Minutes of Annual General Meeting

To Nasdaq OMX Copenhagen
25 March 2020
Company notification no. 07/2020

Annual General Meeting of the BANK of Greenland

The BANK of Greenland today held its Annual General Meeting in accordance with the Articles of Association and the notice convening the meeting.
Due to the risks associated with the coronavirus (Covid-19) the bank had requested shareholders not to attend the Annual General Meeting in person, but instead to submit their power of attorney prior to the meeting. The meeting was attended by 0 shareholders. The bank's management was represented by the Chairman of the Board of Directors Gunnar í Liða (via video), Vice Chairman Kristian Frederik Lennert and Managing Director Martin Kviesgaard.
The number of votes represented at the Annual General Meeting was 915,401, of which 587,044 votes were given as power of attorney to the Board of Directors, while 328,357 votes were given as power of attorney with instruction.

1. The Chairman of the Board of Directors Gunnar í Liða presented the Board of Directors' report on the bank's activities during the past year. The report of the Board of Directors was noted.
The Chairman's report and the protocol of the minutes of the Annual General Meeting are available on the bank's website: www.banken.gl

2. The Annual Report for 2019 was presented as originally recommended to the General Meeting for approval. Due to the amended proposal concerning dividend of DKK 0 per share, as a consequence of the Covid-19 situation, and as notified in stock exchange announcement no. 06 of 18 March 2020 the accounting figures are amended. The amended accounting figures can be seen in Appendix 1. The financial statements showing a profit of TDKK 129,918, equity of TDKK 1,077,676 and a balance sheet of TDKK 7,089,915, were approved as submitted at the meeting with consideration to Appendix 1. The Board of Directors and the Executive Board were discharged from their obligations. There were no changes to the remuneration of the Board of Directors, which was approved. The Board of Directors' proposal for the allocation of profit or cover of losses was approved, including the Board of Directors' recommendation not to pay dividend due to the extraordinary situation concerning Covid-19.

3. The proposal from the Board of Directors to authorise the bank to acquire own shares was approved.

4.1. Proposal from shareholder Kim Pedersen:
The Board of Directors is requested to actually use any authority to acquire own shares, for as long as the price/book value ratio is lower than 1.00. It is assumed that acquisition can take place without the bank coming into conflict with the capital requirements. Until further decision, the Board of Directors is requested to add the acquired shares to the bank's own holdings.
Since the proposer could not attend the Annual General Meeting in person, due to the Covid-19 situation, the grounds for the proposal are attached as Appendix 2.
The remarks from the Board of Directors to the proposal submitted are attached as Appendix 3.
There were 60,216 votes for the proposal, and 855,185 votes against. Therefore the proposal was rejected.

4.2. Proposal from shareholder Kim Pedersen:
Before the next Annual General Meeting, the Board of Directors is requested to establish contact with BankNordik's Board of Directors in order to investigate whether there is a basis for a merger or other mutually binding cooperation between the banks, on an equal basis.
Since the proposer could not attend the Annual General Meeting in person, due to the Covid-19 situation, the grounds for the proposal are attached as Appendix 4.
The remarks from the Board of Directors to the proposal submitted are attached as Appendix 5.
There were 60,216 votes for the proposal, and 855,185 votes against. Therefore the proposal was rejected.

5. Kristian Frederik Lennert, Maliina Bitsch Abelsen and Peter Angutinguaq Wistoft were re-elected to the Board of Directors for a two-year period.

The Board of Directors also comprises Gunnar í Liða, Christina Finderup Bustrup and Lars Holst, and the members elected by the employees: Yvonne Jane Poulsen Kyed, Malene Meilfart Christensen and Niels Peter Fleischer Rex.

At the subsequent meeting of the Board of Directors, the Board of Directors elected Gunnar í Liða as Chairman and Kristian Frederik Lennert as Vice Chairman.

6. Deloitte, Statsautoriseret Revisionspartnerselskab, was re-elected as auditor for 2020.

7. There were no items for consideration under any other business.

BANK of Greenland
Gunnar í Liða
Chairman of the Board of Directors

Appendix 1:

Changes in annual report as a consequence of General Meeting decision of no dividend pay out for 2019 - in DKK 1,000

Statement of income

	According to Annual report 2019	Corrected without dividend
Profit before tax 2019	150,500	150,500
Tax	-20,582	-20,582
Profit for the year	**129,918**	**129,918**

Proposed allocation of profit

Profit for the year as stated above	129,918	129,918
Proposed dividend	54,000	0
Retained profit	75,918	129,918
Total allocation	**129,918**	**129,918**

Statement of comprehensive income

Profit for the year as stated above	129,918	129,918
Other comprehensive income after tax in total	2,599	2,599
Comprehensive income for the year	**132,517**	**132,517**

Assets

Assets in total	**7,089,915**	**7,089,915**

Liabilities

Total debt	5,917,662	5,917,662
Total provisions	94,577	94,577
Share capital	180,000	180,000
Revaluation reserves	31,706	31,706
Retained earnings	811,970	865,970
Proposed dividend	54,000	0
Total equity	**1,077,676**	**1,077,676**
Total liabilities	**7,089,915**	**7,089,915**

Statement of changes in equity

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend	Equity total
According to annual report 2019					
Equity, beginning of 2019, after distribution of dividend	180,000	29,092	736,067	0	**945,159**
Other comprehensive incomce		2,614	-15		**2,599**
Profit for the year			75,918	54,000	**129,918**
Equity, 31 December 2019	**180,000**	**31,706**	**811,970**	**54,000**	**1,077,676**
Corrected without dividend					
Equity, beginning of 2019, after distribution of dividend	180,000	29,092	736,067	0	**945,159**
Other comprehensive incomce		2,614	-15		**2,599**
Profit for the year			129,918		**129,918**
Equity, 31 December 2019	**180,000**	**31,706**	**865,970**	**0**	**1,077,676**

Capital base

	According to Annual report 2019	Corrected without dividend
Equity	1,077,676	1,077,676
Proposed dividend, accounting effect	-39,690	0
Deductions for prudent valuation	-1,531	-1,531
Capital base, 31 December 2019	**1,036,455**	**1,076,145**

Appendix 2:
Remarks from the proposer concerning the acquisition of own shares.

In recent years, the price of the bank's shares has shown a falling trend, and is now well below net book value. Viewed over a period of five years, the shares have dropped by more than 30%. This decline has taken place despite so far good and stable earnings and increasing equity in the bank.

At the same time, the bank's dividend payments are lower than before, and will now probably lapse completely for the 2019 financial year. This must be expected to exert further downward pressure on the share price going forward, since so far the market has perceived the share as a stable dividend-paying share.

The proposer believes that the bank is sufficiently well-consolidated at the present time, in particular when compared with the sector in general. The primary task of the Board of Directors is to pursue the shareholders' justified interests by seeking to ensure that the bank creates value for the shareholders.

If necessary, it will be possible to sell the shares again, and in time probably at a profit for the bank. The bank's long-term opportunities to pay dividends will be improved when the dividend from own shares comes back to the bank's own reserves.

Appendix 3:
Comments and recommendation from the BANK of Greenland's Board of Directors concerning the proposal:

- Hitherto, the bank has continuously considered the business value of acquiring own shares, as they are described by the proposer, and has periodically used this opportunity.
- The bank must pursue the shareholders' interests in the short and long term, which the Board of Directors believes can best be done by balancing the justified expectation of an attractive return and cash flow from dividend. There is also the consideration of the authorities' expectations of capitalisation now and in the longer term, the capital requirement for business development, and the consideration of the bank's deposit customers' expectations of a secure bank.
- The Board of Directors cannot be made subject to an obligation to purchase or retain holdings of the bank's own shares, since it is the bank's Board of Directors, and not the shareholders, who are responsible for the bank's operations and capital.

On this basis, the Board of Directors recommends that the proposal be rejected.

Appendix 4:
Remarks from the proposer concerning the proposal for contact with BankNordik.

A number of aspects indicate that a merger or similar might be appropriate. This might be:

- Synergy in relation to optimising operations, and thereby savings for such functions as IT, compliance, etc.

- An overall strengthened capital base, providing for the handling of large single exposures without any conflict with the solvency requirements, and thereby a possible boost to the overall business scope. At the same time, reduced risk exposure towards individual customers and reduced dependence, with regional economic development.

- Contribution of new business areas to the BANK of Greenland within insurance, pension and real estate intermediation, which BankNordik already has on its palette.

- Easier, cheaper and secure funding, also to fulfil NEP requirements, and the creation of a more attractive and liquid share than the current BANK of Greenland share.

- Creation of a strong profile for a North Atlantic bank that can meet future requirements, create competences, attract qualified employees, and thereby support development within infrastructure, tourism, fisheries and other capital-intensive commercial development, not least when the new airports in Greenland are completed in 2023.

If BankNordik does not wish to seek a merger in an equal basis, acquisition of BankNordik’s activities in the Faroe Islands might be a possibility. BankNordik's Danish branch network is probably not so much part of the BANK of Greenland's core business, but other Danish banks might be interested in this.

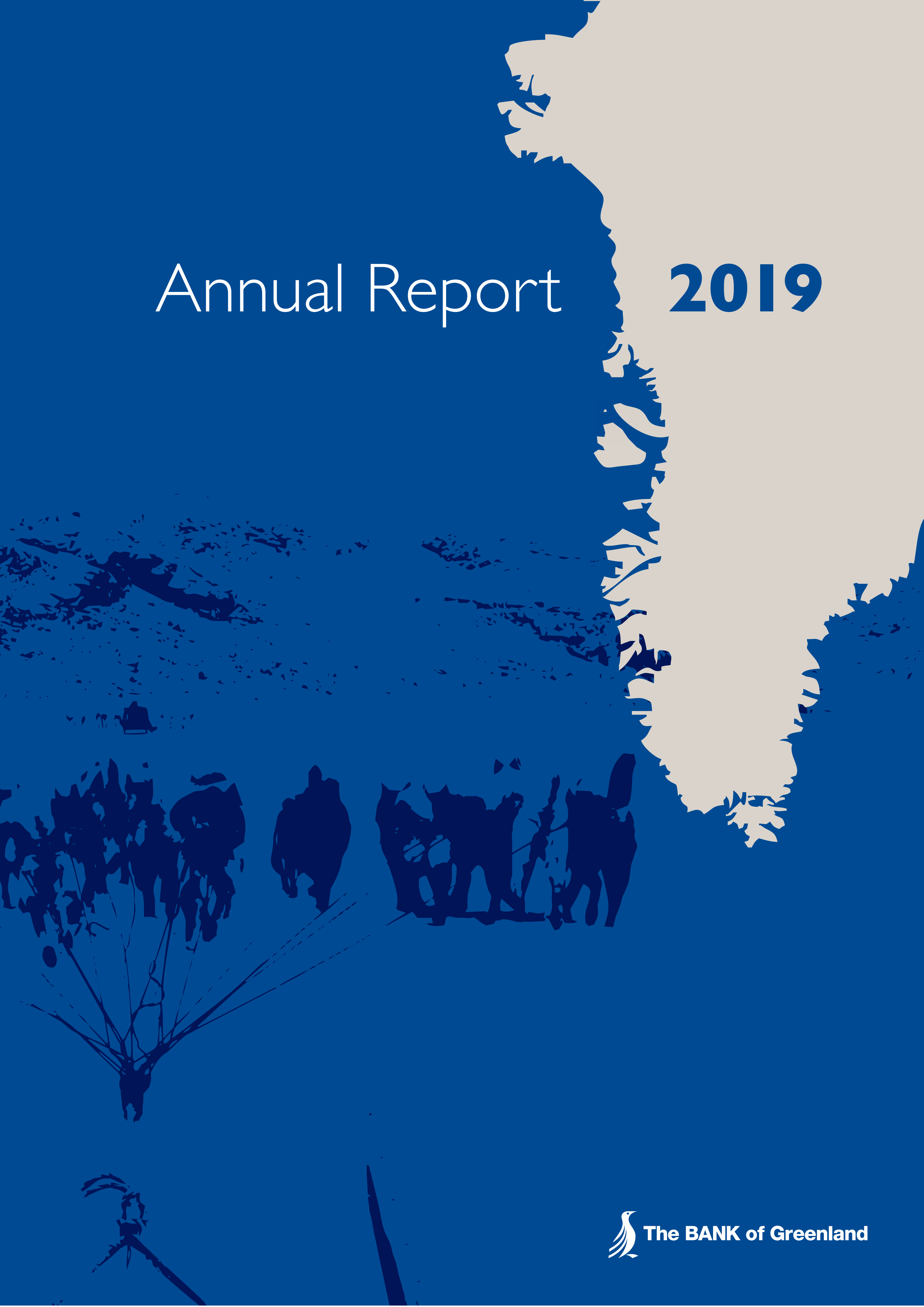
With regard to BankNordik’s activities in Greenland, one could avoid taking over these, due to competition legislation.

Appendix 5:
Comments and recommendation from the BANK of Greenland concerning the proposal:

- The purpose of the BANK of Greenland is to conduct banking activities in Greenland, and not on the Faroe Islands.
- It is the view of the Board of Directors that the BANK of Greenland's shareholders and other stakeholders are still best served by the bank focusing its business on where the bank has the greatest insight, which is banking operations in Greenland.
- For a number of years, the bank has continuously handled large single exposures in cooperation with foreign financing sources.
- The bank has a product range that, with due consideration of the opportunities in Greenland, covers the conditions mentioned by the proposer.

On this basis, the Board of Directors recommends that the proposal be rejected.

Annual Report 2019



The BANK of Greenland

"Greenland's best company – for the benefit of Greenland"

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Annual Report in Headlines

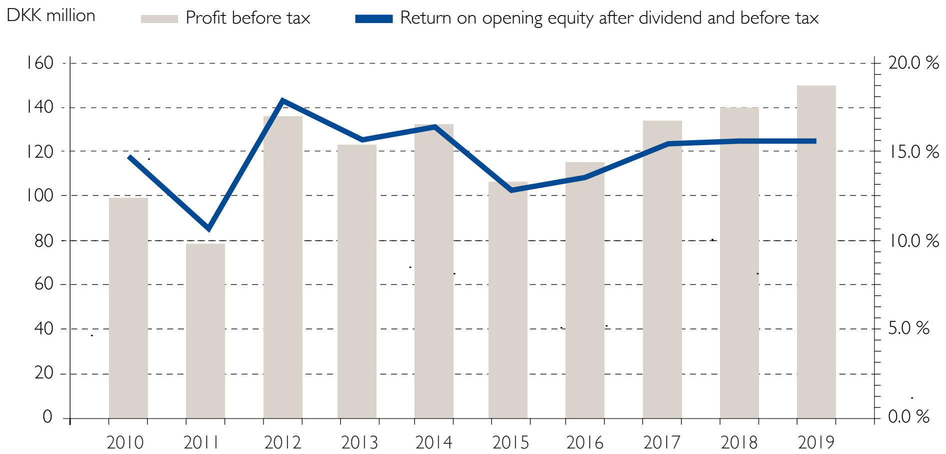
Growth in lending and capital gains give the best result in the history of the BANK of Greenland

Greenland's positive development, with a stable high level of activity, continued in 2019. This also presented opportunities for the BANK of Greenland, with high activity, growth in several major business areas, and both record-high earnings and a record-high level of loans and guarantees.

The BANK of Greenland achieved a profit of DKK 150.5 million before tax for 2019, compared to DKK 140.3 million in 2018. The return on opening equity after dividend and before tax was 15.6% p.a., which is considered to be satisfactory. The profit sets a new record in the Bank's history and is at the high end of estimate of DKK 135-155 million given by the Bank on the presentation of the interim report for Q3 2019.

Limited losses and write-downs – inspection by the Danish FSA

Write-downs and provisions were further reduced, and fell for the fifth consecutive year. In November, the Bank was subject to ordinary inspection by the Danish FSA, and the report is expected to be received and published in the near future. During the review the Bank noted a certain tightening of the Danish FSA's assessment of exposures, and the Bank also anticipates mandatory orders concerning write-downs, among other things. These write-downs are incorporated in these financial statements. The overall low level of write-downs documents the significant financial robustness of the Bank's private and business customers.



Core operations at a good level

From the start of the year, the Bank's core operations were once again affected by the low level of interest rates and increasing costs, and the result before value adjustments and write-downs also fell from DKK 152.8 million in 2018 to DKK 148.9 million in 2019. The negative interest rates in the money market and at Danmarks Nationalbank continued in 2019. The significant increase in the Bank's deposits amplified the challenge of placing liquidity at negative interest rates in the money market and at Danmarks Nationalbank.

On the other hand, the Bank successfully increased business volumes. Increasing lending and higher guarantees are the primary reasons for the increase in deposits by DKK 6.9 million to DKK 320.5 million.

Costs also increased in 2019. This was primarily due to a budgeted increase in staff numbers to ensure the ability to execute business growth and compliance in the coming years. The cost development is slightly above budget, which is primarily attributable to increased costs for BEC, the Bank's IT provider. The Bank's 'earnings per krone spent' are still at a high level compared to the sector in general, and despite the slight decline, core operations are therefore assessed to be satisfactory.

Capital gains yield record results

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 entails unavoidable capital losses on bonds. On the other hand, capital gains were achieved on foreign exchange and the Bank's other holdings. The sale of SparInvest to Nykredit gave the Bank an extraordinary capital gain of DKK 8.6 million, and is thus the main explanation for the total capital gains of DKK 9.6 million. It is also the main reason for the improvement from the record-high result in 2018 to this year's result, which is thus also the best in the Bank's history.

Growth across the entire Bank

The great efforts made throughout the Bank, together with the fine cooperation with loyal and enterprising customers, is the background to the growth in loans and guarantees of no less than DKK 488 million to the record level of DKK 5,238 million. It is positive that this development is not confined to Nuuk, since all of the Bank's branches are performing satisfactorily. This proves that activities and progress can be created from different starting points, and the BANK of Greenland has been part of this again in 2019. Involvement in the execution of a number of residential construction projects, together with several private investment initiatives targeted at such areas as tourism, has been significant for the Bank's development. These projects also serve as examples of how the Bank endeavours to deliver value to shareholders, customers and society.

Balance sheet, capital and dividend

The BANK of Greenland's capital-based element of its activities, and loans and guarantees in particular, achieved satisfactory growth once again in 2019. We can see continued opportunities for significant business 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 a need for sufficient capital to be able to take part in credit extension in Greenland, and to ensure that the Bank is perceived as a robust player in the banking sector.

The Bank is not yet subject to a requirement concerning impairment liabilities (MREL requirements), so that there is still uncertainty concerning the final capital requirements. The capital base is assessed to be robust, however. On this basis, the Bank recommends payment of dividend of DKK 30 per share, maintaining the Bank's solvency rate at 22.5, compared to 22.7 in 2018. The solvency requirement increased to 11.9% during the year, partly due to the expected specification and mandatory orders as a consequence of the FSA's inspection. The Bank's ability to generate a profit will enable the Bank to increase its capital base in the coming years, if this is assessed to be appropriate. It is also relevant, however, to investigate opportunities for alternative capital instruments, in which the Bank is currently engaged. With dividend of DKK 30 per share, the Bank maintains one of the highest dividend rates in the sector.

Outlook for 2020

Greenland's economic performance was strong in 2019, and is also expected to be at a high level in 2020. In the slightly longer term, activity related to the construction of new airports must be expected. At the BANK of Greenland we see good opportunities to further develop traditional banking activities, while also achieving rationalisation gains in 2020 and the years to come.

The Bank will naturally be challenged by the continued low interest rate levels and increasing compliance-related costs. Political decisions could alter the framework conditions in Greenland and in the sector. The Bank's value adjustments are affected by the customary uncertainty concerning the capital markets. A low level of losses and impairment is still expected, however. The Bank expects a profit before tax of DKK 120-140 million.

Nuuk, 27 February 2020

Martin Birkmose Kviesgaard,
Bank Director

Greenland's Society and Economy

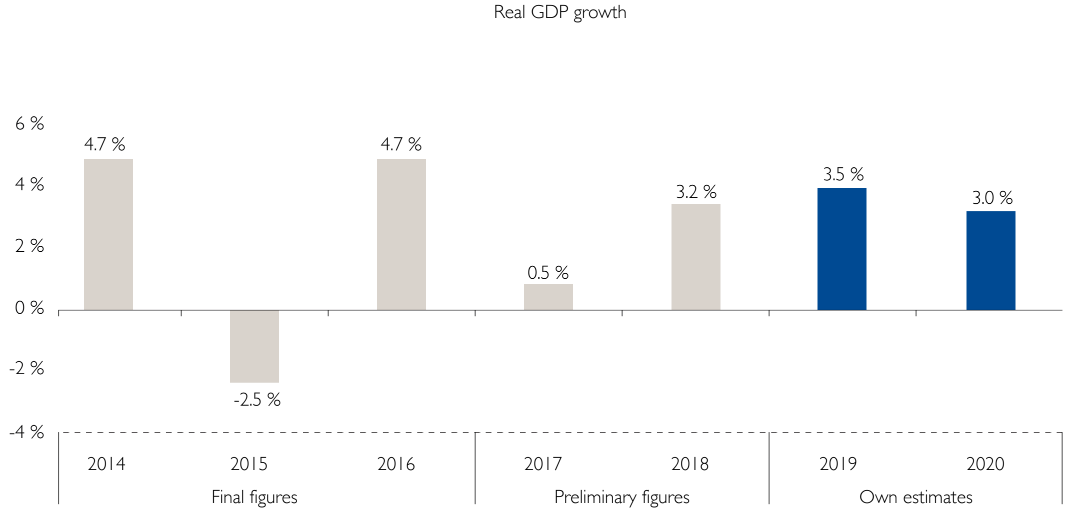
The economy continues to boom

For several years, Greenland has enjoyed an economic upswing, with high positive rates of GDP growth. Provisional figures for 2017 and 2018 show a brief pause in growth in 2017, while the GDP growth rate was 3.2% in 2018. The BANK of Greenland assesses that growth continued in 2019 and will be maintained in 2020, with high growth rates of up to 3.5% in 2019 and around 3.0% in 2020, cf. Figure 1.

Despite the uncertainty concerning provisional and estimated figures, and Statistics Greenland's ongoing revision of the compilation of GDP, there is a clear picture of relatively high growth. Such high growth in several consecutive years is unusual, particularly in view of the fact that the block grant from the Danish State, which is a significant factor in Greenland's economy, is a fixed amount.

Growth in 2019 was driven by increasing private consumption and exports of fish. Fish exports are expected to remain at a stable level in 2020, in view of the increased prawn quota for 2020, while prices are expected to be lower. Growth in 2020 will thus be driven mainly by the substantial infrastructure investments in new airports, for example, and continued generally high construction activity, including new residential units and projects based on the future new infrastructure opportunities.

Figure 1. The economic development



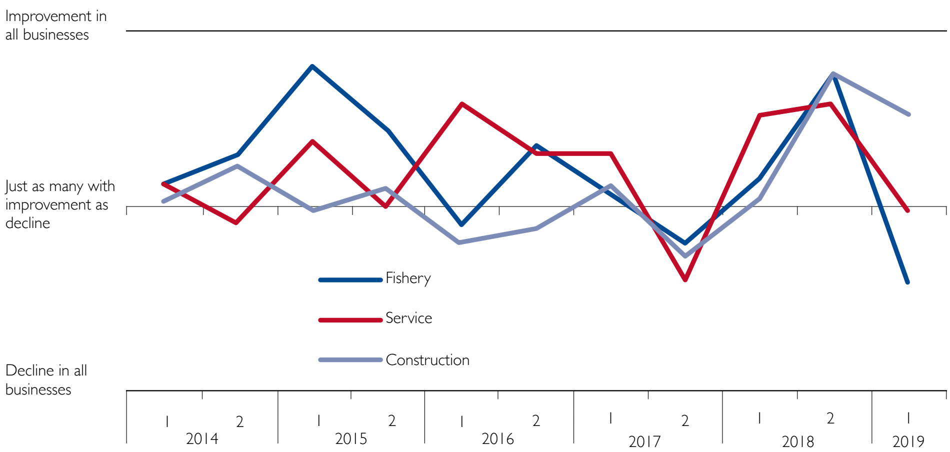
Note: The figure shows the real growth in GDP as a measure of value creation in Greenland. The real growth in GDP does not take account of income and transfers to and from abroad, or changes in purchasing power due to e.g. rising export prices compared to import prices.

Source: Statistics Greenland, the Economic Council, and Danmarks Nationalbank on the basis of the Economic Council.

In September 2019, the Economic Council estimated growth for 2019 at 2.2%, and during 2019, the BANK of Greenland itself also expected somewhat lower growth. In September, the Economic Council assessed that fisheries growth could not continue at the same level as in 2018. More recent data from Statistics Greenland shows, however, that the value of fisheries exports increased from 2018 to 2019, which is the primary explanation for the BANK of Greenland's higher assessment of GDP performance in 2019.

The economic upswing is also reflected in companies' assessment of the development in 2019. This applied particularly to companies in the building and construction industry, where companies had higher expectations of 2019 compared to 2018, cf. Figure 2. Among companies in the service industries, expectations of 2019 were high once again, while fisheries companies' expectations were lower, as usual, of the first half-year compared to the second half-year. The lower expectations of the first half-year are to a great extent related to seasonal fluctuations in fisheries, where export values are usually higher in the second half-year.

Figure 2. Greenlandic companies' assessment of the economic conditions



Note: Based on a questionnaire sent to around 350 companies, Greenland's economic situation is assessed on a half-yearly basis. A positive indicator signifies that more of the respondent companies indicated an improvement, rather than a reversal, in the current and coming half-year. The indicator does not show the extent of the improvement, but a higher figure implies that an improvement was more probable. The indicator is calculated as an average of the net figures for the questions concerning companies' 'actual revenue', 'expected revenue' and 'investment plans'. The net figure indicates the difference between the percentage figures for the 'greater' and 'smaller' responses. In the calculation, the companies are weighted according to their size, measured in terms of employment, and the companies are requested to take customary seasonal fluctuations into consideration in their responses.

Source: Copenhagen Economics' cyclical indicator.

Greenland's Society and Economy

The economic upswing is also evident from government finances, with a significant surplus on the Operations and Investment Balance in 2017 and 2018. The budget for 2020 also indicates a small surplus on the OI balance of almost DKK 50 million, cf. Table 1.

The provision of the Budget Act that government finances must be in balance or show a surplus over a four-year period is fulfilled in the Finance Act for 2020, but with only a very modest surplus. In an economic upswing, however, revenue should significantly exceed expenditure.

The budgeted surplus of DKK 0.3 million for the coming four years is of an equivalent size to the preceding four years, when there was a minor budgeted deficit of DKK 16.7 million. Due to the economic upswing, and in particular the favourable conditions for fisheries, the deficit in 2016-2018 was reversed to a surplus of no less than DKK 413.8 million.

A Finance Act and budget for the coming years that merely balance is surprising and must give grounds for some concern. The very substantial surpluses in the preceding years were a consequence of rising fisheries taxes. To a significant degree, the higher revenue level from 2016-2018 is, however, already included in the budget for the next four years. It is not likely that fisheries will be able to deliver even more during the next four years, which indicates that the Treasury has become dependent on very high fisheries taxes and an economic upswing.

The modest surplus in the coming four years must also be viewed in the context that, for example, no significant investments, such as upgrading of lower secondary schools or in the social area, are budgeted for. If the reason for the modest surplus had been long-term investments in these areas, for example, this would not raise the same concern.

In the longer term, Greenland still faces two challenges. First of all, the block grant from Denmark still accounts for a significant share of total public revenue, although this share is falling. In 2018, transfers from the Danish State through the block grant and reimbursements accounted for 26% of Greenland's GDP. This is a decline of 12 percentage points from 2003, so that the economy has grown very significantly. The freezing of the block grant does, however, mean that a large share of public revenue does not increase in step with the rest of the economy, and thereby also expenditure, which is a challenge for fiscal-policy sustainability.

Table 1. The Greenland Government's OI balance

DKK million, annual prices	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2016-2019**	**2020-2023**
Budgeted OI balance	-56.8	+21.7	+11.2	+7.2	+49.6	-22.9	-10.4	-16.0	-16.7	+0.3
Actual OI result	+50.8	+230.3	+132.7	-	-	-	-	-	+421.0	
Difference	+107.6	+208.6	+121.5						+437.7	

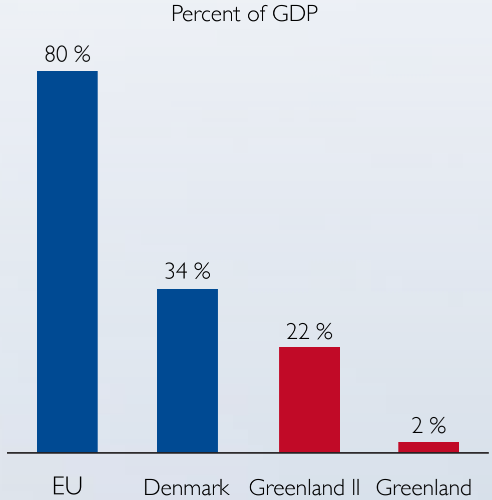
Note: A minus indicates a deficit. For the Greenland Government, the figures for 2016-2018 are actual figures, while the figures for 2019-2020 are those adopted for the year, and the figures for 2021-2023 are budget estimates.

Source: Finance Act for 2020.

Secondly, the proportion of elderly people in Greenland is increasing, as in many other countries, and despite a rising retirement pension age, large generations will retire on a pension in the course of the coming years. At the same time, the younger generations are becoming smaller. This means that fewer people will have to support more pensioners. This presents a further challenge for fiscal-policy sustainability, even though, in actual terms, the fiscal-policy challenge in this area is no greater than in, for example, most EU member states. In view of the gradual decline in the number of young people, it is of vital significance, however, that more young people gain educational qualifications and employment.

Fiscal-policy sustainability is thereby subject to some uncertainty. The level of public debt is low, on the other hand, cf. Figure 3. At the end of 2018, the net interest-bearing debt was around 22% of GDP, including the debt in publicly-owned enterprises. For comparison, the Danish EMU debt (a relatively comparable debt measure) was around 34% of GDP at the end of 2018.[1] Since there is no prospect of the sustainability problem increasing more in Greenland than in Denmark, and the EU overall, Greenland has a relatively better starting point, even though the debt level will increase in the coming years, including on the basis of the major infrastructure investments. The challenges for fiscal-policy sustainability do, however, give a need for prioritisation, reforms and the establishment of new forms of cooperation, whereby the private sector, for example, takes over tasks previously handled by the public sector.

Figure 3. Gross government debt in 2019



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.

1. Danmarks Nationalbank (2019), the Greenlandic Economy: Strong progress, but reforms are required.

Greenland's Society and Economy

Labour market

Greenland is still subject to high demand for labour. Employment has increased in recent years, while unemployment has declined significantly. In 2019, the ratio of job-ready job-seekers amounted to only around 3% of the total workforce, cf. Figure 4. Together with the low unemployment rate we can also note, paradoxically, that one quarter of the population of working age are outside the labour market.[2]

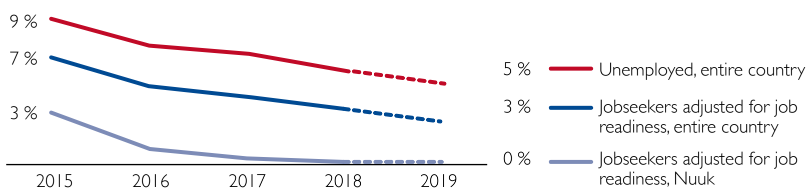
Unemployment has been declining during the current economic upswing, but with major regional variations, however. In 2018, the unemployment rate was lowest in Ilulissat at 2.9% and highest in Tasiilaq at 21.1%.[3] There is also great geographical variation in where jobs are available. Currently, 70% of all available jobs are in Nuuk, and 90% of all available jobs are in just three areas: Nuuk, Sisimiut and at Pituffik, Thule Air Base.[4] These significant regional variations in unemployment and available jobs indicate that the labour market is still divided, with low mobility.

In view of the increasing economic activity in coming years and, among other things, a tourism industry that to a great extent is based on seasonal work, companies' lack of manpower is likely to become even more pronounced. This creates a risk of bottlenecks and upward pressure on wages and prices that, ultimately, could brake economic growth.

To ease companies' lack of manpower, the workforce must, however, have the competences required. At suli.gl (Jobs in Greenland) there is high demand for manpower within clerical and administrative sectors, trades and construction, and teaching and pedagogics. In other words, there is a significant need for skilled manpower. To match companies' demand for skilled manpower, more young people need to gain educational qualifications, and more unskilled members of the workforce need to retrain and upgrade their qualifications. In the coming years, there should be particular focus on reducing the youth target group through an increase in the number of young people who complete a vocational educational programme. This is also reflected in Naalakkersuisut's 'Education Plan II' from 2019, of which the specific focus is for more young people to complete a vocational educational programme.

Figure 4. 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 gain employment within the same month in which they are 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. The number of unemployed in 2019 is estimated by maintaining the ratio of unemployed among registered job-seekers in 2018. Unemployment in 2019 is measured as a ratio of the workforce in 2018, since the latest data is from 2018.

Source: Copenhagen Economics based on Statistics Greenland.

2. Persons enrolled in education programmes are included in Statistics Greenland's figures for persons outside the labour market.

3. The unemployment rate is compiled in accordance with Statistics Greenland's definition of the unemployed and thereby includes persons who are not immediately ready to take up employment. The statistics include both towns and settlements.

4. The statistics for available jobs are from suli.gl (Jobs in Greenland) on 8 January 2020.

The enrolment of more young people in education programmes, together with permanent self-reliance, are also emphasised in the Sustainability and Growth Plan from 2016, as a means to tackle the fiscal-policy sustainability challenge. The Sustainability and Growth Plan showed that the public sector will have a permanent annual deficit of DKK 1 billion as from and including 2030, unless reforms are achieved. The plan assessed that modernisation of the public sector can generate savings of DKK 650 million, while the remaining DKK 350 million will be secured, among other things, by reducing the youth target group from 34% in 2017 to 25% in 2024.[5]

Reduction of the youth target group and the number of recipients of public benefits strengthens public finances because it reduces disbursements of public benefits and increases tax revenue. For example, the Economic Council has calculated that public finances are strengthened by DKK 120,000 per annum in each instance that one person moves from public benefits to paid income equivalent to Greenland's SIK minimum wage.[6]

In the short term, however, the labour supply cannot be increased by more people gaining educational qualifications. To ease the pressure on the labour market, and alleviate companies' current lack of manpower, it could be made easier for companies to access foreign manpower. Foreign manpower can serve as a 'buffer' against cyclical fluctuations and can have a positive economic impact. Canada and the Faroe Islands are examples of countries that have positive experience from easing the pressure on the labour market by using foreign manpower, see also Box 1.

There is political focus on how a model inspired by the Faroese model can help to boost employment in the short term. To resolve the labour market challenges in the longer term, however, there is a need for employment-focused initiatives, as well as initiatives in the education area, such as Education Plan II.

It is also important to ensure overall correlation between sector areas, in order to reduce youth unemployment. This requires collaboration across the labour market, education, housing and social areas, in partnerships between responsible government ministries, municipalities and the business community.

Box 1

Experience from using foreign manpower

Faroe Islands

When Faroese unemployment is low, EU citizens can apply for residence and work permits via a special EU scheme. The EU scheme is also called the fast-track scheme.

When unemployment is below 3.5%, the case processing time for residence and work permits is reduced significantly from around 3 months to 0-10 days. Under this scheme, an EU citizen can start work the day after their employment by a Faroese company that has gained advance approval has been notified to the Danish Agency for International Recruitment and Integration (SIRI) in Denmark.

Faroese unemployment has been below 3.5% since 2015, and in the same period the ratio of non-Scandinavian EU citizens in the Faroese labour market has increased by 66%, which has resolved the lack of manpower in the Faroe Islands.

Canada

Atlantic Canada has experienced an increasing shortage of manpower over many years, as large generations take retirement and many young people leave the area. This depopulation led to the launch of the 'Atlantic Growth Strategy' in July 2016.

One of the strategy's focus areas is to increase the labour force by attracting more people from outside. This is achieved by reducing the case processing time for work permits, and through collaboration with the business community. In the province of New Brunswick, companies can, for example, get help with infrastructure financing, if the company has a plan to increase the workforce.

Since the strategy was launched, for the first time in many years the region has experienced growth and reversed the decline to new development. In just three years, exports rose by 35%, and 18,400 jobs were created between July 2017 and December 2018.

Source: www.nyidanmark.dk, Atlantic Growth Strategy infographic https://www.acoa-apeca.gc.ca/ags-sca/eng/infographic-ags-en.html and '21 søndag' broadcast by DR (Danish Broadcasting Corporation) on 5 January 2020.

5. Measures such as the Ilanngaassivik payment system are a concrete step forward, but several specific prioritisations and measures will be necessary if the very significant savings are to be realistically achievable. FL2020 (the Finance Bill) assumes the performance of expenditure analyses and implementation of shared solutions, but the concrete execution is still outstanding.

6. Economic Council (2019), Greenland's Economy.

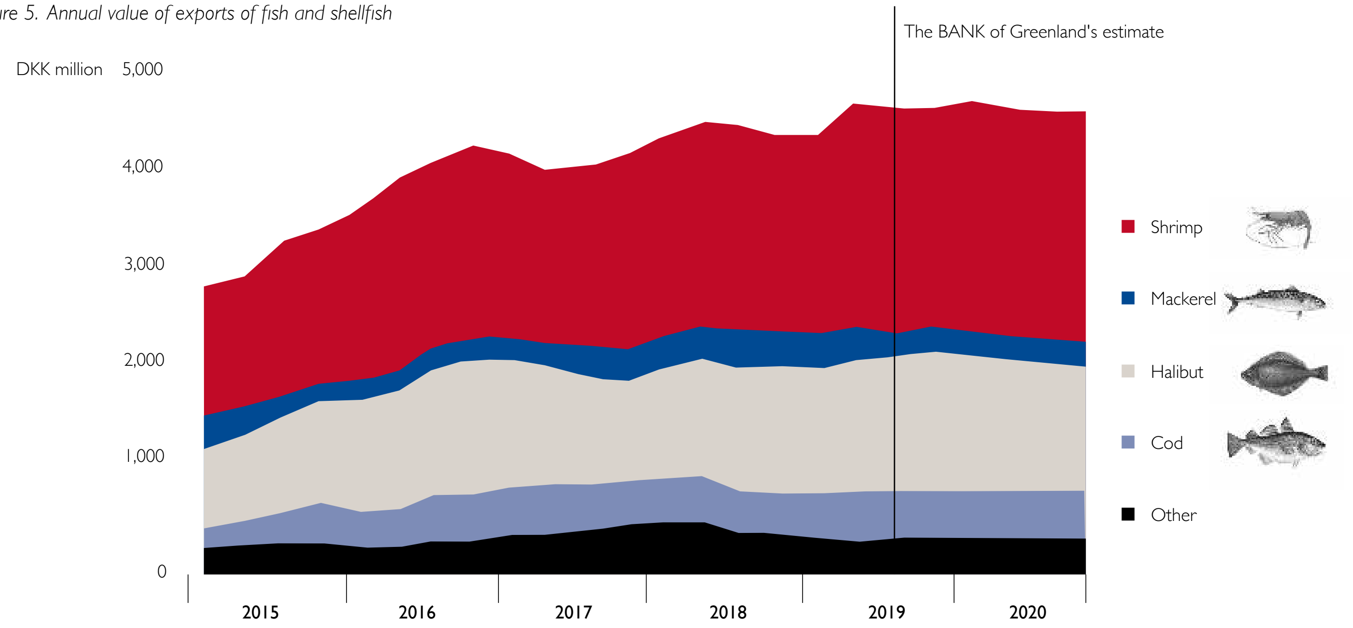
Fisheries

Greenland's largest export industry continues to thrive. The export value of prawn and fish exports rose by around 6.5% from 2018 to 2019, and the export value has thereby increased for the fourth consecutive year, cf. Figure 5. The upturn in 2019 is driven by increases in both volumes and prices for cod, prawn and Greenland halibut, although prices for prawn in particular fell in the second half of 2019.

In 2020, the prawn quota for West Greenland is set at 110,000 tonnes, comprising an increase of 5% from 2019. The quota increase adheres to the biological advice for prawn. On the other hand, the quotas for cod and inshore Greenland halibut in 2020 are maintained at a significantly higher level than the biological advice. The quota for inshore Greenland halibut fishing for 2019 was set at 26,137 tonnes, which exceeded the biological advice by 60%. In the autumn and winter of 2019, the quotas for inshore Greenland halibut were raised further.[7]

Quotas exceeding the biological advice for a prolonged period, and a significant increase in licences for small fishing boats, does not provide a basis for sustainable fisheries – in neither biological nor economic terms. It can already be noted that there is not enough fish for all fishermen to achieve an adequate financial return from fishing. At the same time, small-scale fishermen find it difficult to honour the customary requirements associated with, for example, bank financing, such as ongoing documentation, valid accounts and documented stable operation. The combination of highly unstable and non-sustainable framework terms with requirements for administrative professionalism entails in general that fishing from small boats does not meet the expected requirements to obtain bank financing, for example. For the BANK of Greenland this is reflected in a significantly higher level of credit losses in this sector compared to all other business sectors.

Figure 5. Annual value of exports of fish and shellfish



Note: As from and including 2019, Statistics Greenland has changed the principle for the compilation of export values. Data from Statistics Greenland from before 2019 is therefore not directly comparable with data after 2019. Statistics Greenland has published a description of this change. This shows that, using the new calculation method, prices overall are 42% higher in 2015, 31% higher in 2016, 26% higher in 2017 and 23% higher in 2018 compared to the previous compilation. In this figure, all prices have been adjusted by these factors, in order to ensure comparable data. The figure shows the total for the last four quarters, measured in current prices. For prawn, the estimate for Q4 is based on a price drop of 10% from Q3 2019, and a change in volume terms of -1% compared to the same quarter of the previous year. For 2020, the prawn estimate is based on a price drop of 5% from Q3 2019, and a change in volume terms of +5% compared to the same quarter of the previous year. For Greenland halibut, the estimate is based on unchanged prices and a change in volume terms of +6% in Q4 2019 from the same quarter of the previous year, and a change in volume terms of -8% from 2019. 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.

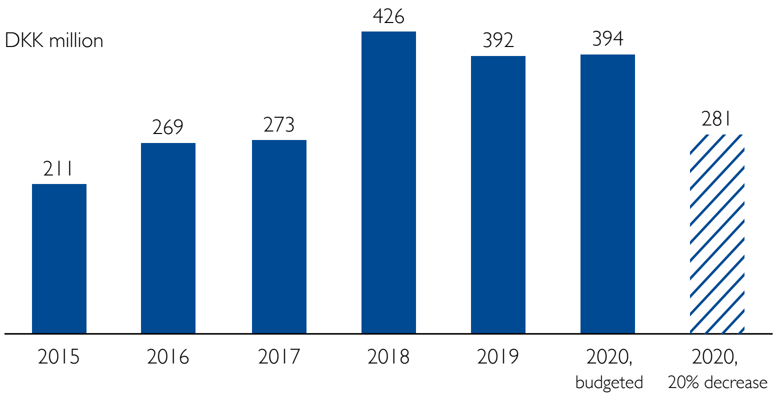
At the end of 2019, the quota exceeded the biological advice by 81%. For inshore cod fishing, the biological advice has declined considerably, by almost 9,000 tonnes to 5,537 tonnes in 2020. With an unchanged quota for inshore cod fishing of 30,000 tonnes, the quota is almost six times as high as the biological advice.

In 2019, sustainability requirements meant that the Bank in practice stopped the financing of investments or the replacement of equipment for fishing from small boats, even though account is taken of fishermen who are already 'locked' in fisheries investments, but who are affected by the non-sustainable management conditions. In view of the focus on the environmental sustainability of financing and investment, this makes requirements of both Greenland and the BANK of Greenland's activities.

7. In the autumn of 2019, the quota for Disko Bay was raised by 2,400 tonnes; and in December 2019, it was raised by a further 500 tonnes to a total of 11,080 tonnes. The quota for Uummannaq was likewise raised by 400 tonnes to 9,900 tonnes in the autumn of 2019.

The current collapse of inshore Greenland halibut fishing in particular is already affecting the fishermen and families involved. Previously well-consolidated fishermen who invested in quotas and vessels over 6 metres can see how quotas and vessels are losing value significantly, with the risk of consequential economic collapse. The same applies to fishermen using small fishing boats, who find it increasingly difficult to maintain an adequate financial return.

Figure 6. Change in proceeds from natural resources duties due to price drops for all fish species



Note: The Economic Council has calculated the effect on the revenue from natural resources duties on a 20% decline in prices for all fisheries species, based on the average prices in 2018 and unchanged catch volumes from 2018. The calculation is based on the rules for natural resources duties in 2019.

Source: Finance Acts for 2017, 2018, 2019 and 2020 and the Economic Council (2019).

One consequence of declining fisheries will be that fishermen will be obliged to find work on larger vessels in other fisheries components, or in other industries. It is therefore already necessary to create new opportunities across municipalities and the business community, so that these small fishing boat owners do not face long-term unemployment.

As previously stated, the development in fisheries is of great significance to public revenue in terms of duties on fishing resources, and income and corporate taxes. In 2018 and 2019, revenue from natural resources duties was DKK 426 million and DKK 392 million, respectively, cf. Figure 6. The Economic Council has shown that if prices for all species declined by 20%, the income from the natural resources duties would decrease by DKK 113 million, and the revenue from income and corporate tax would decline by DKK 119 million.[8] On a price drop of 20%, public revenue would thereby be directly reduced by DKK 232 million in total. In addition, public finances would be curtailed further due to lower activity elsewhere in the economy. In this scenario, the Budget Act would no longer be complied with.[9] The balanced budget in the coming four years is therefore highly vulnerable towards negative development in fisheries.

Sustainable utilisation of the fish resource is a key topic for the Fisheries Commission that was established in February 2019. The task of the Fisheries Commission is to make recommendations for a Fisheries Act and other relevant measures that can have a positive impact on the fisheries sector's development opportunities and ensure that society achieves the greatest possible benefit from the fishing industry and marine resources. The overall goal in the Commission's terms of reference is that the Fisheries Commission must work within the framework of the *'greatest possible long-term economic benefit from fisheries on a sustainable basis'.*[10] On this basis, the Fisheries Commission has already determined that biological sustainability must be the foundation for fisheries management.[11]

The Fisheries Commission's work is continuing in 2020, and the final report is expected to be submitted in mid-2020. The Fisheries Commission has already put focus on how there is a need to further develop models for cooperation between researchers, users and managers of the fish resource, in order to safeguard future sustainable fisheries. The BANK of Greenland is in agreement with this. The Bank generally assesses that a stable framework for fisheries in the years to come is a basic precondition for fisheries to continue to develop and contribute to society to the same extent as before.

This also puts focus on finding common ground among large and small operators. Further, more extensive partnerships and commercial cooperation between large and small fisheries operators might be the path to achieving both greater professionalism and higher value in fisheries. For example, opportunities could be investigated for more cooperation in cooperative-like constellations in which small fisheries operators establish companies that are operated professionally, and which thereby make it easier for fisheries operators to achieve bank financing, for example.

8. The Economic Council (2019) describes how a price drop of 20% is not an extreme case, and that due to uncertainty the effect of price variations should be investigated, even though there is no prospect of any such price fall at the present time.
9. Economic Council (2019), Greenland's Economy 2019.
10. / 11. Fisheries Commission (2019), Our fish – our welfare, debate presentation from November 2019.

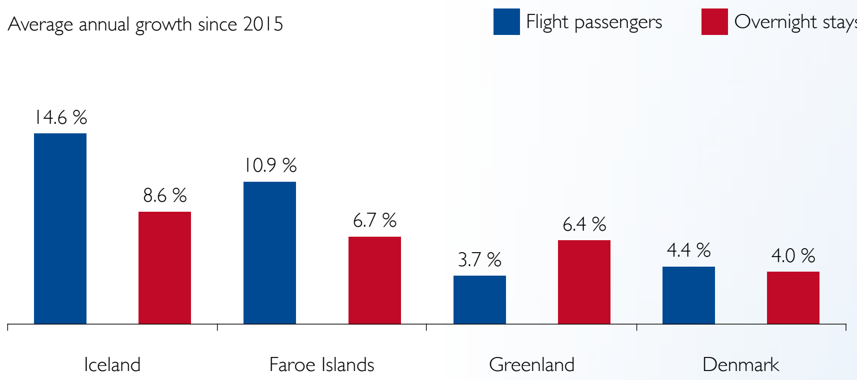
Tourism and airport projects

Tourism is continuing to expand. The number of hotel stays in the 2019 tourist season was at the highest level since 2014.[12] The number of airline passengers fell, however, for the first time since 2014, and the annual growth in the number of airline passengers is also the lowest when compared with Iceland, the Faroe Islands and Denmark, cf. Figure 7.

In overall terms, Greenland's tourism industry is flourishing, but when compared to Icelandic and Faroese growth rates, it is clear that there is still considerable growth potential. The major airport investments can help to fulfil this potential, if it becomes both less expensive and easier to fly to Greenland. It should also be noted that the three countries with which Greenland is compared all have a tourism structure that is subject to innovation and competition.

Firstly, the increasing interest in sustainability may limit tourism in Greenland. Development in tourism might be restricted if tourists do not wish to visit Greenland because our society is not green enough, for example in terms of how we handle waste or wastewater, or manage living resources, or due to 'flight shame'. Flight shame puts focus on the negative climate effects of air travel. This also entails an obvious need to focus on Greenland's 'environmental profile' and a need for holistic thinking across several areas of society and business. If tourists stay away from Greenland, we run the risk of tough times for the required massive investment in tourism. In this respect, Greenland must expect to be measured on a tough new environmental responsibility scale. The BANK of Greenland considers it important to address these sustainability issues before investment gets underway.

Figur 7. Growth in tourism



Note: The figure shows the average annual growth in the number of airline passengers on international routes and the number of foreign-visitor overnight stays from the 2015 tourist season to the 2019 tourist season. The 2019 tourist season is compiled as being from 1 October 2018 to 30 September 2019. For the Faroe Islands, airline passenger growth is compiled from 2015 to 2018, however.

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

Optimism is riding high for tourism in Greenland and when the new airports open as planned in 2023, this may raise the level of tourism. Tourism can thereby become a driver of future economic growth. There are factors, however, that may curtail tourism's future growth, and of which it is important to be aware:

Secondly, the increase in tourism will also depend on the 'tourism product' that we can offer tourists who come to Greenland. Extension of airport runways is not enough because, to put it bluntly, tourists do not come to see a longer runway.[13]

12. The number of hotel stays is compiled as the number of foreign-visitor overnight stays during the tourist season from 1 October 2018 to 30 September 2019.

13. Rambøll (2015), Tourism: Development and growth from a changed airport structure.

To harvest the full potential, estimated to be as high as 1,000 extra workplaces in 2040[14], the BANK of Greenland believes that it is necessary to combine the initiatives in different sectors and draw up a holistic tourism strategy in order to optimise the overall tourism value chain. This requires new partnerships to be established between the Greenland Government, the municipalities and the business community – both within and outside Greenland.

Finally, attention should be paid to the importance of careful combined consideration of the establishment and future operation of the new airports. First of all, airport taxes must be set at a competitive level in terms of attracting travellers.

Secondly, there must be awareness of an airport's revenue potential, in addition to actual air traffic. Around 40% of North American and European airports' revenue typically originates from non-aeronautic activities. Non-aeronautic activities include retail operations and lease income from parts of the airport area.[15] There is thus great potential in ensuring that the new airports' areas are large enough to support this form of commercial activity, once the airports are completed and ready for operation.

In overall terms, it should be ensured that the operation of the new airports includes an incentive structure to ensure cost-effective operation and other revenue sources besides airport taxes. It is also important to remember that the final objective is increased economic activity and more workplaces in business and industry in general.

14. Copenhagen Economics (2014), Liberalisation of Greenland's airports, not published.
15. ICAO (2015), State of Airport Economics.

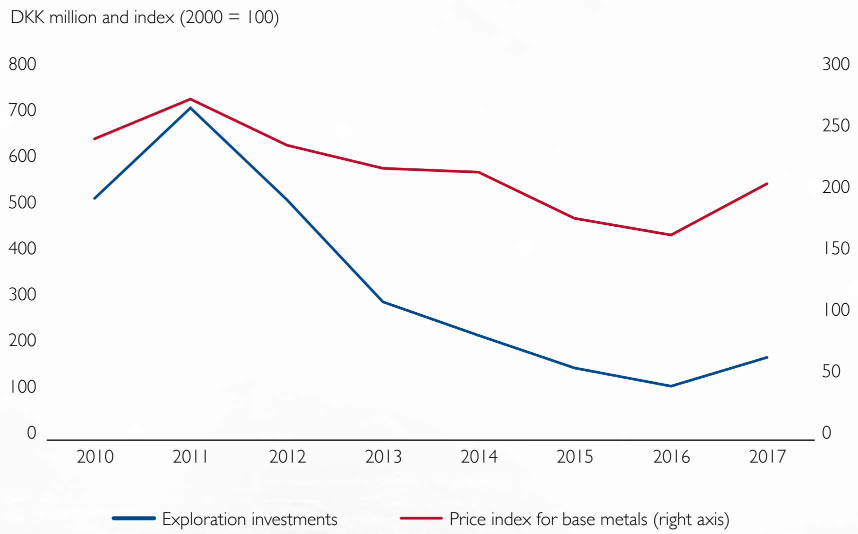
Råstoffer

The level of activity is still relatively low in the mineral resources area, but there are interesting exploration activities underway. Exploration activities have been declining since 2012, but as from 2016, the activities began to rise again, cf. Figure 8. To a significant extent, fluctuations in exploration activities in Greenland are determined by the development in global mineral prices and thus do not reflect the development particular to Greenland. Since there are very few projects in Greenland, fluctuations in their levels of activity will also give relatively large fluctuations in the overall activity.

In recent years, four concrete projects have achieved utilisation licences in Greenland. These projects are Greenland Ruby A/S (rubies and sapphires), Hudson Resources Inc. (anorthosite), Ironbark A/S (zinc and lead) and Nalunaq A/S (re-opening of the earlier gold mine at Nanortalik). The projects include actual production from the ruby and sapphire mine. In November 2019, Hudson Resources Inc. announced receipt of the first commercial order for the Greenspar[16] product, while AEX Gold, the company behind Nalunaq A/S, hopes to start up production in 2021.[17] Ironbark A/S is still awaiting final approvals from the authorities.[18] Even for projects that have achieved utilisation licences, there is thus a long way to production, and even longer to documented profitable operation and the required profit for investors. In real terms, Greenland will not achieve an actual breakthrough as a mineral resources producer until it has been proved that a mine can be run profitably.

In addition to the four projects with utilisation licences, a number of more mature exploration projects are underway, such as Tanbreez Mining Greenland A/S and Greenland Minerals A/S' rare minerals projects in the Narsaq area of southern Greenland. In view of the current international interest in rare mineral resources outside China, the development of these projects in the coming years is expected to attract particular attention. In the autumn of 2019, the company Blue Jay, which is exploring an ilmenite project in northern Greenland, submitted a utilisation licence application to the natural resources authority. Blue Jay cooperates with the global mining company Rio Tinto, which is an example of a partnership that can potentially help to generate further activity in the mineral resources area.

Figure 8. Exploration investments in the minerals area in Greenland



Note: The most recent data is from 2017. The compilation of exploration investments includes an 'overhead' of 50%.

Source: Statistics Greenland, the Greenlandic Natural Resources Agency and the World Bank's Commodity Database.

16. https://hudsonresourcesinc.com/hudson-resources-announces-the-first-greenspar-purchase-order-and-an-update-on-activities-at-the-white-mountain-anorthosite-mine/
17. https://008980f9-485f-4d30-be46-bfd82eb95370.filesusr.com/ugd/38daff_33bedd685fb44facb524108c969bc4aa.pdf
18. Ironbark Zinc Ltd. AEX Stock Exchange Notification of 30 December 2019: 'Relinquishment of Greenland Exploration Licences.'

In the autumn of 2019, Naalakkersuisut (the Greenland Government) submitted a new minerals strategy for consultation. With this strategy, Naalakkersuisut wishes to create a better and more predictable framework for exploration and mining companies, to make it easier to attract foreign investment to Greenland. The strategy's focus areas, objectives and initiatives are hierarchically structured, with concrete actions that make it easy to follow up on the strategy during the strategy period, see Figure 9. This can make the strategy a concrete practical steering instrument for the natural resources authority in the years to come. With the minerals strategy, Naalakkersuisut has noted great responsiveness towards the industry and an offensive approach to making mineral resources a significant new contributor to Greenland's economy.

Attracting foreign investment to Greenland is a key focus of the Government of Greenland, but individual parties alone cannot shoulder the responsibility for the development of an industrial area.

It is welcomed that the new minerals strategy includes examples of greater focus on cooperation between different operators to resolve challenges in the mineral resources area. One of the initiatives of the minerals strategy is to establish local and international partnerships in order to map the geological conditions. If the exploration companies already have a good understanding of the geology of an area, the economic risk associated with exploration will be smaller, and, all other things being equal, there will be a greater propensity to invest in minerals exploration in Greenland.

In July 2019, the Ministry of Natural Resources and Labour, together with the US Department of State, US Naval Research Lab, US Geological Survey and Asiaq gathered geological data via an aerial survey of Greenland.[19] This is an exciting specific example of new development in Greenland by establishing partnerships with a leading nation, such as the USA.

Figure 9. Proposal for Greenland's Minerals Strategy 2019-2023

Note: The Minerals Strategy was submitted for public consultation in October 2019. The consultation deadline was 16 December 2019.
Source: Naalakkersuisut, Ministry of Natural Resources and Labour.

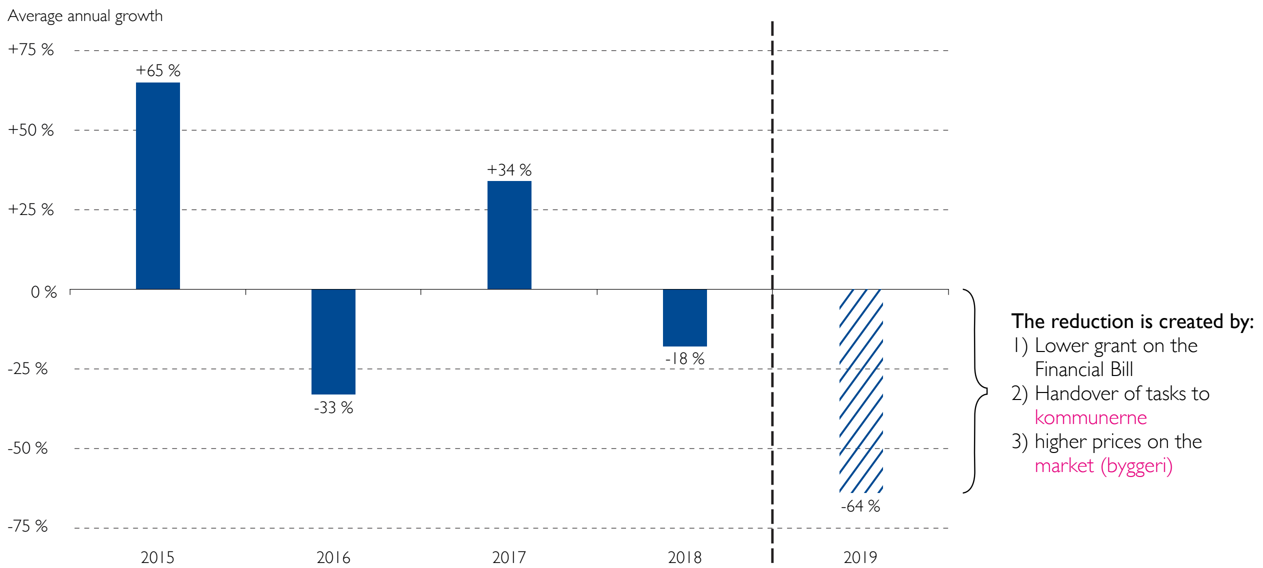
19. *https://govmin.gl/da/2019/12/19/luftbaarne-billeder-som-kort/*

Construction and housing

There is currently great focus on, and growth in, construction, although this growth is not apparent as consumption from the Construction and Renovation Fund. In the first three quarters of 2019, this consumption is estimated to have fallen by 64% compared to 2018, cf. Figure 10. The decline in 2019 is, however, driven by technical changes in the fund, as well as a real drop in consumption, and data before and after 2019 is therefore not directly comparable.

Lower appropriations to the fund and the transfer of tasks from the Construction and Renovation Fund to the municipalities overall entail a reduction of the fund. This implies that the development in consumption from the fund is a less appropriate indicator than before of the cyclical development in construction. A more flexible fund can nonetheless make it easier going forward to use the fund to equalise cyclical variations. The fund can therefore potentially be used as a cyclical equalisation instrument.

Figure 10. Consumption from the Construction and Renovation Fund



Note: The figure shows the annual development in consumption from the Construction and Renovation Fund, in current prices. For 2019, consumption is calculated on the basis of data up to and including September 2019. As from and including 2019, several tasks have been outsourced to the municipalities, so that data for 2019 is not directly comparable with previous years.

Source: Statistics Greenland and own calculations.

The decrease in consumption from the Construction and Renovation Fund is primarily due to three factors, which unfortunately cannot be separated from each other in the data basis. Firstly, consumption has fallen because the Finance Act appropriations for construction projects have been declining in the last few years.[20] Secondly, consumption has fallen because the municipalities have taken over a number of construction projects and pools that previously lay under the Construction and Renovation Fund. For example, the Housing Financing Pool was transferred to the municipalities in 2019. Thirdly, consumption has fallen because rising prices for housing projects have entailed that fewer projects were launched in 2019.

When prices are high, it can be appropriate to launch fewer projects, and thereby reduce consumption from the Construction and Renovation Fund. The current high prices indicate high construction demand, driven among other things by how more and more private investors are becoming engaged in construction projects. The presence of private investors is clearly apparent in Nuuk, for example, but also in Ilulissat, with the new Hotel Ilulissat as an example of a private initiative by local businesspeople.[21]

In the coming years, more private investors are expected to start up construction projects. To a great extent, urban development in Nuuk will also be facilitated by the urban development company Nuuk City Development (NCD).[22] The population of Nuuk is expected to continue to rise by at least 200-300 people per year. This puts pressure on an already constrained housing market and public institutions. NCD was established to accommodate this trend. The company's remit is to finance, develop, prepare, develop for construction, construct and operate urban development of Nuuk and the new Siorarsiorfik quarter. The first major project will be the construction of a new town school and institutions, for which invitations to tender were held in 2019. The construction work will commence in 2020.

Nuuk's housing market has developed significantly in recent years. There is an increasing number of private home-owners, and more homes are being built and sold. From 2018 to 2019, the BANK of Greenland assesses that there has been a significant increase in prices for smaller owner-occupied homes in Nuuk. Price increases at the level of 10% in a single year are driven by several factors, and low interest rates, higher imported construction prices and increasing demand have

20. The Finance Act appropriation for the construction area (main account 80-89), for example, was DKK 667.7 million in 2017. In 2020, the appropriation fell to DKK 509.8 million.

21. https://tntnuuk.gl/projekter/Hotel-Ilulissat.

22. NCD is wholly owned by Kommuneqarfik Sermersooq.

all pushed up prices for both new and older homes. The price increases may reflect general optimism after several years' positive economic development and the prospect of increased activity as a consequence of infrastructure investments.

There is, however, reason to be aware of this development, whereby low interest rates and public interest- and instalment-free loans are contributing to the rising price level. Whether this development will continue or flatten out, and is sustainable or not, is difficult to assess, but the consequences of any cyclical downturn might be amplified. Naalakersuisut's initiatives to phase out public loans are thus also appropriate. Together with a conservative mortgage credit financing model, these should be significant elements in preventing an actual housing bubble from arising.

What is the outlook for the future?
Climate and sustainability are significant themes throughout the world, and are of increasing significance to the political and economic development. Requirements are being tightened for national goals and standards in the EU, for example, and the population's consumption habits are changing. Examples are food purchases and choice of travel and transport forms.

In Greenland, we can witness climate change firsthand, and we live in close proximity to nature and the environment. This also makes demands of our own responsibility in terms of how we manage our marine living resources and our natural resources, for example, and also how we handle waste, pollution, etc.

There is now a global movement, with a recognised need for change. Greenland can probably harvest recognition and benefits for both the business community and society in general from a sustainable environment, new business opportunities, technical solutions, and tourist experiences, etc. But this requires us to safeguard relevant initiatives to achieve a sustainable Greenland, in the broad sense, and contribute to the transformation that is underway in most of the world. Naalakersuisut's focus on the UN's Global Sustainable Development Goals and a coming SDG strategy is thereby pleasing to note.

In step with both geopolitical changes and climate change, in recent years we have seen increasing global interest in the Arctic region, including from leading nations such as the USA and China. This is an exciting trend that can, however, raise understandable concerns. On the positive side, it opens up new development opportunities for Greenland, and it is also a new development in which many different stakeholders are taking an interest at the same time. Navigating these new opportunities presents challenges for the political system and for society in general. The question of who Greenland will cooperate with, besides the strong relations with Denmark, will require both political and real economic consideration. Cooperation with several different parties will probably be a necessity and a significant development opportunity.

Besides a need to engage in international partnerships, the coming years' economic growth could also be influenced positively by our ability to established locally based partnerships across ministries, municipalities and the business community. Reduction of the young target group requires initiatives in the education, health, social and labour market areas.

As previously described, tourism is a specific example of how partnerships and investments across the entire value chain are vital to realising the full potential of the major airport investments. Cooperative or other constellations between large and small fisheries operators, and new forms of cooperation within the construction industry, might be other specific examples.

2019 was 'year 1' of a new reality in which Greenland's infrastructure will be changed decisively. The BANK of Greenland takes a positive view of this development, even though many new initiatives are still required, to achieve positive outcomes. At the same time, we should not forget the economic realities. Even though we should be open towards new opportunities and cooperation, and be ambitious on Greenland's behalf, we should not close our eyes to the danger signals that are beginning to appear in the economy.

In the present situation, with booming construction investments and the increasing indebtedness of public enterprises, we run the risk of getting carried away and undertaking less prudent, risky investments in projects that promise more than they can deliver. Even though indebtedness is increasing at a time with very low debt, and in order to increase long-term growth through infrastructure investments, the private sector in particular must be aware of the risk of a 'gold rush mood' in which everything is possible. The public sector is the custodian of both operations and construction budgets and should only make investments that ensure an acceptable return for society.

Unfortunately, the risks are not unknown phenomena in economies subject to sustained upswings. As a consequence, Greenland faces a complex and promising future that we as a society, and as citizens and companies and, not least, as a bank should take care to navigate prudently.

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.

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

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".

Summary of Financial Highlights and Key Figures – DKK 1,000

Selected operating items:	**2019**	**2018**	**2017**	**2016**	**2015**
Net interest and fee income	320,496	313,597	309,546	289,760	284,174
Value adjustments	9,585	-1,546	-6,368	-12,899	-10,775
Other operating income	5,722	5,385	5,240	4,854	6,002
Staff and administration expenses	167,884	157,407	152,528	144,207	139,414
Depreciation and impairment of tangible	6,672	6,765	6,840	5,981	6,150
Other operating expenses	2,788	2,011	2,709	4,136	7,780
Write-downs on loans and receivables, etc,	7,959	10,938	13,734	13,971	19,432
Profit before tax	**150,500**	**140,315**	**132,607**	**113,420**	**106,625**
Tax	20,582	27,423	24,986	4,547	2,417
Profit for the year	**129,918**	**112,892**	**107,621**	**108,873**	**104,208**
Selected balance sheet items:					
Lending	3,758,736	3,472,174	3,335,119	3,073,861	2,822,572
Deposits	5,687,451	4,899,044	4,205,612	4,822,362	4,741,477
Equity	1,077,676	999,159	958,458	926,210	914,282
Total assets	7,089,915	6,164,536	5,355,010	5,911,496	5,846,450
Contingent liabilities	1,479,537	1,277,604	1,161,181	1,216,537	1,122,842
Key figures for the Bank (in per cent)					
The period's return on equity before tax and after dividend	15.6	15.6	14.9	13.4	12.7
The period's return on equity after tax and after dividend	13.5	12.5	12.1	12.9	12.4
Capital ratio	22.5	22.7	22.7	21.2	20.8
Individual solvency requirement	11.9	10.3	10.4	10.1	10.4
Key ratios per share in DKK					
Profit for the year per share, before tax	83.6	78.0	73.7	63.0	59.2
Profit for the year per share, after tax	72.2	62.7	59.8	60.5	57.9
Net book value per share	599	555	532	515	508
Dividend per share	30	30	30	55	55
Closing share price	545	546	649	614	625

Management's Review for 2019

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 3,448 from 2018. The positive effect of the increase in lending offsets the expected decline in interest income from the bond holdings. The Bank's business customers pay negative deposit interest rates, which contributes to reducing the effect of the negative return on the Bank's certificates of deposit at Danmarks Nationalbank and on deposits with other banks.

Dividend on the Bank's shareholdings amounts to TDKK 2,329, compared to TDKK 1,946 in 2018.

Fee and commission income increased by TDKK 3,125 from 2018 to 2019. This reflects a good increase in guarantee commission and in the payment settlements item. Loan case fees also show a small increase from 2018. In total, net interest and fee income increased by TKK 6,899 in total, to TDKK 320,496.

Other operating income, primarily external rental income on the Bank's residential properties, amounted to TDKK 5,722, compared to TDKK 5,385 in 2018.

Staff and administration expenses increased by TDKK 10,477 in total, to TDKK 167,884. This increase concerns both staff expenses and administration expenses. It was expected that the Bank's increasing business volume would require an increase in staff numbers in 2019. Administration expenses increased by TDKK 2,603, which is primarily due to compliance-related development costs, etc. in BEC, the Bank's IT centre.

Depreciation of property and fixtures and fittings are at the 2018 level, amounting to TDKK 6,672, compared to TDKK 6,765 in 2018.

Other operating expenses increased by TDKK 777 in total, to TDKK 2,788. The increase is primarily due to the year's planned increase in maintenance costs for bank buildings.

The profit before value adjustments and write-downs is thereby slightly below the 2018 level. The profit amounts to TDKK 148,874, compared to TDKK 152,799 in 2018.

Considering Q4 2019 in isolation, net interest and fee income amounted to TDKK 80,397, compared to TDKK 80,468 for the same period of 2018. Total costs are higher than for Q4 2018, amounting to TDKK 45,680, compared to TDKK 44,440 for Q4 2018, while write-downs and provisions of TDKK 1,344 are slightly lower than for the same period of 2018. The profit before tax in Q4 is thus TKK 34,577, compared to TDKK 33,407 for Q4 2018.

Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2019	**2019**	**2019**	**2019**	**2018**	**2018**	**2018**	**2018**
Net interest and fee income	80,397	81,205	79,096	79,798	80,468	77,625	76,684	78,820
Costs, depreciation and amortisation	45,680	41,489	45,362	44,813	44,440	39,071	41,097	41,575
Other operating income	1,442	1,402	1,383	1,495	1,251	1,278	1,545	1,311
Profit before value adjustments and write-downs	36,159	41,118	35,117	36,480	37,279	39,832	37,132	38,556
Value adjustments	-238	7,230	-621	3,214	-2,049	848	678	-1,023
Write-downs on loans, etc.	1,344	1,828	2,967	1,820	1,823	2,449	3,206	3,460
Profit before tax	34,577	46,520	31,529	37,874	33,407	38,231	34,604	34,073

For the overall year, value adjustment of securities and currencies resulted in a profit of TDKK 9,585, compared to a loss of TDKK 1,546 in 2018. In view of the markets' development, negative realised bond adjustments were expected, but this loss is offset by the Bank's gain of TDKK 8,637 on the sale of 75% of Sparinvest to Nykredit and other positive share price adjustments in 2019.

Impairment of loans, etc. amounted to TDKK 7,959, which is somewhat lower than in 2018. The total impairment in 2019 is a modest 0.1% of the Bank's loans and guarantees. In November 2019, the Bank was subject to ordinary inspection by the Danish FSA, As a consequence of the inspection, the Bank can note a certain tightening of the Danish FSA's valuation of exposures, and also expects a compulsory order concerning write-downs, among other things. These write-downs are incorporated in these financial statements. Write-downs and provisions on the Bank's loans and guarantees are still at a modest level, despite the aforementioned, and thereby reflect the continued strong credit standing of the Bank's customers in Greenland.

The profit before tax is satisfactory, at TDKK 150,500, compared to TDKK 140,315 in 2018, and is thereby the best result in the Bank's history. The profit for the year is thus at the high end of the latest estimated interval of DKK 135-155 million. The result gives a return on equity before tax of 14.5%.

Tax is calculated at 31.8% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses, as well as the value of dividend deductions. The profit after tax is TDKK 129,918 in 2019 which gives a return on equity after tax of 12.5%.

Management's Review for 2019

Balance sheet and equity

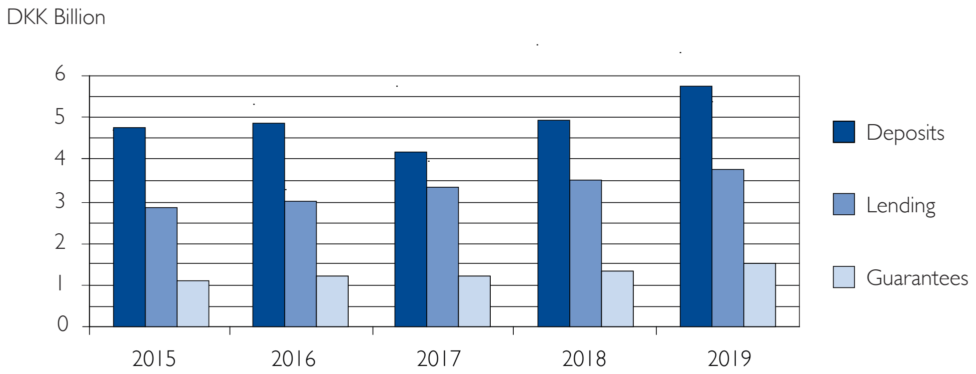
The BANK of Greenland's balance sheet at year-end 2019 totals TDKK 7,089,915, which is an increase of TDKK 925,379 from 2018. Deposits increased in Q4 2019, amounting to TDKK 5,687,451. Compared to 2018, this is an increase of TDKK 788,407. The bank's deposits are mainly held on demand.

Lending increased again in Q4 and showed a satisfactory increase in 2019, by TDKK 286,562 in total, to TDKK 3,758,736, or by 8.3%. As expected, guarantees increased during the year, by TDKK 201,933 in total, to TDKK 1,479,537.

Total loans and guarantees thereby increased very satisfactorily, by TDKK 488,495 in total, to TDKK 5,238,273 and are thereby at the highest-ever level.

Equity amounts to TDKK 1,077,676, compared to TDKK 999,159 at the end of 2018. Share capital amounts to TDKK 180,000. The Bank has no hybrid or other subordinate loan capital. The capital ratio is 22.5, compared to 22.7 in 2018.

Development in business scope



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 presentation of the accounts for 2019 is subject to an appropriate level of uncertainty that is unchanged from previous years.

Compliance and anti-money laundering

Like other banks, the BANK of Greenland is subject to increasing requirements concerning compliance and ongoing changes to the framework conditions. Measures to avoid the Bank being used for money laundering and financing of terrorism are an important focal point and the Bank is also increasingly devoting staff and IT resources to this area. This development can be expected to continue. Like a number of Danish banks, the BANK of Greenland was subject to a thematic investigation by the Danish FSA in May 2018, in order to establish whether the Bank complies with expected practice in this area. In January 2020, the Bank received three mandatory orders as a consequence of this inspection visit. The orders concerned an updating of the Bank's risk assessment, as well as the Bank's know-your-customer procedures. The Bank already adjusted its risk assessment in 2018 and has launched a review of the Bank's internal procedures.

The Danish FSA's ordinary inspection in November 2019 is also expected to lead to a mandatory order in the compliance area whereby the Bank must change its organisational division between the compliance and anti-money laundering function. The Bank will take the measures necessary to comply with this mandatory order.

Financial risks

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

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

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

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

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

Capital requirement

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

The BANK of Greenland's capital ratio was 22.5 as at year-end 2019.

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 for the Bank to fulfil the maximum MREL capital requirements in full, in good time before the deadline for full phasing-in, and also that there must be sufficient capital for growth in the Bank's business activities. When the final MREL capital requirement is known, more precise capital planning will be possible, including which capital instruments can be put to good use.

As at 31 December 2019, the Bank's individual solvency requirement was compiled at 11.9%. The BANK of Greenland thereby has surplus capital cover before the buffer requirements of 10.6%. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 6.6%.

The individual solvency requirement is compiled on the basis of the Order on the calculation of risk exposures, capital base and solvency requirement, as well as the Danish FSA's guideline in this respect. On the basis of the calculated capital requirement, the Bank has compiled surplus cover at TDKK 489,897, 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.

Reference is made to the BANK of Greenland's website for a description and elaboration of the method of calculating the capital and solvency requirement for 2019. Reference is also made to the Bank's risk management report for 2019 at https://www.banken.gl/en/investor/public-disclosure.aspx The report is not audited.

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

In DKK 1,000	2019		2018	
	Kapitalbehov	Solvensbehov	Kapitalbehov	Solvensbehov
Pillar I requirement	368,576	8.0 %	337,637	8.0 %
Credit risk	132,315	2.9 %	71,838	1.7 %
Market risk	21,338	0.4 %	18,391	0.4 %
Operational risk	22,229	0.5 %	3,800	0.1 %
Other risk	2,100	0.1 %	2,100	0.1 %
Capital and solvency requirement	**546,558**	**11.9 %**	**433,767**	**10.3 %**

Management's Review for 2019

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 2019, the Bank had an LCR of 238.8% and thereby fulfilled the LCR requirement.

The Supervisory Diamond

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 2019, 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 163.5%, which is satisfactorily below the Danish FSA's threshold of 175%. It must be noted that approximately 31% points concern exposures to publicly-owned enterprises.

Sum of large exposures
(maximum 175% of the capital base)
The BANK of Greenland 163.5%

Property exposure
(less than 25% of total
loans and guarantees)
The BANK of Greenland 18.9%

Growth in lending
(less than 20% per year)
The BANK of Greenland 8.3%

Surplus liquidity cover
(greater than 100 %)
The BANK of Greenland 238.8 %

Stable funding
(loans/working capital less bonds with a remaining maturity of less than 1 year) Limit value: less than 1 The BANK of Greenland 0.6

Shareholders

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

In 2019, the price of the BANK of Greenland's shares was by and large unchanged from 2018 at 545, and dividend of DKK 30 per share was paid during the year. The BANK of Greenland recommends to the Annual General Meeting that the dividend payment for 2019 is again DKK 30 per share, or a total of DKK 54 million. It should be noted that in Greenland dividend is tax deductible for the dividend-paying company.

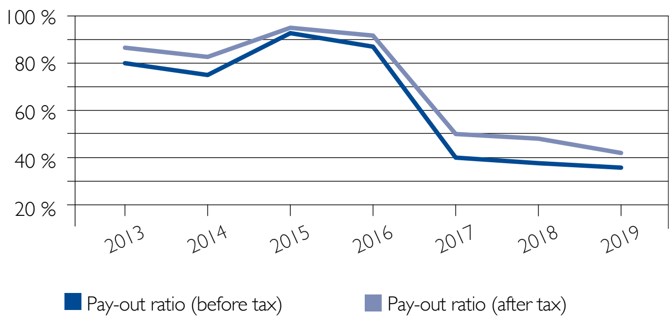
At the end of the year, the BANK of Greenland had 2,845 shareholders, of whom 914 were resident in Greenland. In accordance with Section 28a of the Danish Companies Act, four shareholders have notified shareholdings exceeding 5%, see Note 22.

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. The dividend payment for 2019 recommended to the Annual General Meeting is a unchanged DKK 30 per share was paid during the year. The capital ratio is 22.5, which should be viewed in the light of the wish to comply with the maximum MREL capital requirement in reasonable time before the requirement of full phasing-in. This is assessed to be possible either by consolidation from the current operating surpluses and/or by using other capital instruments.

So far there is no clarification concerning the MREL requirement. The Board of Directors assesses that the Bank's capital ratio and consolidation are fully adequate in 2019. Once the final MREL capital requirement has been determined, a new capital adequacy target will be assessed. It is the Board of Directors' clear assessment, however, that the Bank's capacity for consolidation, after balanced dividend distribution, is fully adequate, also after the full phasing-in of the MREL capital requirement.

*Historical pay out ratio *)*



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

Management's Review for 2019

Events occurring after the close of the financial year
As from the balance sheet date and up today's date no events have occurred to change the assessment of the Annual Report.

Expected development in 2020
The favourable economic development continued in 2019, as described in the section of this report concerning Greenland's Society and Economy. Greenland is also expected to enjoy positive economic development in 2020. The Bank takes an optimistic view of the sound economic progress, but since airport construction is the primary economic driver in 2020, the Bank does not expect the same full direct impact on the Bank's business scope. It is, however, expected that lending can be further increased moderately in 2020. Deposits are expected to be at the same level as the end of 2019, or be declining slights as a consequence of the introduction of negative interest rates for a significant share of the Bank's deposits.

Total core earnings are expected to increase in 2020, for which the primary reasons are the increased lending, 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 2019. Staff expenses are expected to show more subdued development, on the basis of pay increases under collective agreements, a small increase in the number of employees, and slightly lower costs for staff accommodation. 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. 2019 was affected particularly by a capital gain of DKK 8.6 million on the sale of SparInvest to Nykredit, so that this income cannot be expected in 2020.

On this basis, a profit before tax at the level of DKK 120-140 million is expected, compared to DKK 150.5 million in 2019.

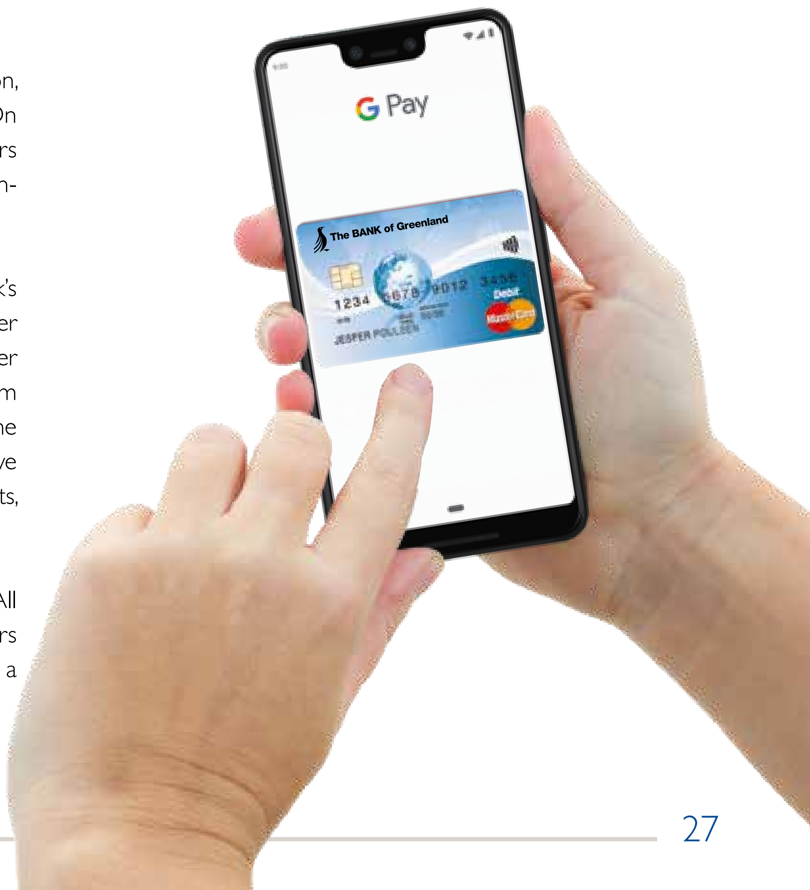
The Bank is a professional partner to business enterprises throughout Greenland. The cooperation is to a great extent based on personal contact between business advisers and enterprises. This provides good insights into the enterprise's situation and requirements. Together with the Bank's local knowledge and insight into conditions in society, this provides for relevant advisory services. The customer has an adviser who is part of a team, of which the other members are also familiar with each other's customers, to ensure the flexibility of our customer service. 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 greater access to use digital channels.

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 picture is of a continued high customer satisfaction level.

Greenland's best customer experience is a key element of the Bank's strategy and therefore in 2019 we launched the NPS (Net Promoter Score) system to measure customer satisfaction immediately after the customer has had a meeting with a bank adviser. 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 for 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 that our presence in coastal areas makes a positive difference for the individual local community.



Management's Review for 2019

The Bank and society

The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 328 million, compared to DKK 306 million in 2018. 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 as tax payments in the last two years amounting to around DKK 73 -78 million per year.

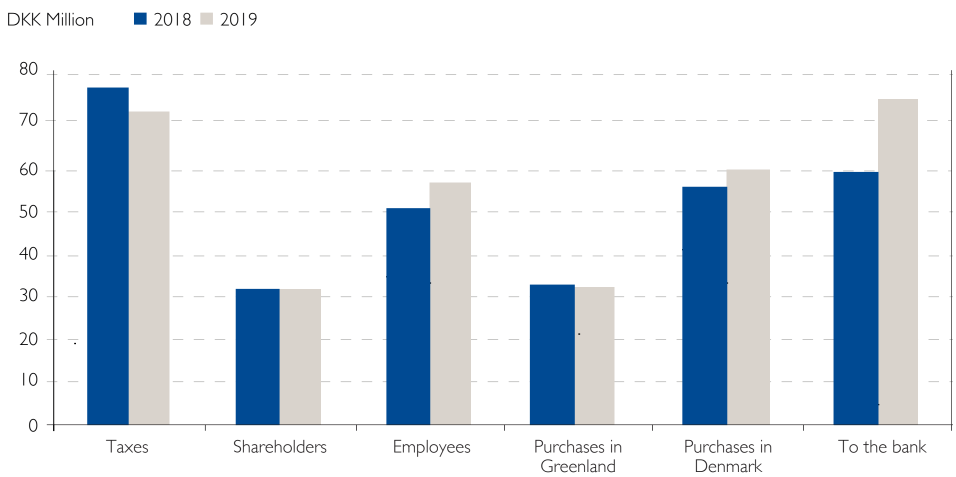
The development in tax paid, net dividend to shareholders, salaries, etc. to employees, the Bank's consolidation, and procurement in Greenland and Denmark, respectively, are presented below.

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 2019, the Bank has three new finance trainees who will complete their programme in 2020. In 2019, three finance trainees completed their programme.

In 2019, it was possible to keep 98.03% 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 130 at the end of 2019. The average age is just over 45 and the average length of service is 9 years and 6 months. 90 women and 40 men are employed. Of the total number of employees, 91 have financial or extended higher educational qualifications.

With regard to the Bank's strategic direction, there is continued strong focus on employee development, with the 'strategic development interview' as the basis for the development of employees' competences.



Employees

Employees are part of the Bank's public image, 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 2019, seven financial trainees completed their two-year training, Five of these trainees were located at the head office in Nuuk, and one in Sisimiut and one in Ilulissat.

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.

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 we 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 handle 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."

Management's Review for 2019

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.

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 levels for the under-represented gender'. At the end of 2019, the gender distribution of the members of the Board of Directors of the BANK of Greenland elected by the Annual General Meeting comprised 33% women and 67% 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 thus fulfilled.

At the 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 experience that they have equal opportunities for career development and management positions. As at the end of 2019 the distribution ratio was 45% women and 55% 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

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 internally in the Bank and is from 31 October 2019. The most recent evaluation was at a high level, and concluded that the Board of Directors use each other's knowledge to ensure insights into special conditions. It was also concluded that the Board of Directors has a good overall combination of competences 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 27 March 2019, up to 25 March 2020 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%.

Audit Committee

The Audit 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 Audit Committee.

The tasks of the Audit Committee are to monitor:

- The presentation of accounts process;
- The effective functioning of the Bank's internal control system, internal auditing and risk systems;
- The statutory audit of the Annual Report; and
- To 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.

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: https://www.banken.gl/en/about-us/board-of-directors/the-audit-committee-and-risk-committee.aspx

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: https://www.banken.gl/en/about-us/board-of-directors/the-audit-committee-and-risk-committee.aspx.

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 2019, 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.
- 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 2019, 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 2019 and attendance of the meetings of the Board of Directors and all four committees can be viewed here: https://www.banken.gl/media/827752/Moedeoversigt-2019_ENG.pdf

Management's Review for 2019

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 2019, the BANK of Greenland had the following agreements which 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.

- 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.

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

Management Statement

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 2019, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2019.

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

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

Nuuk, 27 February 2020

Executive Management

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða *Chairman*	Kristian Frederik Lennert *Vice Chairman*	Maliina Bitsch Abelsen
Christina Finderup Bustrup	Malene Meilfart Christensen	Lars Holst
Yvonne Jane Poulsen Kyed	Niels Peter Fleischer Rex	Peter Angutinguaq Wistoft

Audit Statement

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 2019, which comprise the statement of income and the statement of comprehensive income, the balance sheet, 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 2019, and of the result of the Bank's activities for the financial year from 1 January to 31 December 2019, 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 2019. 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.

Write-downs on loans and provisions for losses on guarantees, etc.

Lending amounted to DKK 3,759 million and guarantees to DKK 1,480 million at 31 December 2019 (lending amounted to DKK 3,472 million and guarantees to DKK 1,278 million at 31 December 2018).

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.

The aspects of loans and guarantees, etc. which entail the greatest degree of estimation, and which therefore require greater auditing attention, are:

- Identification of exposures, etc. that are credit-impaired.
- Parameters and managerial estimates in the calculation model applied to determining the expected losses in stages 1 and 2, including the classification thereof.
- Valuation of collateral security and future cash flows, including managerial estimates applied to determining the expected losses in stage 3.

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.

The matter was considered as follows during the audit

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.

Our audit procedures included testing of relevant controls concerning:

- Ongoing assessment of the credit risk.
- Assessment and validation of input and assumptions applied to the calculation of write-downs on loans and the provisions for losses on guarantees, etc.
- Determination of managerial estimates.

Our audit procedures also included:

- Review by random sampling of exposures to ensure correct identification of the credit impairment of loans and guarantees, etc.
- 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.
- Examination of the significant assumptions in the calculation model applied, with special focus on objectivity and the data basis applied.
- 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.
- For loans classified in stage 3, we have tested by random sampling that the impairment requirement compiled and the provisions for losses on guarantees, etc. are in accordance with statutory regulations and the Bank's guidelines in this respect. Our work included testing of the collateral values used, as well as the scenario determination.

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 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.

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.
- 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.

Audit Statement

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, 27 February 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Jens Ringbæk	Jakob Lindberg
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE-no. 27735	MNE-no. 40824

Internal auditor's report

To the shareholders of the BANK of Greenland

Audit statement

Opinion
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 2019, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2019, 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 A/S for the financial year from 1 January to 31 December 2019, which comprise the statement of income and the statement of comprehensive income, the balance sheet, statement of changes in equity and notes. 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 certainty and audit evidence that the annual financial statements are free of material misstatement, whether this is due to fraud or error. 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 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, 27 February 2020

Kristian Thorgaard Sørensen
Audit Manager

Statement of Income (DKK 1,000)

Notes		2019	2018
3	Interest income	237,967	236,632
4	Negative interest income	-11,938	-10,825
5	Interest expenses	765	1,706
6	Positive interest expenses	+9,046	+6,761
	Net interest income	**234,310**	**230,862**
	Share dividend, etc.	2,329	1,946
7	Fee and commission income	84,761	81,636
	Fees paid and commission expenses	904	847
	Net interest and fee income	**320,496**	**313,597**
8	Value adjustments	9,585	-1,546
	Other operating income	5,722	5,385
9, 10	Staff and administration expenses	167,884	157,407
	Depreciation and impairment of tangible assets	6,672	6,765
	Other operating expenses	2,788	2,011
13	Write-downs on loans and receivables, etc.	7,959	10,938
	Profit before tax	**150,500**	**140,315**
11	Tax	20,582	27,423
	Profit for the year	**129,918**	**112,892**

Proposed allocation of profit

		2019	2018
	Profit for the year	129,918	112,892
	In total available for allocation	**129,918**	**112,892**
	Proposed dividend	54,000	54,000
	Retained profit	75,918	58,892
	Total allocation	**129,918**	**112,892**

Statement of comprehensive income

		2019	2018
	Profit for the year	129,918	112,892
	Other comprehensive income:		
	Value adjustment of properties	3,833	3,747
	Value adjustment of defined-benefit severance/pension scheme	-15	-13
	Tax on value adjustment of properties	-1,219	-1,192
	Other comprehensive income after tax	**2,599**	**2,542**
	Comprehensive income for the year	**132,517**	**115,434**

Balance Sheet (Year-end) – (DKK 1,000)

Noter		2019	2018
	Cash balance and demand deposits with central banks	184,862	180,193
12	Receivables from credit institutions and central banks	1,380,759	1,160,234
13	Loans and other receivables at amortised cost	3,758,736	3,472,174
14	Bonds at fair value	1,174,084	879,093
15	Shares, etc.	117,009	85,243
18	Assets connected to pool schemes	112,341	63,043
16	Land and buildings in total, domicile properties	228,904	207,265
17	Other tangible assets	7,539	8,070
	Other assets	122,269	105,748
	Prepayments and deferred expenses	3,412	3,473
	Assets in total	**7,089,915**	**6,164,536**
19	Liabilities to credit institutions and central banks	13,625	22,565
20	Deposits and other liabilities	5,687,451	4,899,044
	Deposits in pool schemes	112,341	63,043
	Current tax liabilities	30,772	17,522
	Other liabilities	67,578	73,570
	Prepayments and deferred expenses	5,895	5,555
	Total debt	**5,917,662**	**5,081,299**
	Provisions for pensions and similar obligations	1,082	796
21	Provisions for deferred tax	51,341	60,719
	Provisions for losses on guarantees	20,483	14,274
	Other provisions	5,121	5,606
	Write-downs for losses on non-utilised credit facilities	16,550	2,683
	Total provisions	**94,577**	**84,078**
	Equity		
22	Share capital	180,000	180,000
	Revaluation reserves	31,706	29,092
	Retained earnings	811,970	736,067
	Proposed dividend	54,000	54,000
	Total equity	**1,077,676**	**999,159**
	Total liabilities	**7,089,915**	**6,164,536**

1	Accounting policies applied
2	Financial risks and policies
23-33	Other Notes

Statement of Changes in Equity – (DKK 1,000)

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Equity total
Equity, 01 January 2018	**180,000**	**26,776**	**697,682**	**54,000**	**958,458**
Changes in accounting policies applied	-	-	-20,733	-	-20,733
Dividend paid				-54,000	-54,000
Other comprehensive income		2,316	226		2,542
Profit for the year			58,892	54,000	112,892
Equity, 31 December 2018	**180,000**	**29,092**	**736,067**	**54,000**	**999,159**
Equity at the end of the preceding financial year	**180,000**	**29,092**	**736,067**	**54,000**	**999,159**
Dividend paid	-	-	-	- 54,000	- 54,000
Equity, beginning of 2019, after distribution of dividend	**180,000**	**29,092**	**736,067**	**0**	**945,159**
Other comprehensive income	-	2,614	-15	-	2,599
Profit for the year	-	-	75,918	54,000	129,918
Equity, 31 December 2019	**180,000**	**31,706**	**811,970**	**54,000**	**1,077,676**

Cash Flow Statement – (DKK 1,000)

	2019	2018
Profit for the year	129,918	112,892
Write-downs on loans	7,959	10,938
Depreciation and impairment of tangible assets	6,672	6,765
Accruals and deferred expenses, net	401	-213
Change at the beginning of the year to the accounting policy applied to lending	0	-20,733
Profit for the year after adjustment for non-cash operating items	**144,950**	**109,649**
Liabilities to credit institutions and central banks	-8,940	-105
Deposits	837,705	749,707
Lending	-294,521	-147,993
Other working capital	405,881	-262,508
Other liabilities	16,522	17,742
Change in working capital	**956,647**	**356,843**
Cash flows from operating activities	**1,101,597**	**466,492**
Sale of tangible assets	0	3,389
Purchase, etc. of tangible assets	-23,946	-5,620
Cash flows from investment activities	**-23,946**	**-2,231**
Dividend paid	-54,000	-54,000
Trade in own shares	0	0
Cash flows from financing activities	**-54,000**	**-54,000**
Change in cash and cash equivalents	**1,023,651**	**410,261**
Cash and cash equivalents, beginning of year	1,618,624	1,208,363
Cash and cash equivalents, end of year	**2,642,275**	**1,618,624**
Cash balance and demand deposits with central banks	184,862	180,193
Certificates of deposit with Danmarks Nationalbank, cf. Note 12	1,015,000	352,000
Fully secured and liquid cash and cash equivalents in credit institutions, cf. Note 12	298,323	240,798
Non-mortgaged securities	1,144,090	845,633
Cash and cash equivalents, end of year	**2,642,275**	**1,618,624**

Overview of Notes

Notes

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 compared to the Annual Report for 2018, except for the content of the section below under "Changes in accounting policies applied".

Changes in accounting policies applied
As a consequence of amendments to the Danish Accounting Order, the Bank has adjusted the accounting policy for the recognition of the value of the taxable deduction of dividend so that this is recognised in the statement of income at the time of the decision. Previously, the value of the taxable deduction of dividend was recognised through equity at the time of the decision.

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

For 2019, the change in the tax on the profit for the year has an impact of TKK -17,172, while the allocation of the profit for the year is affected at TDKK +17,172. Equity at year-end 2019 is not affected.

For 2018, the change in the tax on the profit for the year has an impact of TKK -17,172, while the allocation of the profit for the year is affected at TDKK +17,172. Equity at year-end 2018 is not affected.

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 from 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.

Notes

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 most significant estimation uncertainty related to the preparation of the Annual Report for 2019, 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 most 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.

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 intends to net set off or realise the asset and redeem the liability at the same time.

Statement of income

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.

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 2016-2023 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.

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.

Notes

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 of dividends for the dividend-paying company.

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. Drawn 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 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 2018) 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 expenses

Accruals and deferred expenses recognised under assets comprise defrayed costs concerning subsequent financial years. Accruals and deferred expenses 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 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.

Notes

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.

Coming accounting regulations
In their amendment Order of 3 December 2018, the Danish Financial Supervisory Authority adopted new rules concerning recognition of leasing for the lessee. The rules enter into force for the financial year beginning on 1 January 2020.

The standard is not expected to affect the BANK of Greenland since the Bank does not use leasing as either a lessor or lessee.

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.

The distribution of "Loans and other receivables at amortised cost" and "Guarantees" is shown in Notes 13 and 24.

Maximum credit exposure (DKK 1,000)	2019	2018
Cash balances and demand deposits at central banks	184,862	180,193
Receivables from credit institutions and central banks	1,380,759	1,160,234
Loans and other receivables at amortised cost	3,758,736	3,472,174
Bonds at fair value	1,174,084	879,093
Shares, etc.	117,009	85,243
Other assets, including derivative financial instruments	122,269	105,748
Off-balance-sheet items		
Guarantees	1,479,537	1,277,604

Notes

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 with which the Bank has activities.

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 and public authorities 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%

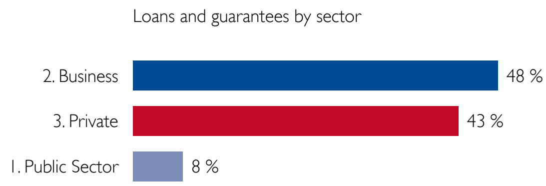
Standard terms

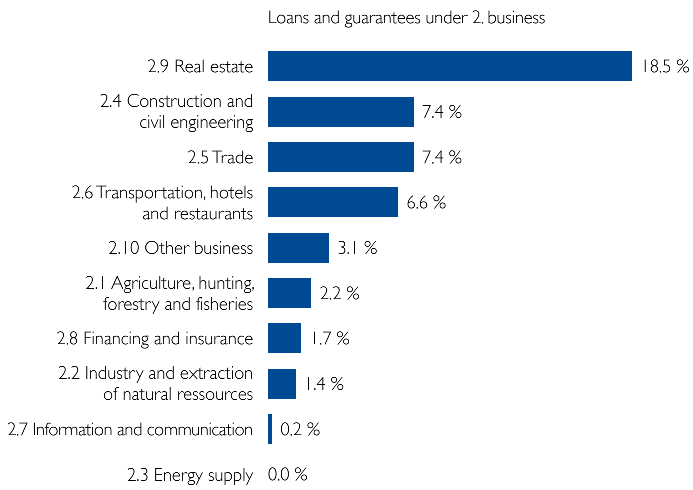
Business customers:

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.

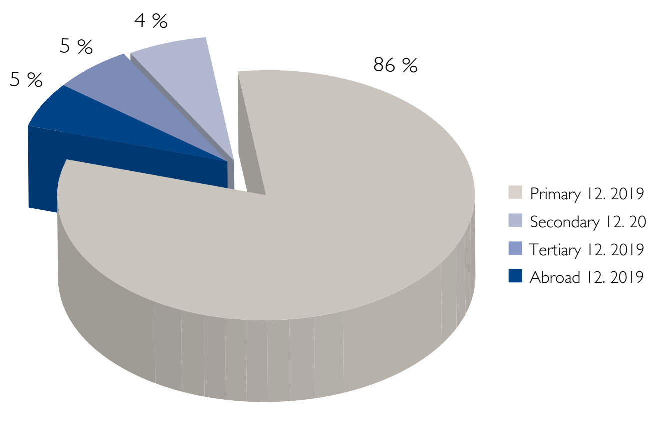
Private customers:

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





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.



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 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 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.

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.

Notes

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:

- Stage1 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 increased considerably if the borrower has been in arrears for more than 30 days, without any special circumstances allowing this to be disregarded.

If PDE exceeds 5%, the exposure moves 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 or 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 was 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 greater than DKK 100,000 that are considered individually, and other exposures are calculated on the basis of models.

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 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.

Notes

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 then 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 such 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, it is believed that the Danish prognoses can be applied to conditions on Greenland.

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 the write-down ratio in 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.

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 longer any 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 longer assessed to be any 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. In the case of companies, typically until the borrower has completed bankruptcy proceedings, composition with creditors, etc. For private individuals, continued attempts are made to establish voluntary payment schemes and possible legal collection.

Exposure and write-downs by sector

2019	Gross exposure DKK 1,000	Ratio of total gross exposure	Total write-downs DKK 1,000	Ratio of total write-downs
Public	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 %
Business in total	2,609,928	48 %	98,508	56 %
Private	2,340,716	44 %	75,769	42 %
In total	**5,391,101**	**100 %**	**177,211**	**100 %**

2018	Gross exposure DKK 1,000	Ratio of total gross exposure	Total write-downs DKK 1,000	Ratio of total write-downs
Public	356,891	7 %	1,169	1 %
Business:				
Agriculture and fisheries	132,245	3 %	8,099	5 %
Industry and extraction of minerals	86,844	2 %	3,224	2 %
Energy supply	0	0 %	0	0 %
Construction and civil engineering	324,269	7 %	27,840	15 %
Trade	290,409	6 %	16,651	10 %
Transport, restaurants and hotels	327,546	7 %	15,530	9 %
Information and communication	8,533	0 %	2,005	1 %
Financing and insurance	107,460	2 %	356	1 %
Real estate	854,594	17 %	9,019	5 %
Other business	142,496	3 %	7,075	4 %
Business in total	2,274,396	46 %	89,799	52 %
Private	2,278,924	46 %	79,374	47 %
In total	**4,910,211**	**100 %**	**170,342**	**100 %**

Notes

Credit exposure distributed on classification, creditworthiness and stages:

Classification The Bank of Greenland	Classification Danish Financial Supervisory Authority	Stage 1 TDKK	Stage 2 TDKK	Stage 3 TDKK	In total TDKK
Ratings 1 – 3	3/2A	2,896,041	119,928	3,100	**3,019,069**
Ratings 4 – 7	2B	1,155,240	488,272	3,275	**1,646,787**
Ratings 8 – 9	2C	717	408,444	2,560	**411,721**
Ratings 10 – 11	1	6,116	20,733	286,675	**313,524**
In total		**4,058,114**	**1,037,377**	**295,610**	**5,391,101**

Classification BANK of Greenland

- Ratings 1 – 3 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 8 – 9 Customers with significant signs of weakness, but without OIK occurring. The customer's debt servicing ability is less satisfactory and the customer is economically vulnerable/has weak key indicators.
- Ratings 10 – 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	Stage 3 TDKK	In total TDKK
Public	431,224	9,233	0	440,457
Business:				
Agriculture and fisheries	82,335	14,277	21,095	117,707
Industry and extraction of minerals	21,544	1,308	51,615	74,467
Energy supply	0	0	0	0
Construction and civil engineering	149,635	152,976	95,082	397,693
Trade	315,962	64,276	16,444	396,682
Transport, restaurants and hotels	277,532	78,562	2,070	358,164
Information and communication	5,520	2,480	414	8,414
Financing and insurance	91,813	0	0	91,813
Real estate	802,476	189,942	5,991	998,409
Other business	92,267	67,215	7,097	166,579
Business in total	1,839,084	571,036	199,808	2,609,928
Private	1,787,806	457,108	95,802	2,340,716
In total	**4,058,114**	**1,037,377**	**295,610**	**5,391,101**

Reason for value adjustment of exposures in stage 3

2019	**Credit exposures 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
In total	**295,610**	**111,451**	**184,159**	**86,124**	**98,035**

2018	**Credit exposures before write-downs**	**Write-downs**	**Accounting value**	**Collateral security**	**Maximum credit risk**
Bankruptcy	9,366	9,061	305	244	61
Collection	23,885	17,228	6,657	6,657	0
Financial difficulties	319,503	100,969	218,534	182,465	36,019
In total	**352,754**	**127,258**	**225,496**	**189,366**	**36,130**

Notes

Credit quality of exposures in general

Exposures with arrears or overdrafts > DKK 1,000

In DKK 1,000	2019	2018
0 – 30 days	3,269	3,489
31 – 60 days	1,135	8,411
61 – 90 days	500	1,711
> 90 days	951	8,435
In total	**5,855**	**22,046**

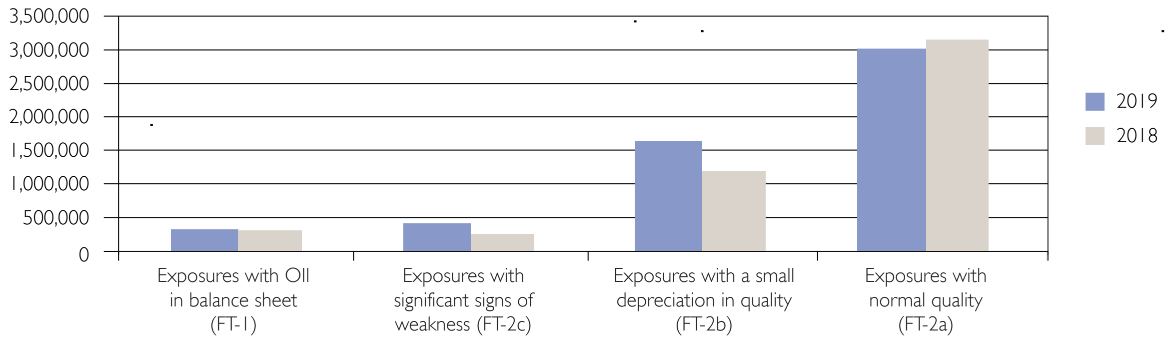
The BANK of Greenland applies a rating model that divides borrowers into 11 categories. The division is according to criteria such as the borrower's earnings, assets, account behaviour, etc. The 11 categories are then assigned to the Danish FSA's creditworthiness scale.

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 minor limit 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. The Bank has entered into interest rate swaps for a total of DKK 10 million to partly cover the interest rate risk on the Bank's bond holdings. Reference is made to Notes 27 and 29.

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



Creditworthiness distributed according to 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.

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.

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 2019. 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 238.8% as of the end of 2019. 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 have been drawn up in order to minimise dependence on individuals. There is continuous focus on reducing dependence 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 (Center 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.

In 2017, the BANK of Greenland commissioned a report on the Bank's IT security and contingency measures. The report's recommendations have been incorporated in all significant respects.

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

		2019	2018
3	**Interest income**		
	Lending and other receivables	230,598	228,114
	Bonds	7,369	8,518
	Total interest income	**237,967**	**236,632**
4	**Negative interest income**		
	Receivables from credit institutions and central banks	-8,311	-6,614
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-3,627	-4,211
	Total negative interest	**-11,938**	**-10,825**
5	**Interest expenses**		
	Credit institutions and central banks	30	30
	Deposits and other liabilities	735	1,676
	Total interest expenses	**765**	**1,706**
6	**Positive interest expenses**		
	Deposits and other liabilities	+9,046	+6,761
	Total positive interest expenses	**+9,046**	**+6,761**
7	**Fee and commission income**		
	Securities and securities accounts	2,758	3,115
	Funds transfer	39,002	38,227
	Loan case fees	6,035	5,467
	Guarantee commission	22,144	20,265
	Other fees and commission	14,822	14,562
	Total fee and commission income	**84,761**	**81,636**
8	**Value adjustments**		
	Lending at fair value	-100	-1,017
	Bonds	-11,833	-7,995
	Shares	17,527	3,114
	Currency	3,826	3,059
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	165	1,293
	Total value adjustments	**9,585**	**-1,546**

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	2019	2018
	Employee expenses		
	Salaries	73,412	66,729
	Other staff expenses	2,959	2,472
	Pensions	9,121	8,382
	Social security expenses	625	659
	In total	**86,117**	**78,242**
	Other administration expenses	81,767	79,165
	Number employed		
	The average number of employees in the financial year, converted to full-time employees	128.4	120.8
	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, joined in 2018	175	131
	Board member Bent Arabo, joined and resigned in 2018	-	93
	Board member Frank Olsvig Bagger, resigned in 2018	-	44
	Board member, Hans Niels Boassen, resigned in 2019	44	175
	Board member Anders Jonas Brøns, resigned in 2018	-	175
	Board member Christina Finderup Bustrup	175	175
	Board member Malene Meilfart Christensen, joined in 2019	131	-
	Board member Lars Holst	175	175
	Board member Yvonne Jane Poulsen Kyed	185	185
	Board member Niels Peter Fleischer Rex, joined in 2019	131	-
	Board member Elise Love Nicoline Zeeb, resigned in 2019	44	175
	Board member Peter Angutinguaq Wistoft, joined in 2019	131	-
	In total	**1,819**	**1,956**
	Executive Management		
	Managing Director Martin Birkmose Kviesgaard		
	Contractual remuneration, including free car and other benefits	2,783	2,734
	Pension	742	725

The Bank has established a defined benefit severance/pension scheme for the Bank's managing director, Under this scheme, the Bank is obliged to pay a fixed benefit for a period of time following the managing director's retirement, The present value of the benefit as of 31 December 2019 is compiled at TDKK 271, which is recognised under pensions to the Executive Management, This obligation, which is earned over the 2016-2023 period, may comprise 0-24 months' salary.

	Two other employees whose activities have a significant influence on the Bank's risk profile:	2019	2018
	Contractual remuneration, including free car and other benefits	2,390	2,492
	Pension	270	342

Notes to the Balance Sheet – DKK 1,000

		2019	2018
10	**Audit fees**		
	Statutory audit of the annual financial statements	620	615
	Other declarations with assurance	121	41
	Tax advisory services	33	45
	Other services	41	26
	Total fees to the auditors elected by the Annual General Meeting, who perform the statutory audit	**815**	**727**
	Non-auditing services are provided by Deloitte, Statsautoriseret Revisionspartnerselskab, and primarily comprise fees for various statutory declarations, and recognition of operating profit.		
11	**Tax on the profit for the year**		
	Tax on the profit for the year is calculated as follows:		
	Current tax	30,990	27,603
	Adjustment concerning previous years' taxes	189	0
	Deferred tax	-329	-180
	Change in deferred tax as a consequence of a changed tax rate in 2020	-10,268	-
	In total	**20,582**	**44,595**
	Tax on the profit for the year is broken down as follows:		
	Calculated 31.8% tax on the profit for the year	47,859	44,620
	Change in deferred tax as a consequence of a changed tax rate in 2020	-10,268	-
	Other adjustments	163	-25
	Tax value of dividend deduction	-17,172	-17,172
	In total	**20,582**	**27,423**
	Effective tax rate	13.7 %	19.5 %
	Corporate and dividend tax paid in 2019 amounts to TDKK 17,929		
12	**Receivables from credit institutions and central banks**		
	On-demand	298,323	240,798
	Up to and including 3 months	1,055,436	852,000
	Over 3 months and up to and including 1 year	27,000	6,000
	Over 1 year and up to and including 5 years	0	61,436
	In total	**1,380,759**	**1,160,234**
	Receivables subject to terms of notice at central banks	1,015,000	352,000
	Receivables from credit institutions	365,759	808,234
	In total	**1,380,759**	**1,160,234**

		2019	2018
13	**Lending**		
	Write-downs on loans, guarantees and non-utilised credit facilities:		
	New write-downs concerning new facilities during the year	46,595	10,904
	Reversal of write-downs concerning redeemed facilities	-15,322	-
	Net write-downs during the year as a consequence of changes in the credit risk	-22,369	-
	Losses without preceding write-downs	636	1,389
	Received for claims previously written off	-1,582	-1,355
	Recognised in the statement of income	**7,958**	**10,938**
	Lending at amortised cost	3,758,736	3,472,174
	Total lending by remaining term to maturity:		
	On demand	484,315	472,996
	Up to and including 3 months	330,576	226,492
	Over 3 months and up to and including 1 year	794,430	550,040
	Over 1 year and up to and including 5 years	1,449,127	1,500,000
	Over 5 years	700,288	722,646
	In total	**3,758,736**	**3,472,174**

Write-downs on loans 31.12.2019	**Stadie 1**	**Stadie 2**	**Stadie 3**	**I alt**
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
Write-downs in total	**15,835**	**41,405**	**82,938**	**140,178**

Write-downs on guarantees 31.12.2019				
Start of the period	461	205	13,608	14,274
New write-downs concerning new facilities during the year	364	52	14,975	15,391
Reversal of write-downs concerning 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
Write-downs in total	**656**	**267**	**19,560**	**20,483**

Notes to the Balance Sheet – DKK 1,000

Write-downs on non-utilised drawing rights 31.12.2019	Stage 1	Stage 2	Stage 3	In total
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
Write-downs in total	**814**	**3,408**	**12,328**	**16,550**

Write-downs on loans 31.12.2018				
Start of the period	0	0	0	0
Change in accounting policy	12,728	36,222	98,071	147,021
Write-downs during the year	1,464	0	12,895	14,359
Reversal of write-downs in previous years	0	-7,997	0	-7,997
Write-downs in total	**14,192**	**28,225**	**110,967**	**153,384**

Provisions for losses on guarantees, non-utilised credit lines 31.12.2018				
Start of the period	350	262	12,181	12,792
Change in accounting policy	0	0	2,058	2,058
Provisions during the year	111	0	2,052	2,163
Reversal of write-downs in previous years	0	-56	0	-56
Total provisions	**461**	**206**	**16,291**	**16,957**

		2019	2018
14	**Bonds at fair value**		
	Mortgage-credit bonds	1,174,084	878,073
	Other bonds	0	1,020
	In total	**1,174,084**	**879,093**

Of which nominal TDKK 50,000 deposited as security for debt at Danmarks Nationalbank

Notes to the Balance Sheet – DKK 1,000

		2019	2018
15	**Shares, etc.**		
	Shares/unit trust certificates listed on Nasdaq OMX Copenhagen	5,058	4,469
	Unlisted shares included at fair value	111,951	80,774
	Reassessed value, year-end	**117,009**	**85,243**

		2019	2018
16	**Head office properties**		
	Reassessed value, beginning of year	207,265	207,728
	Additions during the year, including improvements	21,756	2,762
	Disposals during the year	0	-3,108
	Write-offs	-3,950	-4,365
	Value changes recognised in other comprehensive income	3,833	3,747
	Value changes recognised in the statement of income	0	501
	Reassessed value, year-end	**228,904**	**207,265**

There is no public property valuation in Greenland.

In 2018, 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.

		2019	2018
17	**Other tangible assets**		
	Cost, beginning of year, without depreciation or write-downs	50,570	48,325
	Additions during the year, including improvements	2,190	2,578
	Disposals during the year	0	-333
	Cost, year-end	**52,760**	**50,570**
	Depreciation and write-downs, beginning of year	42,500	39,933
	Depreciation for the year	2,721	2,900
	Reversal of depreciation concerning disposals	0	-333
	Depreciation and write-downs, year-end	**45,221**	**42,500**
	Accounting value, year-end	**7,539**	**8,070**

		2019	2018
18	**Assets connected to pool schemes**		
	Investment associations	112,304	63,032
	Non-invested funds	37	11
	In total	**112,341**	**63,043**

		2019	2018
19	**Liabilities to credit institutions and central banks**		
	On demand	13,625	22,565
	In total	**13,625**	**22,565**
	Debt to central banks	13,625	22,565
	Debt to credit institutions	0	0
	In total	**13,625**	**22,565**
20	**Deposits and other liabilities**		
	On demand	5,493,038	4,726,714
	Up to and including 3 months	35,957	4,058
	Over 3 months and up to and including 1 year	30,650	17,169
	Over 1 year and up to and including 5 years	45,429	89,583
	Over 5 years	82,377	61,520
	In total	**5,687,451**	**4,899,044**
	On demand	5,029,931	4,366,433
	On terms of notice	376,261	281,756
	Fixed-term deposits	54,436	60,436
	Special deposit conditions	226,823	190,419
	In total	**5,687,451**	**4,899,044**
21	**Provisions for deferred tax**		
	The year's changes in deferred tax can be summarised as follows:		
	Deferred tax, beginning of year	60,716	59,708
	Adjustment of deferred tax, beginning of year from change of policy, lending	-	-9,667
	Adjustment of current tax	-	9,667
	The year's deferred tax recognised in the statement of income for the year	-329	-180
	Adjustment of deferred tax concerning equity items	1,219	1,191
	Change in deferred tax as a consequence of a changed tax rate in 2020	-10,268	-
	In total	**51,341**	**60,719**
	Deferred tax concerns:		
	Head office properties	50,551	59,851
	Operating equipment	790	868
	In total	**51,341**	**60,719**

Notes to the Balance Sheet – DKK 1,000

		2019	2018
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

	2019	2018
Number of own shares	0	0

The following hold more than 5% of the Bank's share capital:

Greenland Holding A/S	Nuuk	15.26 %
BETRI P/F	Kongabrúgvin, Torshavn	14.58 %
Nuna Fonden	Nuuk	13.98 %
AP Pension Livsforsikringsaktieselskab	København	11.39 %

23 **Capital Statement**

	2019	2018
Credit risk	3,772,382	3,486,548
CVA risk	4,432	5,707
Market risk	229,745	161,366
Operational risk	600,646	566,841
Total risk exposure	**4,607,205**	**4,220,462**
Equity	1,077,676	999,159
Proposed dividend, accounting effect	-39,690	-36,828
Framework for ratio of own shares	0	-4,914
Deductions for prudent valuation	-1,531	-1,182
Actual core capital	**1,036,455**	**956,236**
Capital base	**1,036,455**	**956,236**
Actual core capital ratio	22.5	22.7
Capital ratio	22.5	22.7
Statutory requirement of actual core capital ratio	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

Notes – DKK 1,000

		2019	2018
24	**Contingent liabilities**		
	Mortgage finance guarantees	858,007	707,584
	Registration and remortgaging guarantees	185,355	136,340
	Other guarantees	436,175	433,680
	In total	**1,479,537**	**1,277,604**

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.

25 **Legal cases**

The Bank is a party in pending lawsuits and the outcome of these would not affect the Bank's financial position.

		2019	2018
26	**Currency exposure**		
	Assets in foreign currency, in total	136,567	53,850
	Liabilities in foreign currency, in total	127,392	48,737
	Exchange-rate indicator 1	9,651	5,091
	Exchange-rate indicator 1 as a ratio of core capital	0.9	0.5
	Exchange-rate indicator 2	767	64

		2019	2018
27	**Interest rate risk**		
	The Bank solely has fixed-interest-rate assets in Danish kroner.		
	Interest-rate risk for debt instruments, etc.	22,140	19,297

		2019	2018
28	**Related parties**		

Related parties comprise the Bank's Board of Directors and Executive Management, and their related parties.

The BANK of Greenland has no related parties with a controlling influence.

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.

	2019	2018
Executive Management:	100	100
Board of Directors, including members elected by the employees	7,976	9,805
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	1,506	7,950

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 2019 are in the range of 2.25%-3%.

The Board of Directors' and Executive Management's holdings of shares in GrønlandsBANKEN A/Scompiled in accordance with the insider rules (number).

	2019	2018
Board of Directors:		
Kristian Frederik Lennert	10	10
Hans Niels Boassen, resigned in 2019	-	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. Provided that certain criteria are fulfilled, 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.

	2019	2018
Lending		
Amortised/nominal value	164,174	185,850
Accounting value	191,086	211,517
Covered with interest rate swap		
Synthetic principal/nominal value	151,432	174,909
Accounting value	9,816	9,178
Lending at fixed interest rates without cover		
Amortised/nominal value	25,806	24,863
Accounting value	29,622	27,965

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.

29 Derivative financial instruments

2019	Nominal value	Positive market value	Negative market value	Net marketvalue
Currency contracts				
Spot	486	14	0	14
Interest rate contracts				
Swaps	161,433	0	-10,880	-10,880
Share contracts				
Spot, purchase	35	9	-22	-13
Spot, sale	35	22	-9	13
In total	**70**	**31**	**-31**	**0**
In total	**161,989**	**45**	**-10,911**	**-10,866**

2018	Nominal value	Positive market value	Negative market value	Net marketvalue
Currency contracts				
Spot	6,993	26	-1	25
Interest rate contracts				
Swaps	184,840	0	-10,307	-10,307
Share contracts				
Spot, purchase	4	4	-5	-1
Spot, sale	4	5	-4	1
In total	**8**	**9**	**-9**	**0**
In total	**191,841**	**35**	**-10,317**	**-10,282**

29 **Derivative financial instruments**

Term structure by remaining term to maturity

2019	Up to and including 3 months		Over 3 months and up to and including 1 year	
	Nominal value	**Net market alue**	**Nominal value**	**Net market alue**
Interest rate contracts, Swaps	1,038	-10	12,314	-193
Currency contracts, Spot	0	0	486	14
Share contracts				
Spot, purchase	35	-13	0	0
Spot, sale	35	13	0	0
In total	**70**	**0**		**0**
In total	**1,108**	**-10**	**12,800**	**-179**

	Over 1 year and up to and including 5 years		Over 5 years	
	Nominal value	**Net market alue**	**Nominal value**	**Net market alue**
Interest rate contracts, Swaps	35,226	-1,904	112,855	-8,773
In total	**35,226**	**-1,904**	**112,855**	**-8,773**

2018	Up to and including 3 months		Over 3 months and up to and including 1 year	
	Nominal value	**Net market alue**	**Nominal value**	**Net market alue**
Interest rate contracts, Swaps	0	0	0	0
Currency contracts, Spot	6,993	25	0	0
Share contracts				
Spot, purchase	4	-1	0	0
Spot, sale	4	1	0	0
In total	**8**	**0**	**0**	**0**
In total	**7,001**	**25**	**0**	**0**

	Over 1 year and up to and including 5 years		Over 5 years	
	Nominal value	**Net market alue**	**Nominal value**	**Net market alue**
Interest rate contracts, Swaps	58,555	-3,026	126,285	-7,280
In total	**58,555**	**-3,026**	**126,285**	**-7,280**

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 where 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 co-operation 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, 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.

30 Fair value of financial instruments

2019	Listed prices level 1	Observable prices level 2	Non-observable prices level 3	In total
Financial assets:				
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
In total	**1,179,142**	**45**	**340,855**	**1,520,042**
Financial liabilities:				
Negative market value of derivative financial instruments	0	10,906	0	10,906
In total	**0**	**10,906**	**0**	**10,906**

2018	Listed prices level 1	Observable prices level 2	Non-observable prices level 3	In total
Financial assets:				
Bonds	878,073	0	1,020	879,093
Shares	4,469	0	80,774	85,243
Head office properties	0	0	207,265	207,265
Positive market value of derivative financial instruments	0	35	0	35
In total	**882,542**	**35**	**289,059**	**1,171,636**
Financial liabilities:				
Negative market value of derivative financial instruments	0	10,317	0	10,317
In total	**0**	**10,317**	**0**	**10,317**

Financial instruments recognised at amortised cost:	**2019** Amort. cost.	**2019** Fair value	**2018** Amort. cost.	**2018** Fair value
Receivables from credit institutions and central banks	1,380,759	1,380,660	1,160,234	1,160,199
Lending and other receivables	3,758,736	3,769,718	3,472,174	3,485,646
Liabilities to credit institutions and central banks	13,625	13,625	22,565	22,565
Deposits and other liabilities	5,687,451	5,677,351	4,899,044	4,898,536
Derivative financial instruments:				
Interest rate swaps	0	10,880	0	10,307

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 percentage point, equivalent to 100 basis points. The calculation shows that if the average interest rate on 31 December 2019 had been 100 basis points higher, the profit for the year would, all other things being equal, have been TDKK 22,140 lower (2018 TDKK 19,297 lower) primarily as a consequence of 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 largest 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 2019 had experienced a loss on the currency positions of 2.5% of currency indicator 1, the profit for the year before tax, all other things being equal, would have been TDKK 241 lower (2018: TDKK 127 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 2019 had been 10% lower, the profit for the year before tax, all other things being equal, would have been TDKK 11,701 lower (2017 TDKK 8,524 lower) as a consequence of negative fair value adjustment of the share portfolio.

As of the end of 2019 the Bank has no shares with a repurchase right.

Property risk:
If the value of the Bank's properties on 31 December 2019 had been 10% lower, the negative value adjustment of properties, all other things being equal, would have been TDKK 22,890 before tax (2018 TDKK 20,727 lower).

Notes – DKK 1,000

32	2019	2018	2017	2016	2015
5-year financial highlights and key figures					
Net interest and fee income	320,496	313,597	309,546	289,760	284,174
Value adjustments	9,585	-1,546	-6,368	-12,899	-10,775
Other operating income	5,722	5,385	5,240	4,854	6,002
Staff and administration expenses	167,884	157,407	152,528	144,207	139,414
Depreciation and impairment of tangible assets	6,672	6,765	6,840	5,981	6,150
Other operating expenses	2,788	2,011	2,709	4,136	7,780
Write-downs on loans and receivables, etc.	7,959	10,938	13,734	13,971	19,432
Profit before tax	**150,500**	**140,315**	**132,607**	**113,420**	**106,625**
Tax	20,582	27,423	24,986	4,547	2,417
Profit for the year	**129,918**	**112,892**	**107,621**	**108,873**	**104,208**
Selected balance sheet items:					
Lending	3,758,736	3,472,174	3,335,119	3,073,861	2,822,572
Deposits	5,687,451	4,899,044	4,205,612	4,822,362	4,741,477
Equity	1,077,676	999,159	958,458	926,210	914,282
Total assets	7,089,915	6,164,536	5,355,010	5,911,496	5,846,450
Contingent liabilities	1,479,537	1,277,604	1,161,181	1,266,537	1,123,022
Official key figures:					
Solvency ratio	22.5	22.7	22.7	21.2	20.8
Core capital ratio	22.5	22.7	22.7	21.2	20.8
Return on equity before tax	14.5	14.3	14.1	12.3	11.7
Return on equity after tax	12.5	11.5	11.4	11.8	11.4
Rate of return	1.8	1.8	2.0	1.8	1.8
Income per cost krone	1.81	1.79	1.75	1.67	1.62
Interest rate risk	2.1	2.0	1.1	1.3	1.1
Foreign exchange position	0.9	0.5	1.6	2.4	5.6
Loans plus write-downs as a ratio of deposits	67.2	73.1	82.2	66.2	61.7
Lending as a ratio of equity	3.5	3.5	3.5	3.3	3.1
Growth in lending during the year	8.3	5.0	8.5	8.9	0.3
Liquidity Coverage Ratio	238.8	282.1	222.4	207.4	181.9
Sum of large exposures	163.5	160.4	160.2	n/a	n/a
Ratio of receivables at reduced interest rates	0.8	0.9	0.6	0.8	0.9
Write-down ratio for the year	0.1	0.2	0.3	0.3	0.6
Accumulated write-down ratio	3.3	3.5	3.1	2.9	2.8
Profit for the year per share	72.2	62.7	59.8	60.5	57.9
Net book value per share	599	555	532	515	508
Dividend per share	30	30	30	55	55
Listed price/profit for the year per share (PE)	7.6	8.7	10.9	10.2	10.8
Stock exchange quotation/net book value per share	0.9	1.0	1.2	1.2	1.2

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.

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

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:

Director 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 Board of Directors of:
Gist og Vist P/F (Chairman)

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 08 April 2003.
Last re-elected in 2018. Current term expires in 2020.
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 Board of Directors of:
INUPLAN A/S (Chairman)

Director of:
Ejendomsselskabet Issortarfik ApS

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.

Former Commercial Director Maliina Bitsch Abelsen

Born on 7 February 1976 (female)
Joined the Board of Directors on 20 March 2018.
Current term expires in 2020.
Complies with the Committee on Corporate Governance's definition of independence.
Member of the Audit Committee and member of the Risk Committee.

Member of the Board of Directors of:
Visit Greenland (Chair)

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.

CCO/Commercial Director Christina Finderup Bustrup, Edlund A/S

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 CCO/Commercial Director of Edlund A/S, which delivers turnkey solutions for the administration of customer portfolios within life insurance and pension.

From her position at Edlund A/S and as the 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. Christina F. Bustrup has previously served as 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 Manager Malene Meilfart Christensen, GrønlandsBANKEN A/S

Born on 09 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.

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 Board of Directors of:
- Vestjysk Bank A/S (Deputy Chairman)
- 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)

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.

CEO Peter Angutinguaq Wistoft, Kalaallit Airports Holding A/S

Born on 08 April 1964 (male)
Joined the Board of Directors on 27 March 2019.
Current term expires in 2020.
Does not comply with the Committee on Corporate Governance's definition of independence.
Member of the Audit Committee and member of the Risk Committee.

Peter Wistoft is 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.

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 Board of Directors of:
- BEC a.m.b.a.
- Fugleværnsfonden

About the BANK of Greenland

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Board of Directors

Director
Gunnar í Liða
Chairman

Director
Kristian Frederik Lennert
Vice Chairman

Former Commercial Director
Maliina Bitsch Abelsen

CCO/Commercial Director
Christina Finderup Bustrup

Branch Manager
Malene Meilfart Christensen*)

Former Vice Director
Lars Holst

Deputy Manager
Yvonne Jane Poulsen Kyed *)

Communication and Marketing Consultant
Niels Peter Fleischer Rex*)

CEO
Peter Angutinguaq Wistoft

*Employee representatives

Executive Management

Managing Director
Martin Birkmose Kviesgaard

Audit Committee and 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

Photographers:
Employees
Jørgen Chemnitz
Toke Brødsgaard
Deluxus Studio
Justin Case Productions by Emil Stach
Layout and production:
Refleksion.info

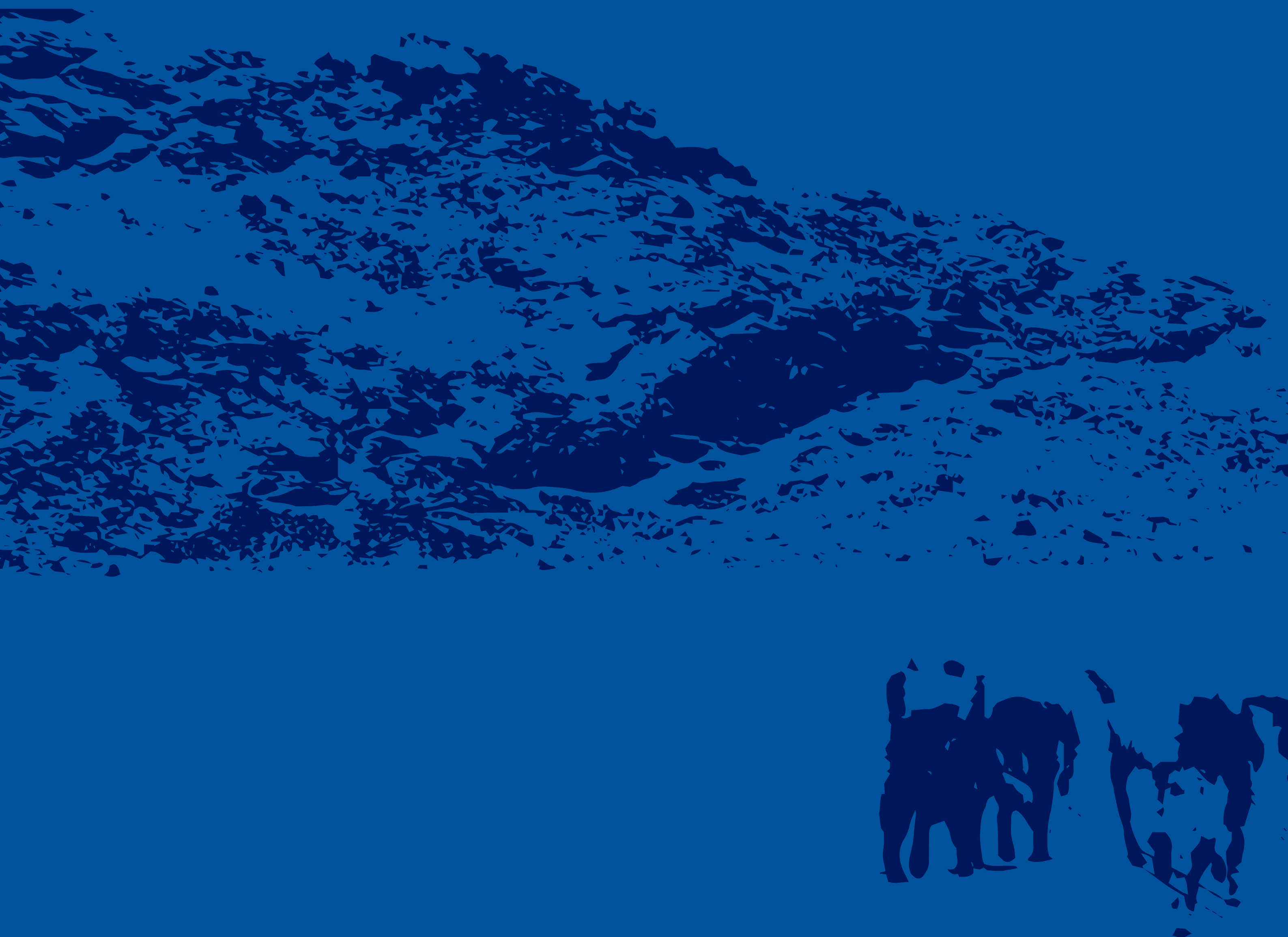
Financial Calendar
and Notifications to the Stock Exchange

Financial calendar for 2020

Annual Report 2019	27 February
Annual General Meeting in Nuuk	25 March
Interim Report, First Quarter 2020	6 May
Interim Report, First Half 2020	19 August
Interim Report, First Nine Months 2020	29 October

Notifications to the stock exchange in 2019

28 February	Annual Report 2018
4 March	Notice convening the Annual General Meeting
19 March	Election of employee members to the BANK of Greenland's Board of Directors
27 March	Minutes of the 2019 Annual General Meeting
27 March	Articles of Association
8 May	Interim Report, First Quarter 2019
20 August	Interim Report, First Half 2019
28 August	Financial Calendar 2020
31 October	Interim Report, First Nine Months 2019



CSR

KATUAQ

ELITE SPORT GREENLAND

THE GLOBAL COMPACT
WE SUPPORT

The BANK of Greenland