calculated capital and solvency requirement according to the 8+ model

In DKK 1,000	2020		2019	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Pillar I requirement	387,576	8.0%	368,576	8.0%
Credit risk	97,538	2.0%	132,315	2.9%
Market risk	18,149	0.4%	21,338	0.4%
Operational risk	23,179	0.5%	22,229	0.5%
Other risk	17,887	0.3%	2,100	0.1%
<b>Capital and solvency requirement</b>	<b>544,329</b>	<b>11.2%</b>	<b>546,558</b>	<b>11.9%</b>

Reference is made to the BANK of Greenland's website for a description and amplification of the method of calculation of the capital and solvency requirement for 2020. Reference is also made to the Bank's risk management report for 2020 at <https://www.banken.gl/en/investor/public-disclosure.aspx>. The report has not been audited.

### Liquidity

The BANK of Greenland has a comfortable deposit surplus, and the Bank's funding is based solely on deposits.

The official measure of liquidity is the Liquidity Coverage Ratio (LCR), which is a minimum requirement of the ratio between current assets and liabilities, to ensure a satisfactory liquidity ratio. LCR must be at least 100%.

At the end of 2020, the Bank had an LCR of 241.0% and thereby fulfilled the LCR requirement.

In DKK 1,000	2020	2019
Liquidity buffer LCR	2,294,323	2,173,103
Outflow, net	952,168	909,995
LCR	241.0%	238.8%

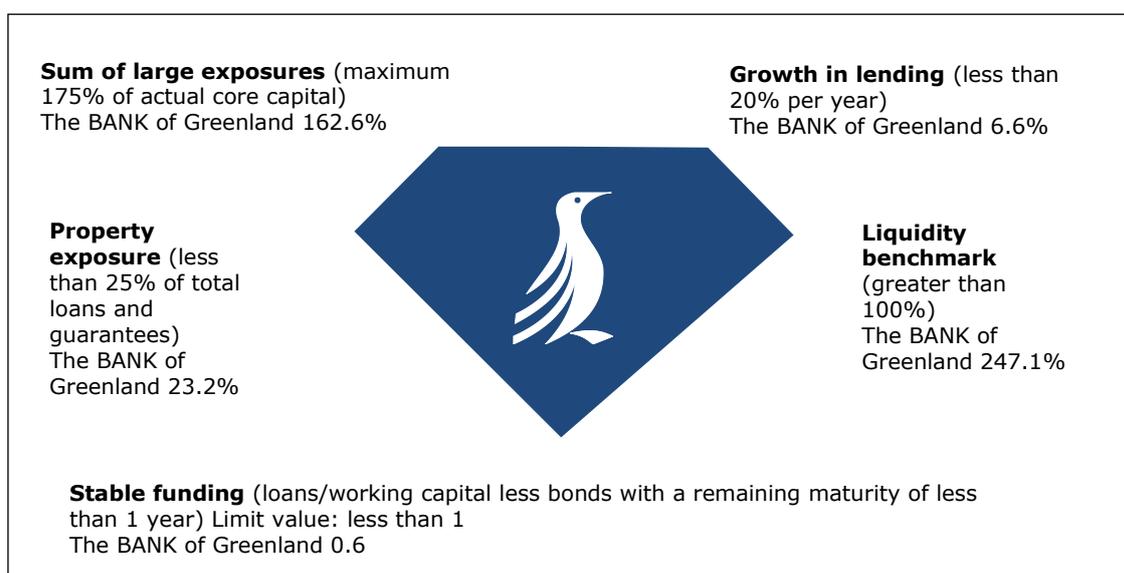
### The Supervisory Diamond for banks

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. At the end of 2020, the BANK of Greenland lies within all of the threshold values in the Supervisory Diamond.

The sum of the Bank's 20 largest exposures is compiled at 162.6%, which is satisfactorily below the Danish FSA's threshold of 175%. It must be noted that approximately 44 percentage points concern exposures to publicly-owned enterprises.

## MANAGEMENT'S REVIEW FOR 2020

The property exposure has increased to 23.2%. Of this ratio, the exposure to cooperatively-owned housing/cooperatively-owned housing under construction amounts to 5 percentage points. This exposure is subject to considerable subordinate public financing. In addition, some of the exposure is based on lease contracts with the state, Government of Greenland, or municipalities. The Bank assesses that both of these factors contribute to stabilising the overall sector exposure. There is no exposure to OIK (objective indication of credit deterioration) in the segment. The sector exposure is particularly high at the end of 2020 due to a number of large construction projects that will be completed at the beginning of 2021, so that the exposure is expected to decrease in the first half-year.



### Shareholders

The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders.

At a price of 590 at the end of 2020, the price of the BANK of Greenland's share has increased since the end of 2019, when the price was 545. The BANK of Greenland will propose to the annual general meeting that the dividend payment for 2020 is DKK 25 per share, or a total of DKK 45 million. It should be noted that in Greenland dividend is tax deductible for the dividend paying company.

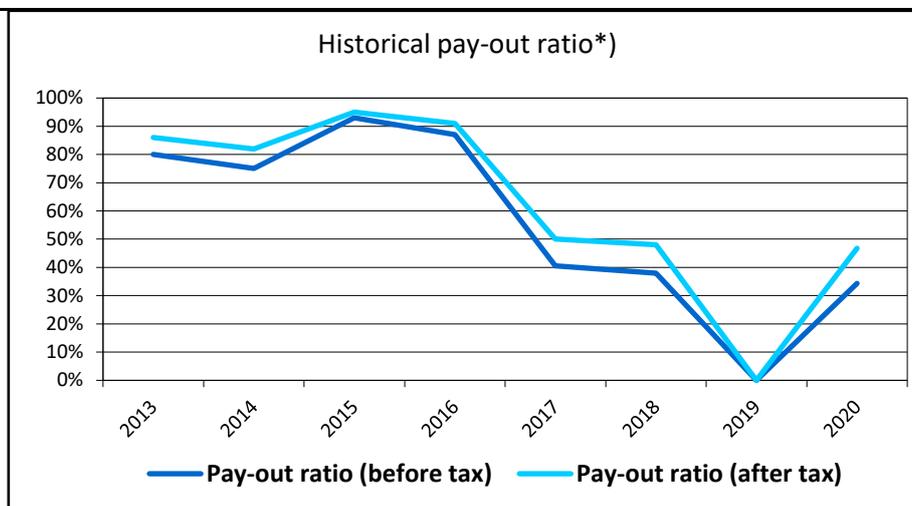
At the end of the year, the BANK of Greenland had 3,066 shareholders, of whom 878 were resident in Greenland. In accordance with Section 28a of the Danish Companies Act, four shareholders have notified shareholdings exceeding 5%, see Note 22.

### Dividend policy

The BANK of Greenland's objective is to continue to distribute dividend to its shareholders, according to the expected development in the Bank's operations and balance sheet, tax optimisation and regulatory solvency requirements. For 2020, a dividend payment of DKK 25 per share is proposed to the annual general meeting. This should be viewed in the light of the authorities' requirement of reduced distribution in the light of the uncertain Covid-19 situation. The capital ratio is 23.5.

As yet there is no clarification of the requirement made of the Bank concerning impairment liabilities (MREL). The Board of Directors assesses that the Bank's capital ratio and consolidation are fully adequate in 2021. Once the final MREL capital requirement has been determined, a new capital adequacy target will be assessed, just as other capital instruments will be considered.

## MANAGEMENT'S REVIEW FOR 2020



\*) In accordance with Greenland's tax legislation, the distribution of dividend is fully tax-deductible.

### Events occurring after the close of the financial year

As from the balance sheet date and up to today's date no events have occurred to change the assessment of the Annual Report.

### Expected development in 2021

The expected favourable economic development in 2020 was strongly affected by the Covid-19 pandemic, as described in the section of this report concerning Greenland's Society and Economy. The course of the economy in 2021 is still uncertain, as a consequence of Covid-19.

The Bank's activities will be affected negatively if the Covid-19 pandemic worsens or is significantly prolonged, and will be affected positively if the negative effects diminish in the course of the year. On this basis, lending is only expected to increase moderately up to the end of the year. Deposits are expected to be at the same level as at the end of 2020, or to show a slight decline as a consequence of the introduction of negative interest rates for a significant proportion of the Bank's deposits.

Total core earnings are expected to increase in 2021, for which the primary reasons are the increased lending, the full impact of negative deposit interest rates, and the development in the Bank's pension products.

Total expenses including depreciation and amortisation are expected to be moderately higher than in 2020. Staff expenses are expected to show more subdued development. Administration expenses are also expected to increase, primarily in the compliance and IT area.

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 low level.

In view of the continued low level of interest rates, moderate capital losses on the Bank's bond portfolio must be expected, while ongoing capital gains are expected from the currency area and sector equities.

On this basis, a profit before tax at the level of DKK 115-135 million is expected, compared to DKK 130.8 million in 2020.

### Customers

The BANK of Greenland has strong focus on customer satisfaction, which is measured by an annual customer satisfaction survey. On this basis, measures are being initiated in areas where customers believe that the Bank can do better. The general outlook is continued high customer satisfaction levels, and in 2020 satisfaction

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## MANAGEMENT'S REVIEW FOR 2020

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rates for business customers in particular increased significantly.

*Greenland's best customer experience* is a key element of the Bank's strategy and we therefore use an NPS (Net Promoter Score) system to measure customer satisfaction immediately after the customer has attended a meeting with the Bank's advisers. Feedback from customers is used for continuous follow-up, in order to improve the customer experience. Our customers have welcomed this initiative and when we subsequently contact customers to hear more about their comments, we can note that many are pleased that we ask for their opinion.

The BANK of Greenland wishes to be seen as the BANK for All of Greenland and it is therefore extremely positive that customers to a great extent assess our presence in coastal areas to make a positive difference for the individual local area.

The Bank is a professional partner to business enterprises throughout Greenland. The cooperation is to a great extent based on personal contact between business advisers and enterprises. This provides good insights into the enterprise's situation and requirements. Together with the Bank's local knowledge and insight into conditions in society, this provides for relevant advisory services and support in, for example, the Covid-19 situation. The Business Department cooperates with other financial partners to ensure customers' access to opportunities that require cooperation with other partners, such as mortgage credit institutions.

Private customers increasingly use the electronic services offered. Great use is made of online and mobile banking in particular, as well as digital solutions for loan/credit applications, and for the establishment of new accounts and new cards, etc. The BANK of Greenland will continuously give customers even greater access via digital channels. In 2020, for example, MobilePay was established in Greenland, in cooperation with Tele Greenland.

### **The Bank and society**

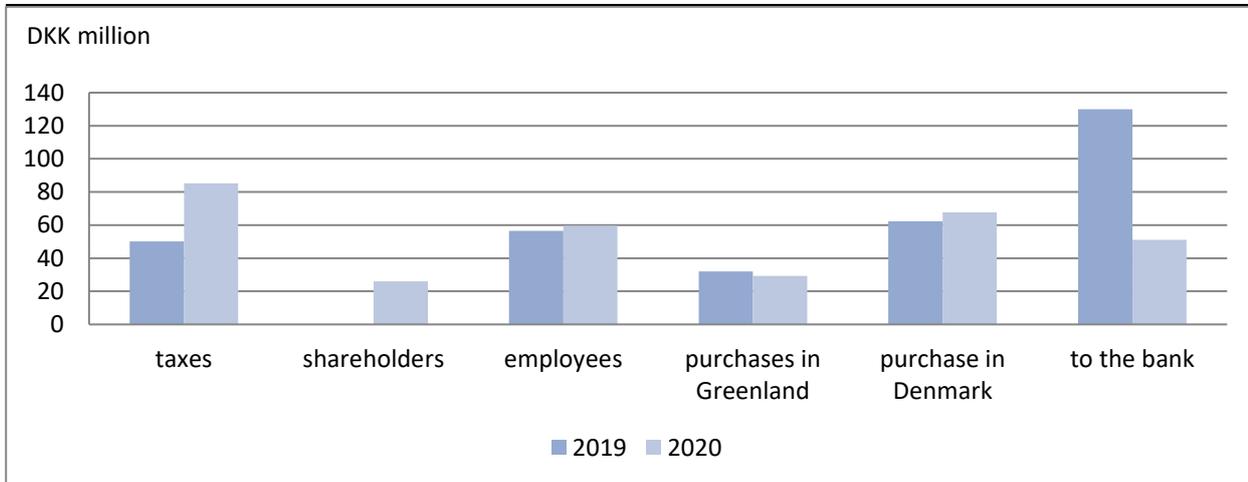
The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 319 million, compared to DKK 328 million in 2019. The income is the sum of net interest and fee income, other operating income and value adjustments, after deduction of write-downs on loans.

The Greenland Government and the municipalities receive corporate tax, dividend tax and tax on staff remuneration. Employees receive salary and pension contributions, etc., after deduction of PAYE tax. The purchases made by the Bank from Danish suppliers are mainly IT services from BEC and Nets.

The BANK of Greenland makes a significant contribution to society via tax payments that, for the last two years, have averaged DKK 68 million per year.

The development in tax paid, net dividend to shareholders, salaries, etc. to employees, the Bank's consolidation, and procurement in Greenland and Denmark, respectively, are presented below.

## MANAGEMENT'S REVIEW FOR 2020



### Employees

Our employees represent the Bank's towards the general public, and it is our employees who create and maintain close relationships with our customers on a day-to-day basis.

The BANK of Greenland has strong focus on competence development via trainee programmes, trainee courses, supplementary training, leadership development and "on the job training".

The BANK of Greenland considers it important to ensure the recruitment of qualified banking professionals, and in the summer of 2020, seven financial trainees commenced their two-year training, Three of these trainees are located at the head office in Nuuk, two in Aasiaat, one in Ilulissat and one in Maniitsoq.

Besides the actual trainee programme, the Bank has very successfully created internships and trainee positions for young people with a background as financial economists or bachelors of finance. In 2020, the Bank has two new finance trainees and one Markets trainee, who will complete their trainee programmes in 2021. In 2020, one finance trainee completed their programme.

In 2020, it was possible to keep 97.3% of the positions in the Bank filled via active HR activities, relevant online media, and sustained focus on employee development.

The total number of employees was 136 at the end of 2020. The average age is just over 46 and the average length of service is 9 years and 6 months. The employees comprise 92 women and 44 men. Of the total number of employees, 88 have financial or extended higher educational qualifications.

### Partners

The BANK of Greenland is a full-service bank in Greenland. Via cooperation agreements with the best operators within financial IT systems, mortgage credit, insurance, payment settlement, pensions and investment, the Bank wishes to continuously offer a broad, flexible and competitive range of products.

The BANK of Greenland is part of the Danish and international payment infrastructure. In accordance with a service contract with the Greenland Government, the Bank contributes to ensuring that the service level for payment settlement required by the Greenland Government is established at the locations in Greenland where there is no commercial background for the establishment of bank branches.

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## MANAGEMENT'S REVIEW FOR 2020

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### **Corporate Social Responsibility Policy (CSR)**

*"The basis for the BANK of Greenland's CSR activities is to create value for both society and the company. Via the Bank's commercial activities and CSR initiatives, we will support sustainable development in Greenland and contribute to Greenland achieving the new Global Sustainable Development Goals, for the benefit of society and of the BANK of Greenland.*

*A key aspect is to live up to our fundamental social responsibility as Greenland's largest bank and the Bank for All of Greenland, by ensuring balance between development, growth and stability in Greenland's society.*

### **Focus area: Financial understanding**

*On the basis of our stakeholders' requirements and expectations, and the Bank's strategic goals, we have chosen an overall focus area for our CSR initiatives, which is to create **financial understanding**.*

*Creating financial understanding for the individual customer, company or citizen opens up new opportunities and gives insights in order to make the best choices. This is the fundamental principle for our advisory services. Where possible and relevant, we will enter into partnerships with the public sector, and other companies, organisations and associations with the same interests.*

*To support our efforts to achieve financial understanding, we will work to expand the availability of our advisory services and financing of loans outside our primary market area, including by making our know-how available in order to create financial understanding.*

### **Involvement of employees**

*We wish to involve our employees on a broad basis in our efforts to create financial understanding and support other CSR-related projects, by making it possible for employees to work on CSR projects during working hours, within a defined framework.*

### **Our obligations**

*As a signatory to the UN Global Compact, the BANK of Greenland has endorsed ten principles for corporate sustainability, with focus on human rights, employee rights, environmental protection and measures to prevent corruption. We will actively manage our obligation to respect the ten principles, including our obligation to manage human rights in accordance with the UN Guiding Principles on Business and Human Rights, and in particular in relation to our customers, employees and Greenland's society.*

### **What we expect of others**

*We expect our employees, partners, suppliers and other business contacts to comply with the legislation in force at any time, to respect the internationally recognised principles for the UN Global Compact, and to show through their actions that they expect others to apply the same standard. If these principles are not respected, we will seek through dialogue to find the necessary solutions, but reserve the option to terminate our cooperation.*

### **Dialogue and access**

*To ensure that the Bank fulfils our objectives, we will continuously measure our activities and report on them in our annual report and on our website, in order to ensure that our stakeholders have access to information on the Bank's CSR activities. We also have a number of procedures to ensure that we receive continuous input from our stakeholders that can influence our actions and initiatives."*

### **CSR on a day-to-day basis**

The aforementioned are extracts from the BANK of Greenland's CSR policy. Pursuant to this, a new strategy and action plan for the coming years' activities have been drawn up. The overall responsibility for the Bank's CSR work lies with the managing director.

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## MANAGEMENT'S REVIEW FOR 2020

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The BANK of Greenland's Statutory Corporate Social Responsibility Report, cf. Section 135 of the Order on the financial reporting of credit institutions and investment service companies, etc., is available on the Bank's website: <http://www.banken.gl/csr/>

### **Corporate governance and statutory corporate governance statement**

The BANK of Greenland's objective is to adhere to the recommendations, at all times and to the greatest possible extent. The Bank's Corporate Governance Statement can be found on the Bank's website: <http://www.banken.gl/corporate/>

### **Policy and target level for the under-represented gender**

In August 2013, the BANK of Greenland's Board of Directors adopted "Policy and target level for the under-represented gender". At the end of 2020, the gender distribution of the members of the Board of Directors comprised 44% women and 56% men. The Board of Directors' objective is for the ratio of the under-represented gender to be at least 33%. The target level for the under-represented gender is thereby fulfilled.

At other management levels, the Bank's overall objective is to achieve and maintain an appropriate equal distribution of men and women in its management. Irrespective of gender, the BANK of Greenland's employees must enjoy equal opportunities for career development and management positions. As at the end of 2020, the distribution ratio was 47% women and 53% men. The Bank's objective is for this ratio to be maintained, so that the distribution of male and female managers is maintained at between 40% and 60% at all times.

### **Board of Directors and Executive Management Board**

Details must be given of the management positions in other business enterprises held by the members of the Bank's Board of Directors and Executive Management. Reference is made to Note 33.

### **Evaluation of the Board of Directors**

The Board of Directors of the BANK of Greenland undertakes an annual evaluation of the Board. This takes place every third year with the external assistance of the Danish Financial Sector's Education Centre or other external providers of this service. This evaluation is the basis for an assessment of several matters concerning the Board of Directors: the Board members' competences, working method, cooperation internally and with the Executive Management, the Chairman's planning of meetings, and the quality of the material provided to the Board of Directors. The most recent evaluation was prepared by the Danish Financial Sector's Education Centre and dates from 29 October 2020. The evaluation of the Board of Directors was at a high level. It was also concluded that the Board of Directors has a good overall combination of competencies in relation to the Bank's business model.

### **Authorisation of the Board of Directors concerning trading in own shares**

In accordance with an Annual General Meeting decision of 25 March 2020, up to 1 March 2024 the Board of Directors is authorised to allow the Bank to acquire own shares for a nominal value of up to 10% of the share capital, at the listed price on the date of acquisition, with upward or downward variation of 10%.

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## MANAGEMENT'S REVIEW FOR 2020

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### **Audit Committee**

The Audit Committee consists of the full Board of Directors, and it has therefore been found most appropriate to maintain the same structure as in the Board of Directors, so that the Chairman of the Board of Directors is also the Chairman of the Audit Committee.

The tasks of the Audit Committee are to:

- Monitor the presentation of accounts process;
- Monitor the effective functioning of the Bank's internal control system, internal auditing and risk systems;
- Monitor the statutory audit of the Annual Report; and
- Monitor and control the independence of the auditor, and in particular the provision of further services to the Bank.

In this respect, the Bank's control environment for the calculation of the significant accounting estimates is reviewed and assessed. The committee meets immediately prior to the meetings of the Board of Directors.

It must be noted that Greenland is not subject to the Danish rules for the appointment of an audit committee, although the rules are observed in practice.

The remit of the Audit Committee is presented here: <http://www.banken.gl/auditcommittee/>

### **Risk Committee**

The Risk Committee consists of the full Board of Directors, and therefore it has been found most appropriate to maintain the same structure as in the Board of Directors, so that the Chairman of the Board of Directors is also the Chairman of the Risk Committee.

The tasks of the Risk Committee are to:

- Advise on the Bank's overall current and future risk profile and strategy;
- Assist with ensuring that the Board of Directors' risk strategy is implemented correctly in the organisation;
- Assess whether the Bank's range of financial products and services is in accordance with the business model and risk profile;
- Assess whether the incentives in the Bank's remuneration structure take account of the Bank's risks, capital and liquidity; and
- Assess the Bank's insurance cover of risks.

The remit of the Risk Committee is presented here: <http://www.banken.gl/riskcommittee/>

### **Remuneration Committee**

The Remuneration Committee consists of the Chairman and Vice Chairman of the Board of Directors and one member of the Board of Directors elected by the employees.

The Remuneration Committee determines the remuneration policy, which is approved by the Annual General Meeting.

In 2020, the Remuneration Committee was among other things engaged in the following:

- Control of bonus paid in accordance with the remuneration policy
- Determination of the remuneration policy
- Preparation of a remuneration report

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## MANAGEMENT'S REVIEW FOR 2020

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- Assessment of the remuneration of the Board of Directors and Executive Management, and the criteria for this.
- General assessment of remuneration and the criteria for this, including remuneration as a competition parameter.

On the basis of a recommendation from the Committee on Corporate Governance, the BANK of Greenland has prepared a remuneration report. The report adheres to the recommendations in item 4.2.3. of the Bank's Corporate Governance Report and is available on the Bank's website:

<http://www.banken.gl/remunerationcommittee/>

The remit of the Remuneration Committee and the remuneration policy are presented here:

<http://www.banken.gl/remunerationcommittee/>

### **Nomination Committee**

The Nomination Committee consists of the Chairman and Vice Chairman of the Board of Directors.

In 2020, the Nomination Committee was among other things engaged in the following:

- Description of competence requirements for the Executive Management and Board of Directors.
- Nomination of candidates for election to the Board of Directors.
- Evaluation of the Board of Directors and composition of the Board of Directors based on the competence requirements.
- Determination of a diversity policy.
- Determination of a policy for the under-represented gender and a target level for this.

The Committee assesses that the composition of the Board of Directors reflects the objective of the diversity policy.

The remit of the Nomination Committee is presented here: <http://www.banken.gl/nominationcommittee/>

The number of meetings in 2020 and attendance of the meetings of the Board of Directors and all four committees can be seen here: <https://www.banken.gl/en/about-us/board-of-directors/>

### **General Meeting**

The Board of Directors is authorised to make the changes and additions to the Articles of Association that are required by public authorities pursuant to the current legislation in force at any time. In addition, the BANK of Greenland's Articles of Association may be amended by a decision of the general meeting if the proposal is adopted by at least 2/3 of both the votes cast and the share capital with voting rights represented at the general meeting.

The members of the Board of Directors are elected by the general meeting, with the exception of the members who are elected in accordance with the statutory regulations concerning the representation of employees on the Board of Directors. The members of the Board of Directors elected by the general meeting comprise at least five and at most ten members. Each year, the three members of the Board of Directors elected by the general meeting who have served longest, calculated from the last election of the members concerned, will resign. If several members have served equally long, their resignation will be decided by drawing lots. The resigning members may be re-elected.

### **Significant agreements that will be amended or will expire on a change of control of the company**

At the end of 2020, the BANK of Greenland had the following agreements that are assessed to be significant and will be amended or will expire on a change of control of the Bank in conjunction with e.g. a merger.

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## MANAGEMENT'S REVIEW FOR 2020

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- Data processing agreement with Bankernes EDB Central (BEC)
- Cooperation agreement with DLR Kredit

### BEC

It is specified in BEC's Articles of Association that membership of BEC can be subject to five years' notice of termination, by either BEC or the BANK of Greenland, to the end of a financial year. If membership expires by other means related to the BANK of Greenland, the Bank will pay a withdrawal fee to BEC, as specified in the Articles of Association. If a bank is subject to a merger, and ceases to be a separate bank, membership of BEC will expire without notice, but with the opportunity for a transition scheme.

### DLR

As a shareholder of DLR Kredit and in view of the Bank's membership of the Association of Local Banks, the BANK of Greenland has entered into a cooperation agreement with DLR concerning the intermediation of mortgage loans to the Bank's customers. The cooperation agreement is irrevocable for as long as the BANK of Greenland is a shareholder of DLR Kredit. If the BANK of Greenland divests or deposits its shareholding, the Bank will automatically be deemed to have withdrawn from the cooperation agreement with effect from the end of the calendar year in which the shareholding was divested/deposited. The cooperation agreement may be terminated by DLR Kredit, if this is adopted by DLR's Board of Directors, subject to three months' notice to the end of a calendar year.

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## MANAGEMENT STATEMENT

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The Board of Directors and Executive Management have today considered and approved the Annual Report for the financial year from 1 January to 31 December 2020 for the limited liability company, GrønlandsBANKEN A/S.

The Annual Report is presented in accordance with the Danish Financial Activities Act. The Annual Report is furthermore prepared in accordance with Danish disclosure requirements for listed financial companies.

It is our opinion that the Annual Financial Statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2020, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 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 is subject.

The Annual Report is submitted for approval by the Annual General Meeting.

Nuuk, 1 March 2021

### **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

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## AUDIT STATEMENT

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### The independent auditor's report

#### To the shareholders of GrønlandsBANKEN A/S

##### Opinion

We have audited the annual financial statements of GrønlandsBANKEN A/S for the financial year from 1 January to 31 December 2020, which comprise the statement of income and the statement of comprehensive income, the balance sheet, and the statement of changes in equity and notes, including the accounting policies applied and the cash flow statement. The annual financial statements are prepared in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

It is our opinion that the annual financial statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2020, and of the result of the Bank's activities for the financial year from 1 January to 31 December 2020, in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

##### Basis for opinion

We conducted our audit in accordance with international auditing standards and additional requirements under Danish auditing legislation. Our responsibility according to these standards and requirements is described further in "Auditor's responsibility for the audit of the annual financial statements". We are independent of the Bank in accordance with international ethics standards for accountants (IESBA's Ethics Standards) and the additional requirements applicable in Denmark, just as we have fulfilled our other ethical obligations in accordance with these rules and requirements. It is our view that the audit evidence obtained is an adequate and appropriate basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming an opinion thereon, and we do not provide a separate opinion on these matters.

<b><i>Write-downs on loans and provisions for losses on guarantees, etc.</i></b>	<b><i>The matter was considered as follows during the audit</i></b>
<p>Lending amounted to DKK 4,006 million and guarantees to DKK 1,622 million at 31 December 2020 (lending amounted to DKK 3,759 million and guarantees to DKK 1,480 million at 31 December 2019).</p> <p>The determination of expected write-downs on loans and provisions for losses on guarantees, etc. is subject to considerable uncertainty and to a certain extent is based on managerial estimates. As a consequence of the significance of these estimates and the size of the loans and guarantees, etc. of the Bank, the auditing of write-downs on loans and provisions for losses on guarantees, etc. is a key audit matter.</p> <p>The aspects of loans and guarantees, etc. which entail the greatest degree of estimation, and tion:</p>	<p>On the basis of our risk assessment, the audit has included a review of the Bank's relevant procedures for write-downs on loans and provisions for losses on guarantees, etc., the testing of relevant controls, and the examination of exposures on the basis of random sampling.</p> <p>Our audit procedures included testing of relevant controls concerning:</p> <ul style="list-style-type: none"> <li>• Ongoing assessment of the credit risk</li> <li>• Assessment and validation of input and assumptions applied to the calculation of write-downs on loans and the provisions for losses on guarantees, etc.</li> <li>• Determination of managerial additions:</li> </ul>

## AUDIT STATEMENT

<ul style="list-style-type: none"> <li>• Identification of exposures that are credit-impaired.</li> <li>• Parameters and managerial estimates in the calculation model applied to determining the expected losses in stages 1 and 2, including the classification thereof.</li> <li>• Assessment of the consequences of Covid-19 and other events that are not already taken into account, as managerial estimates incorporated in the models, and as managerial additions.</li> </ul> <p>The principles for the compilation of write-downs on loans and provisions for losses on guarantees, etc. are described further in the accounting policies applied, and the management has described the handling of credit risks and the assessment of the impairment requirement for loans and the need for provisions for losses on guarantees, etc. in Notes 2 and 13 to the annual financial statements.</p>	<p>Our audit procedures also included:</p> <ul style="list-style-type: none"> <li>• Review by random sampling of exposures to ensure correct identification of the credit impairment of loans and guarantees, etc.</li> <li>• Obtaining and evaluating an audit declaration from the Bank's data centre that comprises an assessment of the calculation model applied by the Bank to write-downs on loans and provisions for losses on guarantees, etc.</li> <li>• Examination of the significant assumptions in the calculation model applied, with special focus on objectivity and the data basis applied.</li> <li>• Examination of the managerial additions to write-downs on loans and provisions for losses on guarantees, etc., with special focus on the consistency and objectivity demonstrated by the management, including examination of the documentation of the adequacy of the managerial additions.</li> <li>• Challenging of managerial estimates incorporated in the models, as well as managerial additions relating to the consequences of Covid-19 and other events that are not already taken into account.</li> </ul>
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### Statement concerning the Management's Review

The Management is responsible for the Management's Review.

Our opinion concerning the annual financial statements does not include the Management's Review, and we do not express any opinion concerning the Management's Review.

In connection with our audit of the annual financial statements our responsibility is to read the Management's Review and to consider whether the Management's Review has significant inconsistencies with the annual financial statements or the knowledge we have obtained from the audit, or otherwise appears to contain material misstatements.

It is also our responsibility to consider whether the Management's Review includes the information required in accordance with the Financial Activities Act.

On this basis it is our view that the information in the Management's Review is in accordance with the annual financial statements and has been prepared in accordance with the requirements of the Financial Activities Act. We have not found any material misstatements in the Management's Review.

## AUDIT STATEMENT

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### **The management's responsibility for the annual financial statements**

The management is responsible for the preparation of annual financial statements that present a true and fair view, in accordance with the Danish Financial Activities Act and the additional Danish disclosure requirements for listed financial companies. The management is also responsible for the internal control deemed necessary by the management in order to prepare annual financial statements that are free of material misstatement, whether this is due to fraud or error.

On the preparation of the annual financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, for disclosing information concerning continuing as a going concern, where relevant, and for using the going concern basis of accounting, unless the management intends to either liquidate the Bank, discontinue operations, or has no other realistic alternative to this.

### **Auditor's responsibility for the audit of the annual financial statements**

Our objective is to obtain reasonable assurance of whether the financial statements as a whole are free from material misstatement, whether this is due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards and additional requirements under Greenland's auditing legislation will always detect a significant material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial statements.

As part of an audit in accordance with international auditing standards and additional requirements under Greenland's auditing legislation, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of the accounting policies applied by the management, as well as the reasonableness of accounting estimates and related information prepared by the management.
- Draw conclusions concerning the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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## AUDIT STATEMENT

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- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures in the Notes, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information for the Bank to express an opinion on the annual financial statements. We are responsible for the direction, supervision and performance of the audit of the annual financial statements. We remain solely responsible for our audit opinion.

We communicate with the top-level management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the top-level management with a statement that we have complied with relevant ethical requirements regarding independence, and notify them of all relations and other matters that might reasonably influence our independence and, where relevant, related safeguards.

On the basis of the matters communicated to the top-level management, we determine the matters of most significance to the audit of the annual financial statements for the relevant period and which are thereby key audit matters. We describe these matters in our auditor's report, unless disclosure of the matter is prescribed by statutory or other regulation, or in the very rare cases where we find that the matter is not to be communicated in our auditor's report because its negative consequences might reasonably be expected to carry greater weight than the advantages to the general public of such disclosure.

Copenhagen, 1 March 2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56

Anders O. Gjelstrup  
State-Authorised Public Accountant  
MNE no. 10777

Jakob Lindberg  
State-Authorised Public Accountant  
MNE no. 40824

## AUDIT STATEMENT

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### Internal auditor's report

#### To the shareholders of the BANK of Greenland

#### Audit statement

##### Opinion

It is our opinion that the Annual Financial Statements for Grønlandsbanken A/S give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2020, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2020, in accordance with the Danish Financial Activities Act and the Danish disclosure requirements for listed financial companies.

##### The audit performed

We have audited the annual financial statements of GrønlandsBANKEN, Aktieselskab for the financial year from 1 January to 31 December 2020, which comprise the statement of income and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies applied. The annual financial statements are prepared in accordance with the Danish Financial Activities Act.

Our audit is performed in accordance with the Danish Financial Supervisory Authority's Order on the auditing of financial enterprises, etc. and financial Groups, international auditing standards concerning the planning and execution of the audit, and additional requirements under Danish auditing legislation.

The audit was planned and performed in order to achieve a high degree of assurance that the annual financial statements are free of material misstatement. We took part in the audit of all significant and risk-entailing areas.

It is our view that the audit evidence obtained is an adequate and appropriate basis for our opinion.

##### Statement concerning the Management's Review

The Management is responsible for the Management's Review.

Our opinion concerning the annual financial statements does not include the Management's Review, and we do not express any opinion concerning the Management's Review.

In connection with our audit of the annual financial statements our responsibility is to read the Management's Review and to consider whether the Management's Review has significant inconsistencies with the annual financial statements or the knowledge we have obtained from the audit, or otherwise appears to contain material misstatements.

It is also our responsibility to consider whether the Management's Review includes the information required in accordance with the Financial Activities Act.

On this basis it is our view that the information in the Management's Review is in accordance with the annual financial statements and has been prepared in accordance with the requirements of the Financial Activities Act. We have not found any material misstatements in the Management's Review.

Nuuk, 1 March 2021  
Kristian Thorgaard Sørensen  
Audit Manager

(DKK 1,000)

**STATEMENT OF INCOME**

Notes		2020	2019
<b>3</b>	Interest income	229,089	237,967
<b>4</b>	Negative interest income	-14,412	-11,938
<b>5</b>	Interest expenses	129	765
<b>6</b>	Positive interest expenses	+19,870	+9,046
	<b>Net interest income</b>	<b>234,418</b>	<b>234,310</b>
	Share dividend, etc.	1,222	2,329
<b>7</b>	Fees and commission income	91,961	87,772
	Fees paid and commission expenses	1,088	904
	<b>Net interest and fee income</b>	<b>326,513</b>	<b>323,507</b>
<b>8</b>	Value adjustments	136	9,585
	Other operating income	5,369	5,722
<b>9/10</b>	Staff and administration expenses	178,734	170,895
	Depreciation and impairment of tangible assets	6,948	6,672
	Other operating expenses	2,610	2,788
<b>13</b>	Write-downs on loans and receivables, etc.	12,828	7,959
	<b>Profit before tax</b>	<b>130,898</b>	<b>150,500</b>
<b>11</b>	Tax	34,671	20,582
	<b>Profit for the year</b>	<b>96,227</b>	<b>129,918</b>
	<b>Proposed allocation of profit</b>		
	Profit for the year	96,227	129,918
	<b>In total available for allocation</b>	<b>96,227</b>	<b>129,918</b>
	Proposed dividend	45,000	0
	Retained profit	51,227	129,918
	<b>Total allocation</b>	<b>96,227</b>	<b>129,918</b>

(DKK 1,000)

**STATEMENT OF COMPREHENSIVE INCOME**

2020 2019

**Statement of comprehensive income**

Profit for the year	96,227	129,918
Other comprehensive income:		
Value adjustment of properties	4,140	3,833
Value adjustment of defined-benefit severance/pension scheme	-29	-15
Tax on value adjustment of properties	-1,097	-1,219
<b>Other comprehensive income after tax</b>	<b>3,014</b>	<b>2,599</b>
<b>The year's comprehensive income</b>	<b>99,241</b>	<b>132,517</b>

**BALANCE SHEET**  
 (year-end)

(DKK 1,000)

Notes	2020	2019
	192,107	184,862
<b>12</b> Cash balance and demand deposits with central banks	1,686,361	1,380,759
<b>13</b> Receivables from credit institutions and central banks	4,006,248	3,758,736
<b>14</b> Loans and other receivables at amortised cost	885,752	1,174,084
<b>15</b> Bonds at fair value	122,763	117,009
<b>18</b> Shares, etc.	221,589	112,341
<b>16</b> Assets connected to pool schemes	229,650	228,904
<b>17</b> Land and buildings in total, domicile properties	6,856	7,539
Other tangible assets	82,241	122,269
Other assets	4,758	3,412
Accruals and deferred income	<b>7,438,325</b>	<b>7,089,915</b>
<b>Total assets</b>		
<b>19</b> Liabilities to credit institutions and central banks	17,040	13,625
<b>20</b> Deposits and other liabilities	5,847,772	5,687,451
Deposits in pool schemes	221,589	112,341
Current tax liabilities	22,610	30,772
Other liabilities	60,452	67,578
Accruals and deferred income	6,082	5,895
<b>Total debt</b>	<b>6,175,545</b>	<b>5,917,662</b>
Provisions for pensions and similar obligations	1,389	1,082
<b>21</b> Provisions for deferred tax	64,128	51,341
<b>13</b> Provisions for losses on guarantees	9,890	20,483
Other provisions	5,159	5,121
<b>13</b> Provisions for losses on non-utilised credit facilities	5,297	16,550
<b>Total provisions</b>	<b>85,863</b>	<b>94,577</b>
Equity		
<b>22</b> Share capital	180,000	180,000
Revaluation reserves	34,749	31,706
Retained earnings	917,168	865,970
Proposed dividend	45,000	0
<b>Total equity</b>	<b>1,176,917</b>	<b>1,077,676</b>
<b>Total liabilities</b>	<b>7,438,325</b>	<b>7,089,915</b>
1 Accounting policies applied		
2 Financial risks and policies		
23-33 Other Notes		

**STATEMENT OF CHANGES IN EQUITY**

(DKK 1,000)

	Share capital	Re-valuation re-serves	Retained earnings	Proposed dividend, net	Total equity capital
<b>Equity, 1 January 2019</b>	<b>180,000</b>	<b>29,092</b>	<b>736,067</b>	<b>0</b>	<b>945,159</b>
Other comprehensive income		2,614	-15		2,599
Profit for the period			129,918		129,918
<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, 01 January 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		3,043	-29		3,014
Profit for the year			51,227	45,000	96,227
<b>Equity, 31 December 2020</b>	<b>180,000</b>	<b>34,749</b>	<b>917,168</b>	<b>45,000</b>	<b>1,176,917</b>

## CASH FLOW STATEMENT

(DKK 1,000)	2020	2019
Profit for the year	96,227	129,918
Write-downs on loans	12,828	7,959
Depreciation and impairment of tangible assets	6,948	6,672
Recognised profit on sale of tangible assets	-42	0
Accruals and deferred expenses, net	-1,159	401
<b>Profit for the year after adjustment for non-cash operating items</b>	<b>114,802</b>	<b>144,950</b>
Liabilities to credit institutions and central banks	3,415	-8,940
Deposits	269,569	837,705
Lending	-260,340	-294,521
Other working capital	-7,046	405,881
Other liabilities	-25,128	16,522
<b>Change in working capital</b>	<b>-19,530</b>	<b>956,647</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>95,272</b>	<b>1,101,597</b>
Sale of tangible assets	245	0
Purchase, etc. of tangible assets	-3,074	-23,946
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>-2,829</b>	<b>-23,946</b>
Dividend paid	0	-54,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>0</b>	<b>-54,000</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>92,443</b>	<b>1,023,651</b>
Cash and cash equivalents, beginning of year	2,642,275	1,618,624
<b>Cash and cash equivalents, end of year</b>	<b>2,734,718</b>	<b>2,642,275</b>
Cash balance and demand deposits with central banks	192,107	184,862
Certificates of deposit with Danmarks Nationalbank, cf. Note 12	1,345,000	1,015,000
Fully secured and liquid cash and cash equivalents in credit institutions, cf. Note 12	341,361	298,323
Non-mortgaged securities	856,250	1,144,090
<b>Cash and cash equivalents, end of year</b>	<b>2,734,718</b>	<b>2,642,275</b>

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## NOTES

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### Note 1

#### **Accounting policies applied**

The annual financial statements are presented in accordance with the Danish Financial Activities Act, including the Order on financial reports for credit institutions and investment service companies, etc. The Annual Report is furthermore presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial companies.

The Annual Report is presented in Danish kroner, rounded to the nearest DKK 1,000.

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

#### **About recognition and measurement in general**

Assets are recognised in the balance sheet when it is probable, due to a previous event, that future economic benefits will accrue to the Bank, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank, due to a previous event, has a legal or actual obligation, and it is probable that future economic benefits will divest from the Bank, and the value of the liability can be measured reliably.

On first recognition, assets and liabilities are measured at fair value. However, tangible assets are measured at cost price at the time of first recognition. Measurement after first recognition takes place as described for each accounting item below.

On recognition and measurement, account is taken of predictable risks and losses arising before the presentation of the Annual Report, and which confirm or refute conditions existing as of the balance sheet date.

Income is recognised in the statement of income as it is earned, while costs are recognised at the amounts concerning the financial year. However, increases in the value of head office properties that do not match previous impairment are recognised directly to the statement of comprehensive income.

Purchase and sale of financial instruments is recognised on the trading date, and recognition ceases when the right to receive/cede cash flows concerning the financial asset or liability has expired, or has been assigned, and the Bank has in principle transferred all risks and yields related to the property ownership. The BANK of Greenland does not apply the rule on reclassification of certain financial assets from fair value to amortised cost.

#### **Significant accounting estimates, assumptions and uncertainties**

The annual financial statements are prepared on the basis of certain special assumptions which entail the use of accounting estimates. These estimates are made by the Bank's management in accordance with accounting policies, and on the basis of historical experience, as well as assumptions which the management considers to be responsible and realistic.

The assumptions may be incomplete, and unexpected future events or circumstances may arise, just as other parties might be able to make other estimates. The areas which entail a higher degree of assessment or complexity, or areas where assumptions and estimates are significant to the accounts, are stated below.

On the preparation of the annual financial statements, the management undertakes a number of accounting assessments as the basis for the presentation, recognition and measurement of the institution's assets and liabilities. This annual financial statements are presented in accordance with the going concern principle, based on current practice and interpretation of the rules for Danish banking institutions. The key estimates made by the management in conjunction with recognition and measurement of these assets and liabilities, and the

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## NOTES

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significant estimation uncertainty related to the preparation of the Annual Report for 2020, are:

- Write-downs for impairment of lending and provisions for guarantees and credit undertakings are made in accordance with the accounting policies, and are based on a number of assumptions. If these assumptions are changed, the presentation of the accounts may be affected, and this may be significant.
- Listed financial instruments may be priced in markets with low turnover, whereby the use of stock exchange prices to measure fair value may be subject to some uncertainty.
- Unlisted financial instruments may involve significant estimates in connection with the measurement of fair value. See Notes 15 and 30.
- 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.
- The measurement of the fair value of head office properties is likewise subject to significant estimates and assessments, including expectations of the properties' future returns and the rates of return fixed. The Bank's principal property is the head office property in Nuuk. A change in the percentage yield of e.g. 0.5% would change the valuation by DKK 8 million for this property. On the valuation of the Bank's head office property in Nuuk, different prices per square metre are used in relation to market rent and potential use.

### **Determination of fair value**

The fair value is the amount at which an asset can be traded or a liability can be redeemed, in a trade under normal conditions between qualified, willing and mutually independent parties.

The fair value of financial instruments for which there is an active market is determined at the closing price on the balance sheet date or, if not available, another published price that must be assumed to be best equivalent.

For financial instruments for which there is no active market, the fair value is determined with the help of generally recognised valuation techniques, which are based on observable current market data.

### **Hedge accounting**

The Bank applies the special hedge accounting rules to avoid the inconsistency which arises when certain financial assets or financial liabilities (the hedged items) are measured at amortised cost, while derivative financial instruments (the hedging instruments) are measured at fair value.

When the criteria for the application of the hedge accounting rules are fulfilled, the accounting value of the hedged assets and liabilities is subject to adjustment via the statement of income for changes in fair value concerning the hedged risks (fair value hedging). Hedging is established by the Bank for lending at fixed interest rates.

### **Derivative financial instruments**

Derivative financial instruments are measured at fair value, which in principle is based on listed market prices. With regard to unlisted instruments, the fair value is compiled according to generally recognised principles. Derivative financial instruments are recognised under other assets, or other liabilities.

Changes in the fair value of derivative financial instruments which are classified as and fulfil the conditions for hedging the fair value of a recognised asset or liability, are recognised in the statement of income together with changes in the value of the hedged asset or liability. Other changes are recognised in the statement of income as financial items.

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### Translation of foreign currencies

On first recognition, transactions in foreign currencies are translated at the exchange rate on the transaction date. Receivables, debt and other monetary items in foreign currency which are not settled as of the balance sheet date, are converted at the closing rate for the currency on the balance sheet date. Exchange-rate differences arising between the rate on the transaction date and the rate on the payment date, or the rate on the balance sheet date, are recognised as value adjustments in the statement of income.

### Set-offs

The Bank sets off receivables and liabilities when the Bank has a legal right to set off the recognised amounts and also has the intention of net set-off or realisation of the asset and redemption of the liability at the same time.

### Income statement

#### Interest, fees and commission

Interest income and interest expenses are recognised in the statement of income for the period which they concern. Commission and fees which are an integrated element of the effective interest rate on a loan are recognised as part of the amortised cost and thereby as an integrated element of the financial instrument (lending) under interest income.

The treatment of negative interest income and positive interest expenses does not differ from the treatment of interest income and interest expenses. Negative interest income and positive interest expenses are presented on their respective separate lines of the income statement.

Commission and fees which are part of the ongoing servicing of the loan are accrued over the term to maturity. Other fees are recognised in the statement of income as of the transaction date.

Interest on lending classified as stage 3 is calculated on the basis of the net amount after write-downs. For other lending, the interest rate is calculated on the basis of the contractual outstanding amount. This entails that interest income from loans that have been written down either in full or in part is included under "Write-downs on loans and receivables, etc." with regard to the interest on the impaired element of the loans.

#### Staff and administration expenses

Staff costs comprise salaries and social security expenses, pensions, staff accommodation, etc. Costs of services and benefits to employees, including anniversary bonuses, are recognised in step with the employees' performance of the work which entitles them to the services and benefits in question. Costs of incentive programmes are recognised in the statement of income in the financial year to which the cost can be attributed.

#### Pension schemes

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/resignation. Obligations of this type are compiled as the present value of the amounts which, according to the best possible estimate, must be expected to be paid. This obligation, which is earned over the 2016-2028 period, may comprise 0-24 months' salary. See Note 9.

The Bank has established contribution-based pension schemes with all employees. Under the contribution-based pension schemes, fixed contributions are paid to an independent pension institution, or to the Bank's own pension product, "Qimatut". The Bank's own pension product is not managed by the Bank itself, but by the employee or in pool schemes managed by an independent investment company.

#### Other operating income

Other operating income includes income of a secondary nature in relation to the Bank's activities, including external rent income, and profit and loss on sale of the Bank's properties.

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### **Other operating expenses**

Other operating expenses include expenses of a secondary nature in relation to the Bank's activities, including operation and maintenance of the Bank's head office properties, and contributions to sector solutions.

### **Tax**

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

Current tax liabilities are recognised in the balance sheet, compiled as the tax calculated on the taxable income for the year.

On calculating the taxable income, Greenland allows tax deduction.

Deferred tax is recognised on all temporary difference between accounting values and taxable values of assets and liabilities.

### **Balance sheet total**

#### **Cash balances and demand deposits at central banks**

Comprises cash balances and demand deposits at central banks and are measured at fair value on first recognition, and subsequently measured at amortised cost.

#### **Receivables and debt with credit institutions and central banks**

Comprises receivables from credit institutions and time deposits with central banks. Debt to credit institutions and central banks comprises debt to other credit institutions and central banks. Receivables are measured at fair value. Debt is measured at amortised cost.

#### **Loans and other receivables at amortised cost**

Financial instruments that, after first recognition, are recognised on an ongoing basis at amortised cost must, however, on initial recognition be measured at fair value with addition of the transaction costs directly related to the acquisition or issue of the financial instrument, and deduction of the fees and commission received, which are an integral element of the effective interest rate.

Loans are measured at amortised cost, which is usually equivalent to nominal value less establishment fees, etc., and write-downs to meet losses that have arisen, but have not yet been realised.

Reference is also made to the descriptions in Note 2.

#### **Bonds at fair value**

Bonds which are traded in active markets are measured at fair value. Fair value is calculated at the closing price for the market in question on the balance sheet date. Redeemed bonds are measured at present value.

If the market for one or several bonds is not liquid, or if there is no publicly recognised price, the Bank determines the fair value by using recognised valuation techniques. These techniques include the use of equivalent recent transactions between independent parties, and analyses of discounted cash flows and other models based on observable market data.

#### **Shares, etc.**

Shares are measured at fair value. The fair value of shares traded in active markets is compiled at the closing price on the balance sheet date.

The fair value of unlisted and non-liquid shares is based on the available information on trades and similar, or

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alternative capital value calculations. Non-liquid and unlisted capital investments for which it is not assessed to be possible to calculate a reliable fair value are measured at cost.

### **Head office properties**

All of the Bank's properties are defined as head office properties, including staff accommodation. Staff accommodation is assessed to be necessary, to ensure the recruitment of new staff.

Properties are measured according to first recognition at re-assessed value. Initial recognition is at cost price. Re-assessment is made sufficiently frequently to avoid significant differences from fair value.

Every second year (at the latest in 2020) an independent assessment is obtained of the market value of the Bank's head office property in Nuuk. The fair value of other head office properties is reassessed annually on the basis of calculated capital values for the expected future cash flows.

Increases in head office properties' reassessed value are recognised in revaluation reserves under equity. Any decrease in value is recognised in the statement of income, except in the case of reversal of write-ups in previous years.

Straight-line depreciation over 25 years is applied to bank buildings, and over 50 years to staff accommodation. The head office property and newer bank buildings and staff accommodation are written down to scrap value.

### **Other tangible assets**

Machinery and fixtures and fittings are measured at cost less accumulated depreciation. Depreciation is made on a straight-line basis over the assets' expected lifetime, but maximum five years.

### **Other assets**

Other assets are other assets not included under other asset items. The item includes the Bank's capital contribution to BEC, and the positive market value of derivative financial instruments and income that do not fall due for payment until after the end of the financial year, including interest receivable. With the exception of derivative financial instruments that have a positive value as of the balance sheet date, and which are measured at fair value, the accounting item is measured at cost on first recognition, and thereafter at amortised cost.

### **Assets and deposits in pool schemes**

All pool assets and deposits are recognised in separate balance sheet items. Pool schemes are managed by an external partner. The Bank's own return on pool activities is carried under fee and commission income.

### **Accruals and deferred income**

Accruals and deferred expenses recognised under assets comprise defrayed costs concerning subsequent financial years. Accruals and deferred income are measured at cost.

### **Deposits and other liabilities**

Financial instruments that, after first recognition, are recognised on an ongoing basis at amortised cost must, however, on initial recognition be measured at fair value with addition of the transaction costs directly related to the acquisition or issue of the financial instrument, and deduction of the fees and commission received, which are an integral element of the effective interest rate.

Deposits and other liabilities comprise deposits with counterparties that are not credit institutions or central banks. Deposits and other liabilities are measured at fair value on first recognition, and are subsequently measured at amortised cost.

### **Other liabilities**

Other liabilities are other liabilities not included under other liability items. The item includes the negative market value of derivative financial instruments and expenses that do not fall due for payment until after the

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end of the financial year, including interest payable. With the exception of derivative financial instruments that have a negative value as of the balance sheet date, and which are measured at fair value, the accounting item is measured at cost on first recognition, and thereafter at amortised cost.

### **Accruals and deferred income**

Accruals and deferred income recognised under liabilities comprise income received prior to the balance sheet date, but which concerns a subsequent accounting period, including accrued interest and commission. Accruals and deferred income are measured at cost.

### **Provisions**

Obligations and guarantees which are uncertain in terms of size or time of settlement are recognised as provisions when it is probable that the obligation will lead to a claim on the Bank's financial resources, and the obligation can be measured reliably. The obligation is calculated at the present value of the costs that are necessary in order to redeem the obligation. Obligations concerning staff which fall due more than 36 months after the period in which they are earned are discounted.

### **Off-balance-sheet items**

The item concerns ceded guarantees and undertakings, irrevocable credit undertakings and similar obligations that are not carried to the balance sheet. Guarantees are measured at nominal value, with deduction of loss provisions. Provisions for losses are recognised under "Write-downs on loans and receivables, etc." in the statement of income and under "Provisions for losses on guarantees" in the balance sheet.

### **Dividend**

Dividend is recognised as a liability at the time of its adoption by the Annual General Meeting. The proposed dividend for the financial year is shown as a separate item in relation to equity.

### **Own shares**

Acquisition and divestment amounts and dividend from own shares are recognised directly in retained earnings under equity.

### **Cash flow statement**

The cash flow statement is presented according to the indirect method and shows cash flows concerning operations, investments and financing, and the Bank's liquid assets at the beginning and end of the year.

Cash flows concerning operating activities are compiled as the operating result adjusted for non-cash operating items, change in working capital and corporate tax paid. Cash flows concerning investment activities comprise payments concerning purchase and sale of companies, activities and the purchase, development, improvement and sale, etc. of intangible and tangible fixed assets. Cash flows concerning financing activities comprise changes in the size or structure of the company's share capital, subordinate capital contributions and related costs, purchase of own shares, and payment of dividend.

Liquid assets comprise cash balances and demand deposits with central banks and receivables from credit institutions with an original duration of up to three months, as well as uncollateralised securities which can be immediately converted to cash funds.

### **Financial highlights and key figures**

Financial highlights and key figures are presented in accordance with the definitions and guidelines of the Danish Financial Supervisory Authority.

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### Note 2

#### Financial risks and policies and targets for management of financial risks

##### General

In accordance with Section 16 of the Order on the management and control of banks, etc. the BANK of Greenland must designate a risk officer who is responsible for risk management at the Bank.

The Board of Directors of the BANK of Greenland have assessed that the Bank's size, simple structure and uncomplicated activities do not justify a separate risk management function. The risk management function is anchored in the Executive Management.

The BANK of Greenland is exposed to various types of risk. The objective of the Bank's risk management policies is to minimise the losses which may arise as a consequence of e.g. unforeseen development in the financial markets. The Bank works with a balanced risk profile, both in credit terms and on the financial markets. The Bank solely uses derivative financial instruments (derivatives) to cover risks on customer transactions, or to reduce the Bank's interest rate risk.

The BANK of Greenland continuously develops its tools for the identification and management of the risks which affect the Bank on a day-to-day basis. The Board of Directors determines the overall framework and principles for risk and capital management, and receives ongoing reports on the development in risks and use of the allocated risk framework. The day-to-day risk management is undertaken by the Credit Office, with independent control by the Accounting Department.

#### Maximum credit exposure (DKK 1,000)

	2020	2019
Cash balances and demand deposits at central banks	192,107	184,862
Receivables from credit institutions and central banks	1,686,361	1,380,759
Loans and other receivables at amortised cost	4,006,248	3,758,736
Bonds at fair value	885,752	1,174,084
Shares, etc.	122,763	117,009
Other assets, including derivative financial instruments	82,241	122,269
Off-balance-sheet items		
Guarantees	1,621,831	1,479,537
Drawn facilities	1,161,181	1,161,181
<b>Specification of exposure (DKK 1,000)</b>		
Lending, cf. Note 13	4,006,248	3,758,736
Guarantees, cf. Note 24	1,621,831	1,479,537
Write-downs and provisions on guarantees, cf. Note 23	181,883	160,661
Other adjustments	-24,251	-7,833
Gross exposure, cf. below	<b>5,785,711</b>	<b>5,391,101</b>

#### Credit risks

The most significant risks at the BANK of Greenland concern credit risks. The Bank's risk management policies are therefore arranged in order to ensure that transactions with customers and credit institutions always lie within the framework adopted by the Board of Directors, and the expected level of security. Policies have furthermore been adopted to limit the exposure in relation to any credit institution which the Bank has activities.

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### Credit granting

The Bank's Board of Directors has set a framework to ensure that the Bank's lending takes place to customers that, in view of their solvency, earnings and liquidity are able to fulfil their obligations to the Bank. It is sought to maintain credit quality at a high level, to ensure a stable basis for the future development, and it is sought to achieve a balance between assumed risks and the return achieved by the Bank.

Credit granting is based on responsible risk taking and risk diversification, whereby risk exposure is matched to the borrower's circumstances.

Among other things:

- As a general rule loans, etc. are only granted to customers that are full customers of the Bank;
- As a general rule, lending, etc. to business customers is only granted to customers with business activities in Greenland;
- As a general rule, lending, etc. to private customers is only granted to customers resident in Greenland, or to customers formerly resident in Greenland; and
- Lending, etc. to both private and business customers is solely to customers with satisfactory creditworthiness. Credit granting to customers with OIK (objective indication of credit deterioration) or material indications of weakness will only take place in exceptional cases. The BANK of Greenland is, however, aware of its size and importance to the local area and contributes to a minor extent to the new establishment of small business enterprises with a somewhat higher risk profile, and also supports existing customers where it is assessed that the financial challenges are of a temporary nature.
- Some financing, such as financing of activities abroad, project financing and financing of investment products, is subject to tighter monitoring, and may only be granted by the Bank's managing director or deputy managing director.

### Risk diversification

The BANK of Greenland wishes to diversify its credit risk between lending to private customers and lending to business customers. The exposure to business customers may thus not exceed 60% of the total exposure.

Risk diversification to industries with a reasonable spread across sectors is also required. Lending to individual sectors exceeding 15% is thus not required, with the exception of "Real estate and completion of construction projects", to which the overall exposure may amount to up to 25%

### Standard terms

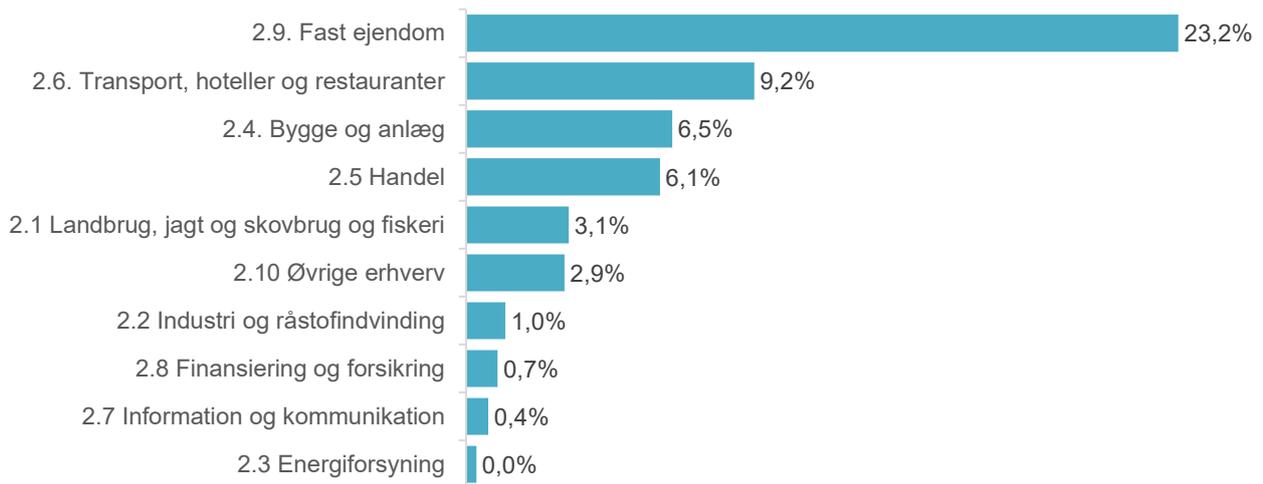
Business customers: Exposures can typically be terminated without notice by the Bank. The customer is normally required to provide the Bank with financial information on an ongoing basis.

Private customers: The typical term of notice from the Bank is two months. Financial information is normally required for new loans, and changes to existing loans.



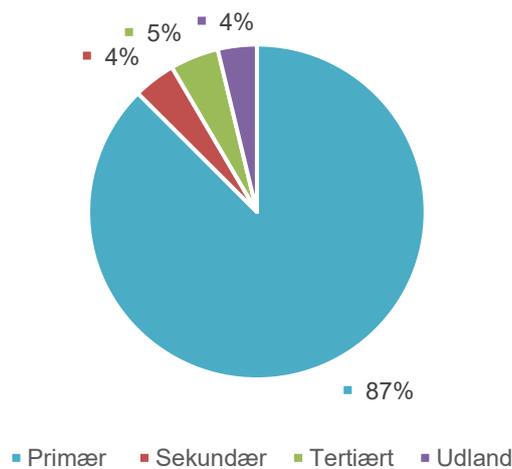
NOTES

Lending and guarantee debtors by industries under business



The geographical diversification of the Bank's lending and guarantees is distributed on the five municipal main towns (primary), small towns (secondary), settlements and villages (tertiary) and abroad (other). According to the Bank's business model, lending and guarantees outside Greenland are maximised at 10% of total lending and guarantees.

Lending and guarantees



**Authorisation procedures**

Credits, loans and guarantees are authorised at various levels in the Bank, depending on the exposures' size, risk and type. On financing a number of separate activities and on authorisation for customers subject to value adjustment, the authorisation procedure is stricter and, irrespective of size, authorisations can only be made

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in the Bank's central credit department, and in some cases solely by the Bank's managing director or deputy managing director. Large exposures are authorised by the Bank's Board of Directors.

### **Monitoring**

Management and monitoring of credit granting and compliance with the Bank's credit policy take place on a centralised basis in the Bank's credit department.

the Bank's credit policy is complied with via review of the authorisations at credit department level and higher, and via random sample controls in the individual departments.

### **Collateral security**

The BANK of Greenland wishes to have adequate collateral security for its credit granting.

For financing, the collateral security primarily consists of:

- Mortgages on private residential properties, primarily in Greenland;
- Mortgages on commercial properties for own use;
- Mortgages on rental properties (residential and commercial);
- Mortgages on movable property, cars, boats, snow scooters, operating equipment, etc.;
- Mortgages on fishing vessels;
- Mortgages on fishing rights;
- Mortgages on easily negotiable securities;
- Surety pledges;
- Assignments; and
- Mortgages on shares in the companies to which credit has been granted.

The valuation of the collateral security is in principle based on fair value.

- Mortgages on private residential properties located in the towns in which the Bank has branches are estimated at 75% of fair value;
- Mortgages on commercial properties located in the towns in which the Bank has branches are estimated at 60% of fair value;
- Mortgages on rental properties are assessed for large property exposures on the basis of rental conditions, yield requirements, location, maintenance standard, etc. The mortgage value is set at 60-75% of fair value;
- Mortgages on properties outside the towns in which the Bank has branches are not subject to valuation as collateral;
- Mortgages on movable property are generally assessed at between 60 and 75% of fair value;
- Mortgages on fishing vessels are assessed at maximum 60% of fair value;
- Mortgages on fishing rights are assessed at maximum 60% of fair value;
- Mortgages on negotiable securities are assessed at between 50-90% of the official market value;
- surety pledges from public authorities are subject to valuation as collateral at nominal value; and
- other security is not subject to valuation as collateral.

The 'haircuts' made for the individual collateral are assessed to be sufficient to cover the costs of acquisition and realisation of the individual security.

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There is no public property valuation in Greenland, and the assessed valuations are therefore based on the Bank's current experience of market values for the trades completed.

The BANK of Greenland is involved in 70-80% of all property transactions in Greenland and therefore has a large body of experience on which to base this assessment.

The Bank continuously assesses whether there have been changes in the quality of security and other conditions as a consequence of impairment or changes in practice concerning collateral security. There have been no changes during the year in the practice for the valuation of security, or the practice for handling security.

### **Write-down of loans and other receivables and provisions for guarantees and loan undertakings.**

The calculation of the expected credit loss depends on whether there has been a significant increase in the credit risk since initial recognition. The calculation of write-downs adheres to a model with three stages:

- Stage 1 concerns assets for which there has been no significant increase in credit risk. In this stage, the write-downs equivalent to the expected 12-month credit loss are calculated.
- Stage 2 concerns assets for which there has been a significant increase in credit risk. In this stage, the write-downs equivalent to the expected credit loss in the asset's lifetime are calculated.
- Stage 3 concerns credit-impaired assets. In this stage, the write-downs are calculated on the basis of an individual assessment of the credit loss in the asset's lifetime.

During the accounting period there have been no changes in significant assumptions and assessment methods applied to the compilation in connection with the transition to the new impairment rules on 1 January 2018.

Write-downs on loans and receivables are carried to an adjustment account that is set off under lending, and provisions for guarantees and non-utilised credit undertakings are recognised as a liability. In the statement of income, write-downs and provisions on guarantees and credit undertakings are recognised collectively as write-downs on loans.

### **Division into stages**

The division into stages is based on the BANK of Greenland's rating models in the form of PD models developed by BEC and internal credit management. The following principles are the basis for the division into stages 2 and 3.

### **Significant increase in credit risk (Stage 2)**

Lending and other receivables are categorised according to whether the probability of default (PD) within 12 months on initial recognition is either under 1.0%, or 1.0% and above.

On assessment of the development in credit risk, it is assumed that there has been a significant increase in the credit risk in relation to the date of initial recognition when:

#### *Under 1%*

The probability of default (PD) in the remaining term to maturity increases by 100% and the 12-month PD increases by 0.5% point when PD on initial recognition was below 1%.

#### *1% and higher*

The probability of default (PD) in the remaining term to maturity increases by 100% or the 12-month PD increases by 2.0 when PD on initial recognition was above 1%. In addition, the credit risk is assessed to have

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increased considerably if the borrower has been in arrears for more than 30 days, without any special circumstances allowing this to be disregarded.

If the relevant 12 months' PD exceeds 5%, the exposure will move to stage 2.

Financial assets for which a significant increase in the credit risk has occurred are, however, placed in the weak part of stage 2 in the following situations:

An increase in PD for the expected remaining term to maturity of 100%, or an increase in 12 months' PD of 0.05% point, when 12 months' PD on initial recognition was below 1% and the current 12 months' PD is 5% or higher. An increase in PD for the expected remaining term to maturity of 100%, or an increase in 12 months' PD of 2.0% point, when 12 months' PD on initial recognition was above 1% and the current 12 months' PD is 5% or higher.

The financial asset has been overdrawn for more than 30 days and the current 12-month PD is 5% or higher.

### **Credit-impaired assets (Stage 3)**

Lending and other receivables measured at amortised cost, and guarantees and credit undertakings, may be credit-impaired if one or several of the following events have occurred:

- The borrower is in considerable financial difficulties.
- The borrower is in breach of contract, for example due to failure to fulfil payment obligations for repayments and interest.
- When the Bank or other borrowers grant the borrower an easement of terms that would not be considered if the borrower were not in financial difficulties.
- When it is probable that the borrower will file for bankruptcy or be subject to other financial restructuring.
- Lapse of an asset.

Furthermore, the loan is at the latest assessed to be credit-impaired if the borrower has been in arrears for more than 90 days.

Significant lending is assessed individually for any indication of credit impairment at each closure of the accounts. The Bank reviews all exposures with write-downs exceeding DKK 100,000, which are treated individually, while other exposures are subject to model calculation.

### **Definition of default**

The determination of when a borrower has defaulted on its obligations is decisive to the compilation of the expected credit loss. The Bank considers a borrower to have defaulted on its obligations if

- the borrower is in more than 90 days' arrears for significant elements of their obligations.
- It is unlikely that the borrower can repay the obligations in full.

The assessment of whether a borrower is in arrears concerns both overdrafts exceeding the fixed lines and failure to pay either instalments or interest. The assessment of whether it is unlikely that a borrower can fulfil its payment obligations is based on both qualitative and quantitative indicators. A qualitative indicator for business loans might be, for example, whether there is any breach of covenants. Quantitative indicators might, for example, be an assessment of whether a borrower can fulfil its obligations for other loans, or is in arrears

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for other loans.

### **Depreciation and write-downs**

Write-downs in stages 1 and 2:

Calculation of the expected credit loss in stages 1 and 2 is based on a write-down model. The write-down model is based on the probability of default (PD), expected credit exposure at default (EAD) and expected loss given default (LGD). The model incorporates historical observations for the individual inputs and also forward-looking information, including macroeconomic conditions.

### **Determination of input to the write-down model**

Input to the write-down model is based on the historical information developed by the Bank's data centre using statistic models.

The determination of probability of default (PD) is based on observed defaults during a period that covers an economic cycle, after which the observed defaults are converted to an estimated probability that applies to a specific time (12-month PD). Lifetime PD is compiled on the basis of 12-month PD according to mathematical models and projections of 12-month PD. This is based on expectations of the future and the development in the loans.

The determination of credit exposure at default (EAD) is based on the expected change in the exposure after the balance sheet date, including the payment of interest and instalments, and further drawing on the credit undertaking. Bankens EDB Central's determination of EAD is based on historical information concerning expected changes in exposures during the loans' lifetime within the individual loan's limits. Account is thereby taken of the redemption profile, early redemptions and changes in the use of credit facilities.

The expected loss given default (LGD) is estimated on the basis the difference between the contractual cash flows and the cash flows which the Bank expects to receive after default, including cash flows on realisation of security. The determination of LGD is based on the expected collateral values less costs of sales, as well as cash flows that a borrower might pay in addition to collateral. Account is also taken of any price reduction if the collateral is to be realised within a shorter period. The expected cash flows are discounted at present value. The present value is calculated for fixed-interest-rate loans and receivables based on the originally-fixed effective interest rate. For variable-interest-rate loans and receivables, the current effective interest rate on the loan or receivable is used.

### **Forward-looking macroeconomic scenarios**

Forward-looking information is included in the calculation of expected losses in the form of macroeconomic prognoses and projections. The Bank uses a model that is developed and maintained by LOPI – the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark.

The model is based on the determination of historical relations between write-downs within a number of sectors and industries, and a number of explanatory macroeconomic variables. These relations are subject to estimates of the macroeconomic variables, based on prognoses from consistent sources such as the Economic Council, Danmarks Nationalbank, et al. whereby the prognoses generally extend two years ahead, and include variables as the increase in public consumption, increase in GDP, interest, etc. The prognoses are based on Danish figures. Currently, the economic future scenarios in Greenland and Denmark do not differ significantly and until further believed the Danish prognoses can be applied to conditions on Greenland.

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The expected write-downs are thereby calculated for up to two years ahead within the individual sectors and industries, while for maturities beyond two years linear interpolation is made between the write-down ratio for year 2 and year 10, where in model-related terms a “long-term equilibrium” is assumed to occur, compiled as a structural level from the prognoses. Maturities beyond ten years are in model-related terms assigned the same write-down ratio as the long-term equilibrium in year 10. Finally, the calculated write-down ratios are transformed into adjustment factors that correct the data centre’s estimates in the individual sectors and industries. The institution makes adjustments to these, based on own expectations of the future, and according to the composition of the loans.

### **Managerial estimates**

On each balance sheet date the institution assesses the need for adjustments to the expected credit losses, calculated on the basis of the models applied in stages 1 and 2. This takes place on the basis of the calculated write-downs. The managerial estimate is primarily based on uncertainties concerning the model calculations, risk assessment at sector level and differences between the macroeconomic scenarios in Greenland and Denmark.

As a consequence of Covid-19 in 2020, the BANK of Greenland has continuously ascertained OIK for individual exposures deemed to be affected by Covid-19. Furthermore, as a managerial estimate, the Bank has written down DKK 19 million as of end-2020, distributed on sector level, with particular weighted to the hotel, real estate and private segments. In addition, a general cyclical premium is included of DKK 19 million.

### **Write-downs in stage 3:**

Write-downs on credit-impaired loans are compiled as the expected loss based on a number of possible outcomes for the borrower’s situation and the Bank’s credit handling. The expected loss is calculated by weighting together the calculated loss related to each scenario, based on the probability of the scenario occurring. For each scenario, the write-down is compiled on the basis of the difference between the accounting value before write-down and the present value of the expected future payments on the loan.

For the calculation of current value, fixed-interest-rate loans and receivables are subject to the effective interest rate originally determined. For variable-interest-rate loans and receivables, the current effective interest rate on the loan or receivable is used.

The general rule is that the write-down comprises the exposure, less calculated security.

### **Write-offs**

Financial assets are written off in full or in part if there is no reasonable expectation that the outstanding amount will be paid. On write-off, the asset will cease to be carried to the balance sheet in full or in part.

The time at which there is no reasonable expectation that outstanding amounts will be paid in, is based on the concrete circumstances of the individual borrower. This might be a lack of earnings, equity, etc.

Before write-off is made, the borrower will have been subject to an extended collection process, with attempts to achieve voluntary payment arrangements, realisation of assets, etc.

After write-off has taken place, the debt collection process will continue. For companies, this is typically until the borrower has completed bankruptcy proceedings, schemes of arrangement, etc. For private individuals, it will still be sought to enter into voluntary payment schemes and to take any legal collection steps.

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## NOTES

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### Exposure and write-downs by sector

2020	Gross exposure DKK 1,000	Ratio of total gross exposures	Total write-downs DKK 1,000	Ratio of total write- downs
<b>Public</b>	425,961	7	2,292	1
Business:				
Agriculture and fisheries	177,111	3	11,501	6
Industry and extraction of minerals	55,852	1	2,198	1
Energy supply	388	0	201	0
Construction and civil engineering	374,884	7	15,787	9
Trade	351,576	6	12,524	7
Transport, restaurants and hotels	531,953	9	16,690	9
Information and communication	23,422	0	484	0
Financing and insurance	41,251	1	160	0
Real estate	1,343,374	23	27,023	15
Other business	168,990	3	21,092	11
<b>Business in total</b>	<b>3,068,801</b>	<b>53</b>	<b>107,660</b>	<b>58</b>
<b>Private</b>	<b>2,290,949</b>	<b>40</b>	<b>77,228</b>	<b>41</b>
<b>Total</b>	<b>5,785,711</b>	<b>100</b>	<b>187,180</b>	<b>100</b>

2019	Gross exposure DKK 1,000	Ratio of total gross exposures	Total write-downs DKK 1,000	Ratio of total write- downs
<b>Public</b>	440,457	8	2,934	2
Business:				
Agriculture and fisheries	117,707	2	10,617	6
Industry and extraction of minerals	74,468	1	2,932	2
Energy supply	0	0	0	0
Construction and civil engineering	397,694	7	39,105	22
Trade	396,682	7	17,680	10
Transport, restaurants and hotels	358,163	7	5,219	3
Information and communication	8,414	0	661	1
Financing and insurance	91,813	2	359	0
Real estate	998,407	19	11,675	7
Other business	166,580	3	10,259	6
<b>Business in total</b>	<b>2,609,928</b>	<b>48</b>	<b>98,508</b>	<b>56</b>
<b>Private</b>	<b>2,340,716</b>	<b>44</b>	<b>75,769</b>	<b>42</b>
<b>Total</b>	<b>5,391,101</b>	<b>100</b>	<b>177,211</b>	<b>100</b>

## NOTES

### Credit exposure distributed on classification, creditworthiness and stages:

Classification The BANK of Greenland	Classification Danish FSA	Stage 1 TDKK	Stage 2 TDKK	Stage2WEAK TDKK	Stage 3 TDKK	Total TDKK
Rating 1 – 3	3/2A	3,070,656	117,346	97,708	2,932	3,288,642
Rating 4 – 8	2B	1,467,497	301,746	289,379	3,959	2,062,581
Rating 9 – 10	2C	0	0	203,553	253	203,806
Rating 11	1	5,034	4,131	5,203	216,314	230,682
<b>Total</b>		<b>4,543,187</b>	<b>423,223</b>	<b>595,843</b>	<b>223,458</b>	<b>5,785,711</b>

#### Classification BANK of Greenland

- Ratings 1-3 correspond to the Danish FSA's creditworthiness scale 3/2A – Customers with undoubtedly good creditworthiness and customers with normal creditworthiness.
- Ratings 4-7 correspond to the Danish FSA's creditworthiness scale 2B – Customers that do not fulfil the criteria in 1-3, but which on the other hand do not have significant signs of weakness. The debt servicing ability is good, although the key financial indicators may be weak.
- Ratings 9-10 Customers with significant signs of weakness, but without OIK occurring. The customer's debt servicing ability is less satisfactory and is economically vulnerable/has weak key indicators.
- Rating 11 Customers with OIK. Customers with and without loss risk compilation (write-down). The debt servicing ability is poor or non-existent, and there is a risk of losses.

### Credit exposure to industries broken down by stages:

	Stage 1 TDKK	Stage 2 TDKK	Stage2WEAK TDKK	Stage 3 TDKK	Total TDKK
Public	389,951	35,987	23	0	425,961
Business:					
Agriculture and fisheries	132,706	9,077	20,862	14,466	177,111
Industry and extraction of minerals	15,299	387	984	39,182	55,852
Energy supply	238	0	0	150	388
Construction and civil engineering	239,233	14,035	92,210	29,406	374,884
Trade	296,842	14,686	28,049	11,999	351,576
Transport, restaurants and hotels	459,145	45,371	11,569	15,867	531,953
Information and communication	20,909	1,642	866	5	23,422
Financing and insurance	41,251	0	0	0	41,251
Real estate	1,013,224	47,062	280,087	3,001	1,343,374
Other business	136,523	12,592	11,462	8,414	168,990
Business in total	2,355,370	144,852	446,089	122,490	3,068,801
Private	1,797,866	242,384	149,731	100,968	2,290,949
<b>Total</b>	<b>4,543,187</b>	<b>423,223</b>	<b>595,843</b>	<b>223,458</b>	<b>5,785,711</b>

### Reason for value adjustment of exposures in stage 3

2020	Credit exposure before write- downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	1,883	1,620	263	261	2
Collection	36,410	27,302	9,108	7,586	1,522
Financial difficulties	146,313	60,887	85,426	80,769	4,657
<b>Total</b>	<b>184,606</b>	<b>89,809</b>	<b>94,797</b>	<b>88,616</b>	<b>6,181</b>

## NOTES

2019	Credit exposure before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	3,970	3,771	199	-	199
Collection	28,832	22,728	6,104	5,002	1,102
Financial difficulties	262,808	84,952	177,856	81,122	96,734
<b>Total</b>	<b>295,610</b>	<b>111,451</b>	<b>184,159</b>	<b>86,124</b>	<b>98,035</b>

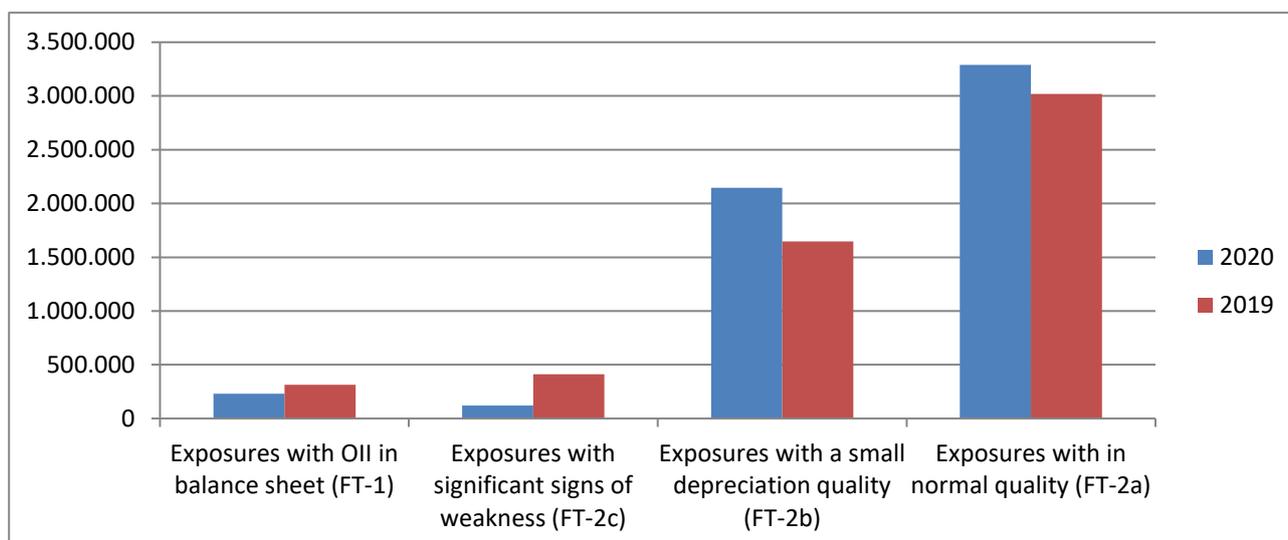
### Credit quality of exposures in general

Exposures with arrears or overdrafts > DKK

In DKK 1,000	2020	2019
0-30 days	5,532	3,269
31-60 days	428	1,135
61-90 days	196	500
> 90 days	405	951
<b>Total</b>	<b>6,561</b>	<b>5,855</b>

The BANK of Greenland applies a rating model that divides borrowers into 11 categories. The division is according to criteria such as the borrower's earnings, assets, account behaviour, etc. The 11 categories are then assigned to the Danish FSA's creditworthiness scale.

### Credit exposure before write-downs distributed by creditworthiness (in DKK 1,000)



Creditworthiness distributed on the Danish FSA's categories from 3 to 1, where category 1 is included in 2a.

The BANK of Greenland has no "non-impaired loans or guarantees" for which the loan terms have been eased as a consequence of a borrower's financial difficulties.

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## NOTES

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### **Market risk**

The BANK of Greenland's market risk is managed by fixed limits for a large number of risk measurements. Monitoring of market risk and of compliance with the adopted framework is undertaken on a daily basis by the Bank's Markets Department. The Executive Management receives reports on a daily basis if risks are close to limits. The Board of Directors receives reports on the development in market risks on a monthly basis. The reports include the month-end value and are prepared by the Bank's Accounting Department. The Accounting Department also prepares reports on a random day of the month, which are reported to the Executive Management.

### *Interest rate risk*

The Board of Directors' guidelines for the Executive Management include a maximum interest rate risk for the Bank. The Bank's objective is to hold the interest rate risk below 3%. The interest rate risk is calculated in accordance with the Danish Financial Supervisory Authority's guidelines.

The Bank has set a minimum framework of DKK 50 million for uncovered lending at fixed interest rates. Besides this, all of the Bank's lending at fixed interest rates is covered.

The BANK of Greenland has outsourced the portfolio management of the Bank's bond holdings to an external portfolio manager. The portfolio manager is subject to the aforementioned risk framework and works on the basis of a duration of 1.5 years. In addition, the BANK of Greenland has entered into an interest rate swap totalling DKK 10 million, for partial cover of the interest rate risk on the Bank's bond portfolio. Reference is made to Notes 27 and 29.

### *Share risk*

The Board of Directors' guidelines for the Executive Management include a maximum shareholding (excluding sector shares) for the risk which the Bank may assume. The holdings are mainly placed in liquid equities-based investment funds. Reference is made to Note 15.

### *Currency risk*

The BANK of Greenland has adopted guidelines for the currencies in which exposure is permitted, and the maximum exposure for each currency. All significant currency exposures are covered. The Bank has no significant currency exposures at the end of 2020. Reference is made to Note 26 for further information on currency risks.

### **Liquidity risk**

The BANK of Greenland's liquidity reserves are managed by maintaining sufficient liquid funds, ultra-liquid securities (levels 1 and 2), and the ability to close market positions. The liquid reserves are determined on the basis of an objective to ensure stable liquid reserves. The Bank seeks to have a constant LCR ratio at the level of 175-225. LCR for the BANK of Greenland is calculated at 241.0 % as of the end of 2020. Reference is also made to key figures for the Liquidity Coverage Ratio, as well as the key figures for lending as a ratio of deposits in Note 32.

### **Operational risk**

In order to reduce losses due to operational risks, the Bank has drawn up policies and written procedures. The Bank's policy is to continuously limit the operational risks, of which the following are examples. The Bank's procedures are reviewed and reassessed at least once every other year, unless there are changes in a procedure due to e.g. legislative changes, procedural changes, internal rules, etc. Operational events that have, or could have, resulted in a loss of a certain size, are registered and, at least once a year the Board of Directors receives a report on operational events. Significant individual events are also reported.

By ensuring a clear division of organisational responsibility, with the necessary and adequate separation of functions, the operational risks can be limited.

The BANK of Greenland considers dependence on key employees to be a focus area. Written procedures

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## NOTES

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have been drawn up in order to minimise dependence on individuals. There is continuous focus on reducing dependence on individual persons in key roles in the Bank, and the Bank continuously assesses the outsourcing of operating areas that are not important to the Bank's competitiveness. The Bank also has great focus on continuously improving the internal and external recruitment basis. The BANK of Greenland wishes to have a strong control environment and has therefore also drawn up a number of standards for how control is to take place.

The BANK of Greenland has drawn up policies and emergency plans for physical disasters and IT outages. IT outages may disrupt operations. In the case of a geographically limited outage in the branch network, the other branches will be able to continue operations. For any outage at the head office, emergency plans and contingency measures have been drawn up, and it will be possible to establish temporary operations within a short time from a back-up centre (Centre II) established in external premises. Customer-oriented temporary operations can be established within one day.

The Bank's IT operations take place at Bankernes EDB Central (BEC). The Bank closely follows the instructions and recommendations received, just as the Bank does not undertake independent development of IT systems.

The BANK of Greenland cooperates on Internal Auditing with Danske Andelskassers Bank A/S and the Bank has also appointed a legal officer who is responsible for compliance. This will help to ensure that the Bank complies with both external and internal requirements at all times.

**NOTES TO THE STATEMENT OF INCOME**

(DKK 1,000)	2020	2019
<b>3 Interest income</b>		
Lending and other receivables	225,064	230,598
Bonds	4,025	7,369
<b>Total interest income</b>	<b>229,089</b>	<b>237,967</b>
<b>4 Negative interest income</b>		
Receivables from credit institutions and central banks	-11,608	-8,311
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-2,804	-3,627
<b>Total negative interest</b>	<b>-14,412</b>	<b>-11,938</b>
<b>5 Interest expenses</b>		
Credit institutions and central banks	12	30
Deposits and other liabilities	117	735
<b>Total interest expenses</b>	<b>129</b>	<b>765</b>
<b>6 Positive interest expenses</b>		
Deposits and other liabilities	+19,870	+9,046
<b>Total positive interest expenses</b>	<b>+19,870</b>	<b>+9,046</b>
<b>7 Fees and commission income</b>		
Securities and securities accounts	4,087	2,758
Payment settlement	38,833	39,002
Loan transaction fees	5,140	6,035
Guarantee commission	25,507	22,144
Other fees and commission	18,394	17,833
<b>Total fee and commission income</b>	<b>91,961</b>	<b>87,772</b>
<b>8 Value adjustments</b>		
Lending at fair value	-1,471	-100
Bonds	-9,519	-11,833
Shares	6,178	17,527
Currency	3,266	3,826
Foreign exchange, interest rate, equities, commodities and other contracts, as well as derivative financial instruments	1,682	165
Assets connected to pool schemes	1,942	9,401
Deposits in pool schemes	-1,942	-9,401
<b>Total value adjustments</b>	<b>136</b>	<b>9,585</b>

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**NOTES TO THE STATEMENT OF INCOME**

(DKK 1,000)

2020      2019

Notes 3-8

The Bank has not distributed net interest and fee income and value adjustment on areas of activity and geographical markets. It is assessed that there are no significant deviations between the Bank's activities and geographical areas, and no segment data is therefore disclosed.

**9 Staff and administration expenses**

Staff expenses

Salaries	77,763	73,412
Other staff expenses	3,087	2,959
Pensions	9,670	9,121
Social security expenses	794	625
<b>Total</b>	<b>91,314</b>	<b>86,117</b>

Other administration expenses	87,420	84,778
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Number employed

The average number of employees in the financial year, converted to full-time employees	133.3	128.4
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Of which salaries and remuneration to the Board of Directors and the Executive Management:

Board of Directors

Chairman of the Board of Directors, Gunnar í Liða	370	370
Vice Chairman Kristian Frederik Lennert	258	258
Board member, Maliina Bitsch Abelsen	175	175
Board member, Hans Niels Boassen, resigned in 2019	0	44
Board member Christina Finderup Bustrup	175	175
Board member Malene Meilfart Christensen, joined in 2019	175	131
Board member Lars Holst	175	175
Board member Yvonne Jane Poulsen Kyed	185	185
Board member Niels Peter Fleischer Rex, joined in 2019	175	131
Board member Elise Love Nicoline Zeeb, resigned in 2019	0	44
Board member Peter Angutinguaq Wistoft, joined in 2019	175	131

In total	1,863	1,819
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## NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)

2020      2019

<b>Executive Management</b>		
Managing Director Martin Birkmose Kviesgaard		
Contractual remuneration, including free car and other benefits	2,855	2,783
Pension	761	742
<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 annual benefit earned for 2020 is compiled at TDKK 278, which is carried under pension for the Executive Management. This obligation, which is earned over the 2016-2028 period, may comprise 0-24 months' salary.</p> <p>Four other employees (2019: two other employees) whose activities have a significant influence on the Bank's risk profile:</p>		
Contractual remuneration, including free car and other benefits	4,132	2,390
Pension	517	270
<b>10 Audit fees</b>		
Statutory audit of the annual financial statements	645	620
Other declarations with assurance	42	121
Tax advisory services	27	33
Other services	48	41
<b>Total fees to the auditors elected by the Annual General Meeting, who perform the statutory audit</b>	<b>762</b>	<b>815</b>
<p>Non-auditing services are provided by Deloitte, Statsautoriseret Revisionspartnerselskab and primarily comprise fees for other services concerning advice on cyber risk and XBRL reporting.</p>		
<b>11 Tax on the profit for the year</b>		
Tax on the profit for the year is calculated as follows:		
Current tax	22,981	30,990
Adjustment concerning previous years' taxes	0	189
Deferred tax	11,690	-329
Change in deferred tax as a consequence of a changed tax rate in 2020	0	-10,268
<b>Total</b>	<b>34,671</b>	<b>20,582</b>
Tax on the profit for the year is broken down as follows:		
Calculated 26.5% (2019: 31.8%) tax on the profit for the year	34,688	47,859
Change in deferred tax as a consequence of a changed tax rate in 2020	0	-10,268
Other adjustments	-17	163
Tax value of dividend deduction	0	-17,172
<b>Total</b>	<b>34,671</b>	<b>20,582</b>
Effective tax rate	26.5%	13.7%
Corporate and dividend tax paid in 2020 amounts to TDKK 30,649		

**NOTES TO THE STATEMENT OF INCOME**

(DKK 1,000)	2020	2019
<b>12 Receivables from credit institutions and central banks</b>		
On demand	341,361	298,323
Up to and including 3 months	1,345,000	1,055,436
Over 3 months and up to and including 1 year	0	27,000
Over 1 year and up to and including 5 years	0	0
<b>Total</b>	<b>1,686,361</b>	<b>1,380,759</b>
Receivables subject to terms of notice at central banks	1,345,000	1,015,000
Receivables from credit institutions	341,361	365,759
<b>Total</b>	<b>1,686,361</b>	<b>1,380,759</b>
<b>13 Loans</b>		
Write-downs on loans, guarantees and non-utilised credit facilities:		
New write-downs concerning new facilities during the year	22,675	46,595
Reversal of write-downs concerning redeemed facilities	-17,028	-15,322
Net write-downs during the year as a consequence of changes in the credit risk	8,031	-22,369
Losses without preceding write-downs	516	636
Received for claims previously written off	-1,366	-1,582
<b>Recognised in the statement of income</b>	<b>12,828</b>	<b>7,958</b>
Lending at amortised cost	4,006,248	3,758,736
Total lending by remaining term to maturity:		
On demand	637,201	484,315
Up to and including 3 months	434,207	330,576
Over 3 months and up to and including 1 year	753,768	794,430
Over 1 year and up to and including 5 years	1,429,108	1,449,127
Over 5 years	751,964	700,288
<b>Total</b>	<b>4,006,248</b>	<b>3,758,736</b>

**NOTES TO THE STATEMENT OF INCOME**

(DKK 1,000)

in DKK 1,000	Stage 1	Stage 2	Stage 3	Total
<b>Write-downs on loans</b>				
<b>31.12.2020</b>				
Start of the period	15,835	41,405	82,938	140,178
New write-downs concerning new facilities during the year	4,285	3,967	5,835	14,087
Reversal of write-downs concerning redeemed facilities	-2,036	-5,210	-8,652	-15,898
Change in write-downs at the beginning of the year - transfer to stage 1	13,272	-10,410	-2,862	0
Change in write-downs at the beginning of the year - transfer to stage 2	-2,580	7,533	-4,953	0
Change in write-downs at the beginning of the year - transfer to stage 3	-105	-2,878	2,983	0
Net write-downs during the year as a consequence of changes in the credit risk	-14,469	37,210	14,594	37,335
Previously written down, now finally lost			-6,847	-6,847
Interest on written-down facilities			3,138	3,138
<b>Write-downs in total</b>	<b>14,202</b>	<b>71,617</b>	<b>86,174</b>	<b>171,993</b>
<b>Write-downs on guarantees</b>				
<b>31.12.2020</b>				
Start of the period	656	267	19,560	20,483
New write-downs concerning new facilities during the year	212	181	3,686	4,079
Reversal of write-downs concerning redeemed facilities	-2	0	0	-2
Change in write-downs at the beginning of the year - transfer to stage 1	188	-188	0	0
Change in write-downs at the beginning of the year - transfer to stage 2	-44	16,772	-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	-456	-16,375	2,161	-14,670
<b>Write-downs in total</b>	<b>554</b>	<b>655</b>	<b>8,681</b>	<b>9,890</b>

## NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)

in DKK 1,000	Stage 1	Stage 2	Stage 3	Total
<b>Write-downs on non-utilised drawing rights</b>				
<b>31.12.2020</b>				
Start of the period	814	3,408	12,328	16,550
New write-downs concerning new facilities during the year	592	229	3,688	4,509
Reversal of write-downs concerning redeemed facilities	-184	-145	-799	-1,128
Change in write-downs at the beginning of the year - transfer to stage 1	3,359	-3,230	-129	0
Change in write-downs at the beginning of the year - transfer to stage 2	-89	10,652	-10,563	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	-3,746	-10,675	-213	-14,634
<b>Write-downs in total</b>	<b>746</b>	<b>239</b>	<b>4,312</b>	<b>5,297</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 redeemed 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>

## NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)

in DKK 1,000	Stage 1	Stage 2	Stage 3	Total
<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 redeemed 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>Write-downs on non-utilised drawing rights</b>				
<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 redeemed 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>
<b>14</b>	<b>Bonds at fair value</b>			
Mortgage-credit bonds			885,752	1,174,084
Other bonds			0	0
<b>Total</b>			<b>885,752</b>	<b>1,174,084</b>
Of which nominal TDKK 50,000 deposited as security for debt to Danmarks Nationalbank				

**NOTES**

(DKK 1,000)	2020	2019
<b>15 Shares, etc.</b>		
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen	4,820	5,058
Unlisted shares included at fair value	117,943	111,951
<b>Reassessed value, year-end</b>	<b>122,763</b>	<b>117,009</b>
<b>16 Head office properties</b>		
Reassessed value, beginning of year	228,904	207,265
Additions during the year, including improvements	863	21,756
Disposals during the year	0	0
Write-offs	-4,257	-3,950
Value changes recognised in other comprehensive income	4,140	3,833
Value changes recognised in the statement of income	0	0
<b>Reassessed value, year-end</b>	<b>229,650</b>	<b>228,904</b>
<p>There is no public property valuation in Greenland.            In 2020, an independent expert assessment was obtained of the market value of the Bank's head office property in Nuuk. The valuation has not made it necessary to change the book value.            No expert assessment was used in conjunction with the measurement of the Bank's other head office properties.</p>		
<b>17 Other tangible assets</b>		
Cost, beginning of year	52,760	50,570
Additions during the year, including improvements	2,211	2,190
Disposals during the year	-393	0
<b>Cost, year-end</b>	<b>54,578</b>	<b>52,760</b>
Depreciation and write-downs, beginning of year	45,221	42,500
Depreciation for the year	2,691	2,721
Reversal of depreciation concerning disposals	-190	0
<b>Depreciation and write-downs, year-end</b>	<b>47,722</b>	<b>45,221</b>
<b>Accounting value, year-end</b>	<b>6,856</b>	<b>7,539</b>
<b>18 Assets connected to pool schemes</b>		
Investment associations	221,400	112,304
Non-invested funds	189	37
<b>Total</b>	<b>221,589</b>	<b>112,341</b>

## NOTES

(DKK 1,000)	2020	2019
<b>19 Liabilities to credit institutions and central banks</b>		
On demand	17,040	13,625
<b>Total</b>	<b>17,040</b>	<b>13,625</b>
Debt to central banks	16,170	13,625
Debt to credit institutions	870	0
<b>Total</b>	<b>17,040</b>	<b>13,625</b>
<b>20 Deposits and other liabilities</b>		
On demand	5,713,721	5,493,038
Up to and including 3 months	2,310	35,957
Over 3 months and up to and including 1 year	12,719	30,650
Over 1 year and up to and including 5 years	57,511	45,429
Over 5 years	61,511	82,377
<b>Total</b>	<b>5,847,772</b>	<b>5,687,451</b>
On demand	5,322,574	5,029,931
On terms of notice	294,190	376,261
Fixed-term deposits	0	54,436
Special deposit conditions	231,008	226,823
<b>Total</b>	<b>5,847,772</b>	<b>5,687,451</b>
<b>21 Provisions for deferred tax</b>		
The year's changes in deferred tax can be summarised as follows:		
Deferred tax, beginning of year	51,341	60,719
The year's deferred tax recognised in the statement of income for	11,690	-329
Adjustment of deferred tax concerning equity items	1,097	1,219
Change in deferred tax as a consequence of a changed tax rate in	0	-10,268
<b>Total</b>	<b>64,128</b>	<b>51,341</b>
Deferred tax concerns:		
Head office properties	51,451	50,551
Operating equipment	752	790
Proposed dividend for the financial year	11,925	0
<b>Total</b>	<b>64,128</b>	<b>51,341</b>

## NOTES

(DKK 1,000)

2020

2019

### 22 Share capital

The Bank's share capital consists of 1,800,000 shares of DKK 100. The shares are paid-up in full. The shares are not divided into classes, and no shares entail special rights. There have been no changes in the share capital in recent years.

#### Own shares

Number of own shares	0	0
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The following hold more than 5% of the Bank's share capital:

Greenland Holding A/S	Nuuk	15.26%
BETRI P/F	Kongabrugvin, Torshavn	14.58%
NunaFonden	Nuuk	13.98%
AP Pension Livsforsikringsaktieselskab	Copenhagen	11.39%

### 23 Capital statement

Credit risk	4,099,907	3,772,382
CVA risk	2,928	4,432
Market risk	126,259	229,745
Operational risk	615,611	600,646
<b>Total risk exposure</b>	<b>4,844,705</b>	<b>4,607,205</b>
Equity	1,176,917	1,077,676
Proposed dividend, accounting effect	-33,075	0
Framework for ratio of own shares	-5,310	0
Deductions for prudent valuation	-1,247	-1,531
<b>Actual core capital</b>	<b>1,137,285</b>	<b>1,076,145</b>
<b>Capital base</b>	<b>1,137,285</b>	<b>1,076,145</b>
Actual core capital ratio	23.5	23.4
Capital ratio	23.5	23.4
Statutory requirement of actual core capital ratio (excluding capital reserve buffer)	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

## NOTES

(DKK 1,000)	2020	2019
<b>24 Contingent liabilities</b>		
Mortgage finance guarantees	976,295	858,007
Registration and remortgaging guarantees	137,502	185,355
Other guarantees	508,034	436,175
<b>Total</b>	<b>1,621,831</b>	<b>1,479,537</b>
<p>The Bank is a member of BEC (Bankernes EDB Central). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding two and a half years' IT costs.</p>		
<b>25 Legal cases</b>		
<p>The Bank is a party in pending lawsuits and the outcome of these would not affect the Bank's financial position.</p>		
<b>26 Currency exposure</b>		
Assets in foreign currency, in total	29,688	136,567
Liabilities in foreign currency, in total	22,969	127,392
Exchange-rate indicator 1	6,604	9,651
Exchange-rate indicator 1 as a ratio of core capital	0.6	0.9
Exchange-rate indicator 2	20	767
<b>27 Interest rate risk</b>		
<p>The Bank solely has fixed-interest-rate assets in Danish kroner.</p>		
Interest rate risk for debt instruments, etc.	13,070	22,140
<b>28 Related parties</b>		
<p>Related parties comprise the Bank's Board of Directors and Executive Management, and their related parties.</p> <p>The BANK of Greenland has no related parties with a controlling influence.</p> <p>The size of loans to, and mortgages, surety or guarantees and related pledges, for members of the Bank's Executive Management and Board of Directors</p>		
Executive Management:	100	100
Board of Directors, including members elected by the employees	6,620	7,976
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	1,802	1,506

## NOTES

(DKK 1,000)	2020	2019
Significant terms: Exposures with members of the Bank's Board of Directors are entered into on normal business terms. Exposures with staff representatives on the Bank's Board of Directors are entered into on personnel terms. For members of the Board of Directors elected at the Bank's Annual General Meeting, the interest rates in 2020 are in the range of 2.25% to 3.65%		
The Board of Directors' and Executive Management's holdings of shares in GrønlandsBANKEN A/S compiled in accordance with the insider rules (number).		
Board of Directors		
Kristian Frederik Lennert	10	10
Yvonne Jane Poulsen Kyed	10	10
Executive Management:		
Martin Birkmose Kviesgaard	1,455	1,455

### 29 Derivative financial instruments

#### Loans at fixed interest rates covered with interest swaps

The BANK of Greenland uses derivatives to hedge the interest rate risk on fixed-interest assets and liabilities which are measured at amortised cost. On the fulfilment of certain criteria, the hedging is treated as hedging of fair value in the accounts. The interest rate risk on the hedged assets and liabilities is recognised at fair value as a value adjustment of the hedged items. If the criteria for hedging are no longer fulfilled, the accumulated value adjustment of the hedged item is amortised over the remaining term to maturity.

#### Loans

Amortised/nominal value	127,191	164,174
Accounting value	149,900	191,086
<b>Covered with interest rate swap</b>		
Synthetic principal/nominal value	114,209	151,432
Accounting value	8,345	9,816
<b>Lending at fixed interest rates without cover</b>		
Amortised/nominal value	21,958	25,806
Accounting value	25,072	29,622

In addition, the BANK of Greenland has entered into an interest rate swap totalling DKK 10 million, for partial cover of the interest rate risk on the Bank's bond portfolio.

## NOTES

(DKK 1,000)

### 29 Derivative financial instruments

2020	Nominal value	Positive market value	Negative market value	Net market value
<b>Currency contracts</b>				
Spot	237	1	0	1
<b>Interest rate contracts</b>				
Swaps	124,209	0	-9,149	-9,149
<b>Share contracts</b>				
Spot, purchase	31	4	-13	-9
Spot, sale	31	13	-4	9
<b>Total</b>	<b>62</b>	<b>17</b>	<b>-17</b>	<b>0</b>
<b>Total</b>	<b>124,508</b>	<b>18</b>	<b>-9,166</b>	<b>-9,148</b>
<b>2019</b>				
<b>Currency contracts</b>				
Spot	486	14	0	14
<b>Interest rate contracts</b>				
Swaps	161,433	0	-10,880	-10,880
<b>Share contracts</b>				
Spot, purchase	35	9	-22	-13
Spot, sale	35	22	-9	13
<b>Total</b>	<b>70</b>	<b>31</b>	<b>-31</b>	<b>0</b>
<b>Total</b>	<b>161,989</b>	<b>45</b>	<b>-10,911</b>	<b>-10,866</b>

## NOTES

(DKK 1,000)

### 29 Derivative financial instruments

Term structure by remaining term to maturity

2020	Up to and including 3 months		Over 3 months and up to and including 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts, swaps	0	0	7,500	-137
Currency contracts, spot	237	1	0	0
<b>Share contracts</b>				
Spot, purchase	31	-9	0	0
Spot, sale	31	9	0	0
<b>Total</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>299</b>	<b>1</b>	<b>7,500</b>	<b>-137</b>
	Over 1 year and up to and including 5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net Market value
Interest rate contracts, swaps	22,648	-1,099	94,061	-7,913
<b>Total</b>	<b>22,648</b>	<b>-1,099</b>	<b>94,061</b>	<b>-7,913</b>
<b>2019</b>	Up to and including 3 months		Over 3 months and up to and including 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts, swaps	1,038	-10	12,314	-193
Currency contracts, spot	0	0	486	14
<b>Share contracts</b>				
Spot, purchase	35	-13	0	0
Spot, sale	35	13	0	0
<b>Total</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1,108</b>	<b>-10</b>	<b>12,800</b>	<b>-179</b>
	Over 1 year and up to and including 5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts, swaps	35,226	-1,904	112,855	-8,773
<b>Total</b>	<b>35,226</b>	<b>-1,904</b>	<b>112,855</b>	<b>-8,773</b>

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## NOTES

(DKK 1,000)

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### 30 Fair value of financial instruments

Fair value is the amount at which a financial asset can be traded, or the amount at which a financial liability can be redeemed, between qualified, willing and independent parties. The fair value can be the net book value, if the net book value is calculated on the basis of underlying assets and liabilities measured at fair value.

The following three levels of valuation categories can be used to compile the fair value:

- Level 1: Listed prices in an active market for the same type of financial instruments, i.e. with no change in form or structure.
- Level 2: Listed prices in an active market for similar assets or liabilities, or other valuation methods in which all significant input is based on observable market data.
- Level 3: Valuation methods whereby any significant input is not based on observable market data.

Transfers are made between the categories if an instrument's classification on the balance sheet date differs from its classification at the beginning of the financial year. However, changes during the period do not reflect changes in the credit risk.

For listed shares and bonds in levels 1 and 2, the fair value is set at the listed prices and market data on the balance sheet date.

Shares in level 3 comprise sector shares in companies with which there is cooperation concerning products, payment settlement and administration, and the shares are measured at estimated fair values. The estimated fair value is based primarily on the prices at which the capital interests could be traded in accordance with the shareholder agreements, if they were divested as at the balance sheet date. Determining these shares' fair value is subject to uncertainty. For other unlisted shares for which observable input is not immediately available, the valuation is based on estimates which include information from the companies' accounts.

For loans, the write-downs are assessed to correspond to the changes in credit quality. Differences from fair values are assessed to be fees and commission received which do not fall due for payment until after the end of the financial year, and for fixed-interest-rate loans with the addition of the interest-rate-level dependent value adjustment, which is calculated by comparing the current market interest rate with the nominal interest rates for the loans.

The fair value for receivables from credit institutions and central banks is determined according to the same method as for loans, although the Bank has not currently made any write-downs for receivables from credit institutions and central banks.

For variable-interest-rate financial liabilities such as deposits and debt to credit institutions measured at amortised cost, the difference from fair values is assessed to be interest payable that does not fall due for payment until after the end of the financial year.

For fixed-interest-rate financial liabilities such as deposits and debt to credit institutions measured at amortised cost, the difference from fair values is assessed to be interest payable that does not fall due for payment until after the end of the financial year, and the interest-rate-level dependent value adjustment.

## NOTES

(DKK 1,000)

<b>2020</b>	Listed prices Level 1	Observable prices Level 2	Non- observable prices Level 3	In total
in DKK 1,000				
<b>Financial assets</b>				
Bonds	885,752	0	0	885,752
Shares	4,820	0	117,943	122,763
Head office properties	0	0	229,650	229,650
Positive market value of derivative financial instruments	0	18	0	18
<b>Total</b>	<b>890,572</b>	<b>18</b>	<b>347,593</b>	<b>1,238,183</b>
Financial liabilities:				
Negative market value of derivative financial instruments				
	0	9,166	0	9,166
<b>Total</b>	<b>0</b>	<b>9,166</b>	<b>0</b>	<b>9,166</b>
<b>2019</b>				
	Listed prices Level 1	Observable prices Level 2	Non- observable prices Level 3	In total
in DKK 1,000				
<b>Financial assets</b>				
Bonds	1,174,084	0	0	1,174,084
Shares	5,058	0	111,951	117,009
Head office properties	0	0	228,904	228,904
Positive market value of derivative financial instruments	0	45	0	45
<b>Total</b>	<b>1,179,142</b>	<b>45</b>	<b>340,855</b>	<b>1,520,042</b>
Financial liabilities:				
Negative market value of derivative financial instruments				
	0	10,906	0	10,906
<b>Total</b>	<b>0</b>	<b>10,906</b>	<b>0</b>	<b>10,906</b>
in DKK 1,000				
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
Financial instruments recognised at amortised cost:	Amort. cost.	Fair value	Amort. cost.	Fair value
Receivables from credit institutions and central banks	1,686,361	1,686,000	1,380,759	1,380,660
Lending and other receivables	4,006,248	4,016,668	3,758,736	3,769,718
Liabilities to credit institutions and central banks	17,040	17,040	13,625	13,625
Deposits and other liabilities	5,847,772	5,844,228	5,687,451	5,677,351
Derivative financial instruments:				
Interest rate swaps (net)	0	9,149	0	10,880

## NOTES

(DKK 1,000)

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### 31 Sensitivity calculations

With regard to the Bank's monitoring of market risks and calculation of the adequate capital base, a number of sensitivity calculations are performed, which include the following market risk variables:

#### **Interest rate risk:**

The sensitivity calculation in relation to the Bank's interest rate risk is based on the interest rate risk key ratio that is reported to the Danish FSA. This key ratio shows the effect on the core capital after deductions on a change in interest rates of 1% point, equivalent to 100 basis points. The calculation shows that if the average interest rate on 31 December 2020 had been 100 basis points higher, all other things being equal, the profit for the year before tax would be TDKK 13,070 lower (2019 TDKK 22,140 lower), primarily as a consequence of a negative fair value adjustment of the Bank's holdings of fixed-interest-rate bonds.

#### **Currency risk:**

The sensitivity calculation in relation to the Bank's currency risk is based on the currency indicator 1 key ratio that is reported to the Danish FSA. Currency indicator 1 expresses a simplified measure of the extent of the Bank's positions in foreign currency, and is calculated as the greatest of the sum of all of the short currency positions and the sum of all of the long currency positions. If the Bank, on 31 December 2020, had experienced a loss on currency positions of 2.5% of currency indicator 1, all other things being equal, the profit before tax would be TDKK 165 lower (2019: TDKK 241 lower), primarily as a consequence of exchange rate adjustment of the Bank's currency holdings.

#### **Share risk:**

If the value of the Bank's shareholdings on 31 December 2020 had been 10% lower, all other things being equal, the profit for the year before tax would be TDKK 12,276 lower (2019 TDKK 11,701 lower), as a consequence of a negative fair value adjustment of the share portfolio.

#### **Property risk:**

If the value of the Bank's properties on 31 December 2020 had been 10% lower, the negative value adjustment of properties, all other things being equal, would be TDKK 22,965 before tax (2019 TDKK 22,890 lower).

## NOTES

(DKK 1,000)	2020	2019	2018	2017	2016
<b>32 5-year financial highlights and key figures</b>					
Net interest and fee income	326,513	323,507	316,647	312,528	292,686
Value adjustments	136	9,585	-1,546	-6,368	-12,899
Other operating income	5,369	5,722	5,385	5,240	4,854
Staff and administration expenses	178,734	170,895	160,457	155,510	147,133
Depreciation and impairment of tangible assets	6,948	6,672	6,765	6,840	5,981
Other operating expenses	2,610	2,788	2,011	2,709	4,136
Write-downs on loans and receivables, etc.	12,828	7,959	10,938	13,734	13,971
<b>Profit before tax</b>	<b>130,898</b>	<b>150,500</b>	<b>140,315</b>	<b>132,607</b>	<b>113,420</b>
Tax	34,671	20,582	27,423	24,986	4,547
<b>Profit for the year</b>	<b>96,227</b>	<b>129,918</b>	<b>112,892</b>	<b>107,621</b>	<b>108,873</b>
<b>Selected balance sheet items:</b>					
Lending	4,006,248	3,758,736	3,472,174	3,335,119	3,073,861
Deposits	5,847,772	5,687,451	4,899,044	4,205,612	4,822,362
Equity	1,176,917	1,077,676	999,159	958,458	926,210
Total assets	7,438,325	7,089,915	6,164,536	5,355,010	5,911,496
Contingent liabilities	1,621,831	1,479,537	1,277,604	1,161,181	1,266,537
<b>Official key figures:</b>					
Solvency ratio	23.5	23.4	22.7	22.7	21.2
Core capital ratio	23.5	23.4	22.7	22.7	21.2
Return on equity before tax	11.6	14.5	14.3	14.1	12.3
Return on equity after tax	8.5	12.5	11.5	11.4	11.8
Rate of return	1.3	1.8	1.8	2.0	1.8
Income per cost krone	1.65	1.8	1.78	1.74	1.66
Interest rate risk	1.1	2.1	2.0	1.1	1.3
Foreign exchange position	0.6	0.9	0.5	1.6	2.4
Lending plus write-downs as a ratio of deposits	68.8	67.2	73.1	82.2	66.2
Lending as a ratio of equity	3.4	3.5	3.5	3.5	3.3
Growth in lending during the year	6.6	8.3	5.0	8.5	8.9
Liquidity Coverage Ratio	241.0	238.8	282.1	222.4	207.4
Sum of large exposures	162.6	163.5	160.4	160.2	n/a
Ratio of receivables at reduced interest rates	0.8	0.8	0.9	0.6	0.8
Write-down ratio for the year	0.2	0.1	0.2	0.3	0.3
Accumulated write-down ratio	3.2	3.3	3.5	3.1	2.9
Profit for the year per share	53.5	72.2	62.7	59.8	60.5
Net book value per share	654	599	555	532	515
Dividend per share	25	0	30	30	55
Listed price/profit for the year per share (PE)	11	7.6	8.7	10.9	10.2
Stock exchange quotation/net book value per share	0.9	0.9	1.0	1.2	1.2

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## NOTES

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### 32 Definitions of key ratios

*Solvency ratio*

Capital base as a percentage of risk exposure.

*Core capital ratio*

Core capital after percentage deduction of risk exposure.

*Return on equity before tax*

Profit before tax as a ratio of average equity. Average equity is calculated as a simple average of equity at the beginning and end of the year.

*Return on equity after tax*

Profit after tax as a ratio of average equity. Average equity is calculated as a simple average of equity at the beginning and end of the year.

*Rate of return*

Profit for the year as a ratio of total assets.

*Income per cost krone*

Net interest and fee income, value adjustments and other operating income as a percentage of personnel and administration expenses, depreciation and write-down of intangible and tangible assets, other operating expenses and write-downs on loans and receivables.

*Interest rate risk*

Interest rate risk as a percentage of core capital after deductions.

*Currency position (currency indicator 1)*

Currency indicator 1 is defined by the Danish FSA and expresses the risk of losses on positions in foreign currency due to fluctuating exchange rates. On an overall basis, the risk is calculated as the larger amount of positions in currencies in which the Bank has a net receivable, or positions in which the Bank has net debt.

*Lending as a ratio of deposits*

Lending + write-downs as a ratio of deposits.

*Lending as a ratio of equity*

Lending/equity.

*Growth in lending during the year*

Percentage growth in lending from the beginning to the end of the year.

*Sum of large exposures*

Sum of large exposures as a ratio of the capital base.

*Ratio of receivables at reduced interest rates*

Receivables at reduced interest rates as a ratio of lending + guarantees + write-downs.

*Write-down ratio for the year*

Write-downs for the year as a ratio of lending + guarantees + write-downs.

*Accumulated write-down ratio*

Total write-downs as a ratio of lending + guarantees + write-downs.

*Profit for the year per share*

Profit for the year after tax/average number of shares. Average number of shares is calculated as the weighted average at the beginning and end of the year.

*Net book value per share*

Equity/number of shares, excluding own shares.

*Dividend per share*

Proposed dividend/number of shares.

*Listed price as a ratio of the profit for the year per share*

Listed price/profit for the year per share.

*Stock exchange quotation as a ratio of net book value*

Stock exchange quotation/net book value per share.

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## NOTES

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### 33 Management posts

In accordance with Section 132 a of the Accounting Order, the Annual Report must include details of the managerial posts held by listed banks' Board of Directors and Executive Management members in business enterprises.

In accordance with Section 80(8) of the Danish Financial Activities Act, at least once a year the Bank must publish details of the offices which the Board of Directors has approved for persons who, in accordance with statutory provisions or Articles of Association, are appointed by the Board of Directors, cf. Section 80(1) of the Act. More information is available at [www.banken.gl](http://www.banken.gl)

Concerning the members of the Board of Directors and Executive Management of the BANK of Greenland, the following had been disclosed at the time of the publication of the Annual Report:

#### **Former CEO Gunnar í Liða**

Born on 13 April 1960 (male)

Joined the Board of Directors on 6 April 2005. Last re-elected in 2019. Current term expires in 2021.

Does not comply with the Committee on Corporate Governance's definition of independence.

Chairman of the Audit Committee, Chairman of the Risk Committee, Chairman of the Nomination Committee and Chairman of the Remuneration Committee.

Member of the Boards of Directors of:  
Gist and Vist P/F (Chairman)

Chairman of the Nomination Committee of:  
Bakkafrost P/F

CFO of:  
P/F SMJ Rådgivende Ingeniører

Gunnar í Liða holds an MSc(Econ), supplemented with a management qualification from Wharton Business School, and was employed in the Faroese financial sector from 1988 to 2010 – until the end of 2010 as Director of the Faroe Islands' largest insurance company, when he resigned from this position. Gunnar í Liða also has substantial Board experience from Faroese companies, including financial activities, and a special insight into North Atlantic economic affairs and financing.

#### **Director Kristian Frederik Lennert INUPLAN A/S**

Born on 30 November 1956 (male)

Joined the Board of Directors on 8 April 2003. Last re-elected in 2020. Current term expires in 2022.

Does not comply with the Committee on Corporate Governance's definition of independence.

Member of the Audit Committee, member of the Risk Committee, member of the Nomination Committee and member of the Remuneration Committee.

Member of the Boards of Directors of:  
INUPLAN A/S (Chairman)

Director of:  
Ejendomsselskabet Issortarfik ApS  
Attavik-Udlejning

Kristian Frederik Lennert holds an MSc in structural engineering and has been employed by INUPLAN A/S since 1984, and in 2002-2019 as managing director of the company. Kristian Lennert also has experience from membership of the Boards of Directors of Greenlandic companies and during his career has gained insights into Greenland's economic and social conditions, especially in the building and construction area.

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## NOTES

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### **Programme head Maliina Bitsch Abelsen**

#### **Unicef Greenland**

Born on 7 February 1976 (female)

Joined the Board of Directors on 20 March 2018. Last re-elected in 2020. Current term expires in 2022.

Complies with the Committee on Corporate Governance's definition of independence

Member of the Audit Committee and member of the Risk Committee

Owner of

Pikiala

Co-owner of:

Yogarta I/S

Maliina Abelsen holds an MSc in social sciences and a Masters in Policy and Applied Social Research. In 2016-2019, she was CCO/Commercial Director of Air Greenland with responsibility for, among other things, commercial development, sales and marketing. From 2014 to 2016, Maliina Abelsen was Director of the 2016 Arctic Winter Games. From 2015 to 2017, Maliina Abelsen was Vice Chair of the Board of Directors of TELE Greenland A/S. Maliina Abelsen was a member of Inatsisartut (the Greenland Parliament) from 2009 to 2014 and held posts in Naalakkersuisut (the Greenland Government), most recently as Naalakkersuisoq (Minister) for Finance from 2011 to 2013. Maliina Abelsen has previously worked at the UN Human Rights Commission in Geneva and the Foreign Affairs Directorate in Nuuk.

### **Pension Director Christina F. Bustrup**

#### **Tryg**

Born on 16 August 1973 (female)

Joined the Board of Directors on 25 March 2015. Last re-elected in 2019. Current term expires in 2021.

Complies with the Committee on Corporate Governance's definition of independence

Member of the Audit Committee and member of the Risk Committee

Christina F. Bustrup is pension director at Tryg with responsibility for the management and development of the strategic business area Tryg Pension. This includes proactive sale to potential new customers, and the ongoing development and proactive servicing of existing customers in the life insurance and pension area.

From her time at AP Pension and as former CEO of nærpension A/S, and as a member of the Audit Committee for a number of years, Christina F. Bustrup has accounting and auditing experience, so that the Board considers her to be an independent member of the of the Audit Committee with accounting qualifications.

Christina F. Bustrup holds an MSc in actuarial science and also has executive management qualifications from IMD Business School.

Until June 2020, Christina F. Bustrup was CCO/commercial director at Edlund A/S, which delivers turnkey solutions for the administration of customer portfolios within life insurance and pensions, and was previously CEO of nærpension A/S, a wholly-owned subsidiary in the AP Pension Group. Previously, Christina F. Bustrup served for many years as COO (Customer Director) at AP Pension.

### **Branch Director Malene Meilfart Christensen**

#### **GrønlandsBANKEN A/S**

Born on 9 August 1979 (female)

Joined the Board of Directors on 27 March 2019. Current term expires in 2023.

Member of the Audit Committee and member of the Risk Committee

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## NOTES

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### **Former Executive Vice President Lars Holst**

Born on 15 February 1952 (male)

Joined the Board of Directors on 25 March 2015. Last re-elected in 2019. Current term expires in 2021.

Complies with the Committee on Corporate Governance's definition of independence

Member of the Audit Committee and member of the Risk Committee

As former EVP at Nykredit and as a member of the Audit and Risk Committee for a number of years, Lars Holst has accounting and auditing experience, so that the Board considers him to be an independent member of the of the Audit Committee with accounting qualifications.

Member of the Boards of Directors of:

Vestjysk Bank A/S

AG Gruppen A/S (Chairman)

AG Construction A/S (Chairman)

AG Development A/S (Chairman)

Amager Erhvervsforening A/S (Chairman)

Amager Strandvej 100 A/S (Chairman)

Ørestad Syd 2015 A/S (Chairman)

Ørestad Syd A/S (Chairman)

AG Investments A/S (Chairman)

Vækstfonden (the Danish Growth Fund) (Deputy Chairman)

Lars Holst holds a degree in management accounting and an Executive MBA and has completed management programmes at Stanford University and IMD Business School. Lars Holst held positions at Nykredit from 1987 to 2014, and from 1995 until his retirement in 2014 served as Credit Director. Besides a number of Board positions in Danish financial enterprises and property companies, Lars Holst has been a member of the mortgage-credit sector's Greenland Committee (2004-2014), and the Danish Bankers Association's Credit Committee (2010-2014).

### **Deputy manager Yvonne Jane Poulsen Kyed**

#### **GrønlandsBANKEN A/S**

Born on 29 January 1970 (female)

Joined the Board of Directors on 23 March 2011. Last re-elected in 2019. Current term expires in 2023.

Member of the Audit Committee, member of the Risk Committee and member of the Remuneration Committee

### **Communication and Marketing Consultant Niels Peter Fleischer Rex**

#### **GrønlandsBANKEN A/S**

Born on 02 October 1981 (male)

Joined the Board of Directors on 27 March 2019. Current term expires in 2023.

Member of the Audit Committee and member of the Risk Committee

Member of the Boards of Directors of:

Elite Sport Greenland

### **Former CEO Peter Angutinguaq Wistoft**

Born on 8 April 1964 (male)

Joined the Board of Directors on 27 March 2019. Last re-elected in 2020. Current term expires in 2022.

Complies with the Committee on Corporate Governance's definition of independence

Member of the Audit Committee and member of the Risk Committee

As a state-authorised public accountant with many years' experience from the auditing sector, Peter Wistoft has considerable accounting and auditing experience, so that the Board considers him to be an independent member of the Audit Committee with accounting and auditing qualifications.

Peter Wistoft is a former CEO of Kalaallit Airports Holding A/S. He is a state-authorised public accountant and a former partner in firm of accountants and consultants Deloitte. Peter Wistoft also holds strategic management qualifications from INSEAD.

## NOTES

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Peter Wistoft has served as auditor and adviser to large companies within retail trade, energy supply, telecom and postal activities, construction and housing administration, and public administration – including the Government of Greenland.

Peter Wistoft has extensive experience within crisis management, restructuring, mergers, demergers, prospectuses and IPOs, etc. and has deep insight into accounting and special legislation concerning Greenland. Peter Wistoft has also instructed boards of directors, primarily within corporate governance.

**Managing Director Martin Birkmose Kviesgaard**  
**GrønlandsBANKEN A/S**

Born on 23 May 1966 (male)

Joined the Executive Management on 1 March 2006.

Member of the Boards of Directors of:

BEC a.m.b.a.

Fugleværnsfonden

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**INFORMATION ABOUT the BANK of Greenland**

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**BANK of Greenland**

Imaneq 33  
Postbox 1033  
3900 Nuuk

AS reg. no. 39.070  
CVR no. 80050410

Domicile municipality: Sermersooq

Tel. no.: +299 70 12 34  
Fax no.: +299 34 77 20

[www.banken.gl](http://www.banken.gl)  
[banken@banken.gl](mailto:banken@banken.gl)

**Board of Directors**

Former CEO Gunnar í Liða, Chairman  
Director Kristian Frederik Lennert, Vice Chairman  
Programme head Maliina Bitsch Abelsen  
Pension Director Christina F. Bustrup  
Branch Director Malene Meilfart Christensen\*)  
Former Executive Vice President Lars Holst  
Deputy manager Yvonne Jane Poulsen Kyed\*)  
Communication and Marketing Consultant Niels Peter Fleischer Rex\*)  
Former CEO Peter Angutinguaq Wistoft

\*) Employee representatives

**Executive Management**

Managing Director Martin Birkmose Kviesgaard

**Audit Committee**

Comprises the full Board of Directors.

**Risk Committee**

Comprises the full Board of Directors.

**Remuneration Committee**

Comprises the Chairman and Vice Chairman of the Board of Directors and one member of the Board of Directors elected by the employees.

**Nomination Committee**

The Nomination Committee comprises the Chairman and Vice Chairman of the Board of Directors.

**Audit****Deloitte**

Statsautoriseret Revisionspartnerselskab  
Imaneq 33, Nuuk

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## FINANCIAL CALENDAR AND STOCK EXCHANGE NOTIFICATIONS

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### Financial calendar for 2021

Annual Report 2020	1 March
Annual General Meeting in Nuuk	24 March
Interim Report, First Quarter 2021	11 May
Interim Report, First Half 2021	18 August
Interim Report, First Nine Months 2021	3 November

### Notifications to the stock exchange in 2020

27 February	Annual Report 2019
2 March	Notice convening the Annual General Meeting
6 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
13 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
17 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
18 March	Dividend 2019 and outlook for 2020
25 March	Minutes of the 2020 Annual General Meeting
6 May	Interim Report, First Quarter 2020
27 July	Change in outlook for 2020
19 August	Interim Report, First Half 2020
9 September	Financial Calendar 2021
20 October	GrønlandsBANKEN A/S is upgrading its expectations of the profit for 2020.
29 October	Interim Report, First Nine Months 2020