

Annual Report

2021

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Management's Review

Annual Report in Headlines

Satisfactory result in a year once again marked by Covid-19

In 2021, Covid-19 once again left its mark in several instances, but Greenland's economy nonetheless shows an increasing growth rate. The crisis was handled well in Greenland, and so far, the economic consequences are manageable. The economy's favourable course is also reflected in the Bank's results for 2021. Growth in several of the Bank's most significant business areas, low losses and positive value adjustments brought record earnings for the Bank.

"In 2021, the BANK of Greenland achieved a profit before tax of DKK 158.9 million, compared to DKK 130.9 million in 2020"

This record-high result matches the last revised guidance in January 2022.

Core operations at an improved level

The Bank's core operations improved from DKK 143.6 million in 2020 to DKK 149.2 million in 2021.

After favourable lending growth in 2019 and 2020, lending declined in 2021. Lending decreased by 223 million, to DKK 3,784

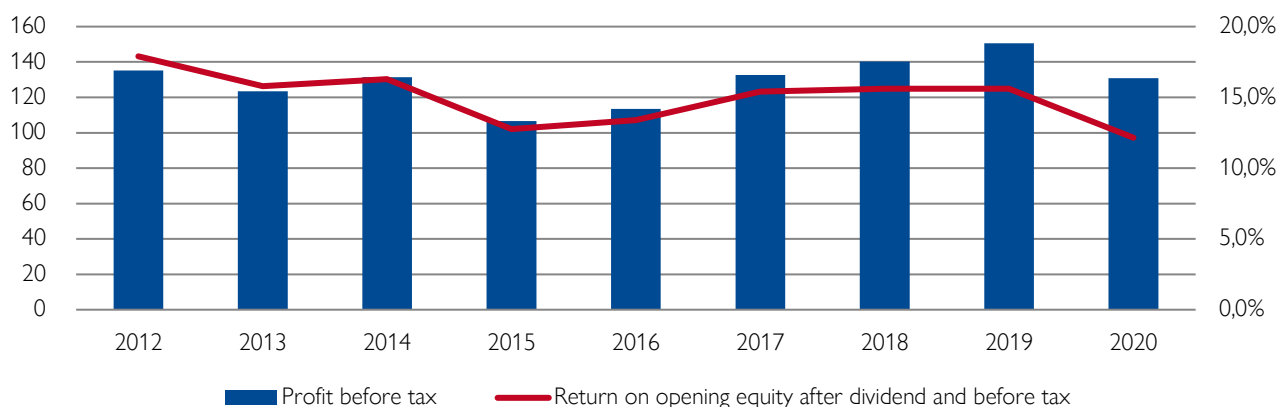
million at year-end 2021. The decline in lending is a consequence of a brief interruption of lending at the end of 2020, including that several large construction financing projects were completed and replaced by mortgage-credit financing. Interest income from lending therefore also declined slightly in 2021, compared to the previous year.

On the other hand, the extensive construction activity and house sales meant that in 2021, the Bank intermediated a record number of mortgage-credit loans, amounting to approximately DKK 1.2 billion. For the same reason, guarantees significantly exceeded the 2020 level. At the end of 2021, guarantees totalled DKK 1,781 million, compared to DKK 1,622 million in 2020. A new guarantee agreement established with DLR Kredit in Q4 2021 reduced the guarantee level extraordinarily.

The negative money-market interest rates continued in 2021. The Bank has continuously adapted deposit interest rates to the negative interest rate environment, thereby reducing the negative impact.

Fee and commission income increased in 2021, compared to the previous year. Key drivers of this rise included the expanding volume of guarantees, as well as the investment area, including the Qimatut pension.

DKK million



Costs also rose in 2021. The increase can be attributed primarily to staff expenses and IT costs. On the staff side, this concerned a budgeted increase in staff numbers to ensure continued growth in the Bank's business scope and to fulfil increasing compliance requirements.

The Bank's earnings per cost krone improved overall in 2021, and are thereby still at a satisfactory level.

Limited losses and write-downs, despite Covid-19

Write-downs and provisions amounted to a modest DKK 1.5 million in 2021, compared to DKK 12.8 million in 2020. The total level of write-downs is still relatively low, but does reflect an unchanged significant management reserve for Covid-19-related uncertainty of just over DKK 21 million, including an amount for a derived cyclical effect. Society and customers have thereby once again demonstrated considerable economic robustness, despite Covid-19. This robustness is also illustrated by how, for more than 25 consecutive years, the Bank has never had a year with a write-down ratio exceeding 0.7%.

Capital gains

The Bank's liquidity is placed in the money market, in bonds and, to a certain extent, in investment certificates and sector shares. The negative interest rate environment unavoidably entails capital losses on bonds. The Bank's investment certificates and sector shares performed extremely positively in 2021, so that in overall terms, value adjustments improved significantly compared to 2020.

Growth in the Bank

Despite the declining lending, the great efforts of everyone at the Bank, and our loyal and entrepreneurial customers, ensured the basis for growth in the Bank's earnings in 2021. A decrease in lending naturally gives grounds for increased awareness, but in view of the growth in preceding years, together with the expected development in construction lending in 2021, this decrease is a natural consequence. Growth was achieved in the pension, insurance and investment area, and in the slightly longer term the Bank expects continued growth in lending, based on tourism-related investments and general growth in the private elements of the economy.

Balance sheet, capital and dividend

The BANK of Greenland's capital-intensive activities, and lending and guarantees in particular, generally performed as expected in 2021. We see continued opportunities for growth in the coming years, which requires focus on the Bank's capital.

As an SIFI-designated banking institution since 2017, this means that the Bank's management continuously assesses the capital

structure. In this respect, consideration of the authorities' expectations of the current and future optimum capitalisation of a banking institution is a significant aspect. There is also a need to have sufficient capital to take part in credit granting in Greenland.

In October 2021, the Bank announced that the Danish FSA had made a decision on the determination of an MREL requirement at 30.4% of the Bank's risk-weighted items, to be phased in as from 2022. In the same instance, details were provided of the agreement between the Ministry of Industry, Business and Financial Affairs in Denmark and the BANK of Greenland on partial compensation for the Bank's future issuance costs. Pursuant to the determination of the MREL requirement, in October 2021 the Bank issued Senior-Non-Preferred for DKK 50 million.

On this basis, in December 2021 the Bank issued an amended capital objective. The Bank's Board of Directors has set a CET1 capital target of 24%. The capital base is assessed to be robust. Dividend of DKK 40 per share, equivalent to 54% of the profit for the year, is therefore proposed, after which the Bank will have a solvency ratio of 24.4, compared to 23.5 in 2020. The solvency requirement amounts to 10.7%, compared to 11.2% in 2020.

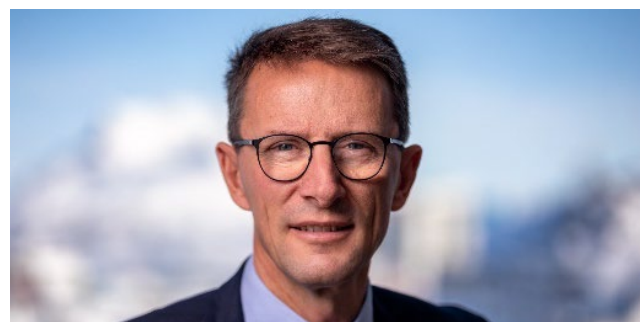
Outlook for 2022

Greenland's economic development was affected by Covid-19 in 2021, but this effect is expected to diminish in 2022, while new activity, e.g. related to airport construction projects, is expected. The BANK of Greenland also expects positive development in traditional banking activities in 2022.

The Bank's value adjustments are affected by capital market uncertainty. We nonetheless expect losses and write-downs at a sustained low level, and the Covid-19 risk for 2022 is assessed to be addressed with the current level of impairment write-downs. The Bank expects a profit before tax of DKK 120-140 million for 2022. An escalation of the ongoing crisis in Ukraine can impact the capital markets and the Bank's profits.

Nuuk, 2 March 2022

Martin Birkmose Kviesgaard, Managing Director





Greenland's Society and Economy

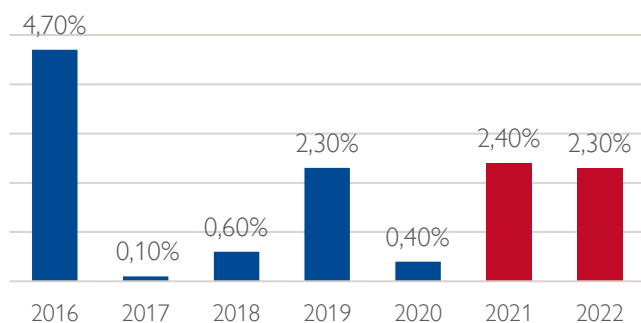
Economic development

Greenland has coped well with the first two years of the Covid-19 crisis. Provisional data shows GDP growth of 0.4% in 2020. This growth was driven primarily by the fisheries and building and construction sectors. The strong growth in these sectors offsets the negative growth in tourism in 2020.

The BANK of Greenland assesses that the construction sector continued to expand in 2021. Together with weak growth in tourism, this will more than offset the negative fisheries growth due to falling prices in 2021. In overall terms, the BANK of Greenland assesses that GDP increased by approximately 2.4% in 2021, while the Bank expects growth of 2.3% in 2022, see Figure 1. Growth in 2022 is expected to be driven by further expansion of private consumption and the building and construction sector, as well as moderate growth in tourism.

Figure 1
Economic development

Real GDP growth



Note: 2016-2018 are final figures, 2019-2020 are provisional figures, and 2021-2022 are the Bank's estimate. The Figure shows the real GDP growth as a measure of value creation in Greenland. Real growth in GDP does not take account of income and transfers to and from abroad, or changes in purchasing power due to e.g. rising export prices compared to import prices.

Source: Statistics Greenland.

The positive growth estimates for 2021 and 2022 reflect the expectation that, despite rising infection rates in the autumn and winter of 2021, Greenland will continue to cope well with Covid-19, which thereby will not impede growth significantly. If the Covid-19 pandemic requires lockdowns and continued travel restrictions as from the summer of 2022, this will have a negative impact on the estimate for 2022.

Construction in particular currently shows strong growth rates, due to the construction of new airports in Nuuk and Ilulissat, as well as private and public construction projects in Nuuk in particular. The construction sector is close to full capacity utilisation, and the growth can therefore be ascribed to the addition of capacity from abroad. It is assessed that pay levels can be pushed up,¹ due the labour shortages affecting most sectors, including retail, fisheries (processing plants) and the service industries. 2021 saw the approval of the fast-track scheme to help pre-approved enterprises recruit manpower from abroad more quickly. Provided that this scheme is implemented effectively, the case processing time for approval of external manpower will be shorter, which can help to reduce the labour shortages.

Housing market

Residential construction in Nuuk reflects the expanding housing market. Urbanisation has pushed up the demand for housing and currently many new private homes are being built to meet this demand. In Nuuk, the increasing demand for housing has led to rising housing prices since 2015, see Figure 2. Statistics Greenland does not record statistical data for housing price trends, and for a number of years the BANK of Greenland has therefore compiled details of home sales in Greenland.

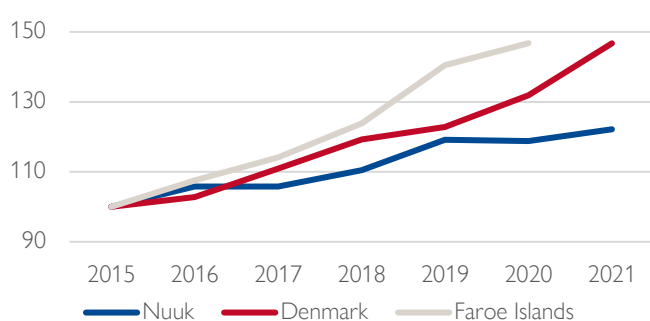
However, sufficient home sales to support a relevant analysis of the housing market only take place in Nuuk. Home sales figures show that even though housing prices in Nuuk are at their highest level since the financial crisis, housing prices in Denmark and the Faroe Islands have generally increased relatively more, particularly during the Covid-19 pandemic in 2020 and 2021, see Figure 2. There is naturally a real possibility that housing prices will drop as a consequence of, for example, interest rate increases, and this applies especially to the most expensive homes.

¹ The average pay for persons with vocational training increased by approximately 1% per annum in 2016-2019. In 2020, average pay increased by 5%. Average pay is calculated on the basis of disposable income. Source: Statistics Greenland, Table INXPI104.

However, the financing structure based on mortgage-credit loans at fixed interest rates and instalments has contributed to holding price increases at a moderate level, just as this form of mortgage financing protects against rising interest rates. The housing market and housing price development in Nuuk are therefore assessed to be well-consolidated.

Figure 2
Development in housing prices in Nuuk, Denmark and the Faroe Islands

Index (2015 = 100)



Note: Prices in Denmark and Greenland are compiled in DKK per m² for detached and terrace houses, and owner-occupied flats, while for the Faroe Islands the prices are compiled in DKK per home. All prices are adjusted by the consumer index of retail prices in the respective country. Data for Denmark is based on Q4 of the relevant year, while data for 2021 is based on Q3. Data for the Faroe Islands ends in 2020 due to lack of data.

Sources: Statistics Denmark, Finance Denmark, BANK of Greenland and Statistics Faroe Islands.

Development in government budgets

Even though Greenland's economy has so far weathered Covid-19 well, the pandemic has still affected the Treasury negatively, and the deficit on the OI balance was DKK 135 million in 2020, see Table 1. Due to the continued impact of Covid-19, Naalakkersuisut (the Greenland Government) expects a deficit on the OI balance in 2021. In 2021, a lower deficit must be expected than assumed on the adoption of the Finance Act for 2021. This is because Greenland's economy has weathered the crisis better than feared. The deficits in 2020 and 2021 are

Table 1
The Greenland Government's OI balance

	2018	2019	2020	2021	2022	2023	2024	2025	2018-2021	2022-2025
Budgeted OI balance	+11.2	+7.2	+49.6	-76.2	+7.6	+45.4	+17.9	+36.8	-8.2	+107.7
Actual OI result	+132.7	+142.0	-134.8						+63.7	
Difference	+121.5	134.8	-184.4						+71.9	

Note: A minus indicates a deficit. The figures for 2018-2020 are actual figures, while the figures for 2021-2022 are those adopted for the year. The figures for 2023-2025 are budget estimates. The total calculated for 2018-2021 is subject to the assumption that the actual result for 2021 is as adopted.

Source: Finance Acts for 2018, 2019, 2020, 2021 and 2022.

² Deloitte (2021), *Samfundsøkonomisk konsekvensvurdering af ny lufthavn i Qaqortoq* (Assessment of the economic consequences of a new airport in Qaqortoq).

limited and do not give grounds for concern since the underlying reasons are support packages, emergency flights and additional health service costs. Naalakkersuisut does not expect Covid-19 to have any significant impact in 2022, when a surplus on the OI balance is expected. This surplus may become a deficit, however, if the pandemic continues to affect the world significantly in 2022. In all circumstances, the modest deficit in 2020 and the expected improvement in the OI balance for 2021 and 2022 reflect considerable robustness in the relevant years, where the country is affected by Covid-19.

For 2023-2025, Naalakkersuisut budgets surpluses, and the Finance Act for 2022 thereby fulfils the Budget requirements, with a surplus of DKK 107.7 million for 2022-2025.

In conjunction with the final hearing of the Finance Act for 2022, the Greenlandic Tax Agency raised its revenue forecast by approximately DKK 150 million per annum in 2022-2025. The parties behind the Finance Act Agreement for 2022 have agreed that the higher revenue will be used to finance the new airport in Qaqortoq. In addition to the extra tax revenue, the airport will be financed by extraordinary income from capelin fishing and by dividend payments from Tusass and Air Greenland.

Since estimated revenue can be adjusted upwards, and the Budget Act is complied with and shows a reasonable surplus, it is appropriate to allocate the extra funds to investment that yields an economic return for society. However, the airport in Qaqortoq, with a 1,500-metre runway, is the poorest economic solution compared to scenarios with runways of 1,199 or 1,000 metres.²

The decision to construct the new airport with a 1,500-metre runway is thus based on a political prioritisation, rather than an economic prioritisation, since the present value of the project is negative and it will thereby, in isolated terms, not provide any economic yield. When we invest in projects for which there is no

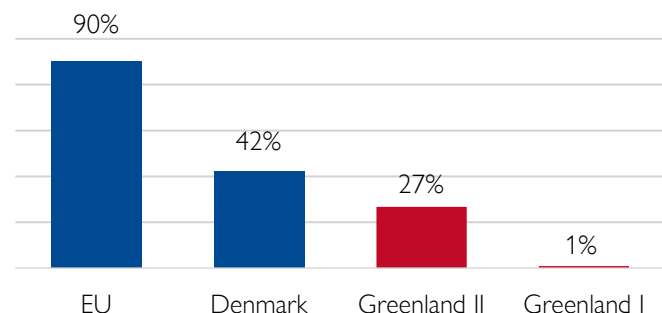
reasonable certainty that they will yield a positive return for society, the risk in the longer term is that we will be obliged to reject projects that are economically worthwhile for society. This will be the case when Greenland's ability to service its debt is exhausted, and the debt ceiling is thereby reached. When this happens, society risks losing money on the actual investments, besides having to repay the debt. Opportunities for debt financing of any subsequent economically viable investments, or to resist cyclical downturns, will also be curtailed. It is problematic that the debt capacity is used for investments that are not beneficial to the economy. The airport in Qaqortoq is one example of this, while the construction of a new hydroelectric power plant in Qasigianguit has also been adopted despite its negative current economic value. It will therefore be significant to seek to improve the economic value by promoting activities that can help to generate additional value from these investments.

It should also be added, however, that the level of public indebtedness has been very low for many years. In 2020, the Greenland Government's gross interest-bearing debt amounted to only 1% of GDP. Including the gross interest-bearing debt of municipalities and government-owned limited liability companies, the debt amounted to 27% of GDP in 2020.

This is a low level compared to the average for Denmark and the EU, for example, whose gross interest-bearing debt amounted to 42% and 90% of GDP, respectively, in 2020, see Figure 3.

Figure 3
Interest-bearing government debt in the EU, Denmark and Greenland, 2020

Per cent of GDP



Note: Interest-bearing government debt is compiled as gross debt. Greenland I denotes the gross debt of the Greenland Government as a ratio of GDP. Greenland II denotes the gross debt of the Greenland Government, municipalities and government-owned limited liability companies as a ratio of GDP.

Sources: The Greenland Government's Finance Bill for 2022, Statistics Greenland and Eurostat.

The gross government debt will not remain low in the years to come, among other things because the government-owned limited liability companies will need to raise more debt.³ In the

Finance Bill for 2022, it is stated that the Greenland Government's debt will decrease in isolated terms, but at the same time, the total gross interest-bearing debt of the Greenland Government, municipalities and government-owned limited liability companies will increase to just over DKK 9 billion in 2024. With unchanged GDP (2020 level), this corresponds to 45% of GDP in 2024. This level may well be sustainable, if the debt is used for economically viable investments. The sensitivity to the increasing debt is also lower, due to the size and stability of the block grant. On the other hand, the rest of the national economy is to a great extent based on the development in fisheries, which imposes stricter requirements of sustainable management and the task of strengthening Greenland's economic foundation.

There is currently a strong focus on sustainability – from both economic and biological perspectives. Disregarding the block grant from Denmark, fisheries are still Greenland's largest source of income, but if this is to remain the case, it is necessary to safeguard this sector's sustainable development in both economic and biological terms. As a self-sustaining economy develops in Greenland, the tourism and minerals sectors are expected to be important revenue sources. There are currently major limitations to the tourism sector's growth, due to Covid-19, so that this sector does not currently contribute the increasing revenue expected in previous years. A slight upturn in activity in the minerals sector can be noted, but in this case too, there is still a lot to be done before this sector can contribute to Greenland's economic growth. On this basis, the focus below is on these three sectors and how we must and will succeed in achieving sustainable development.

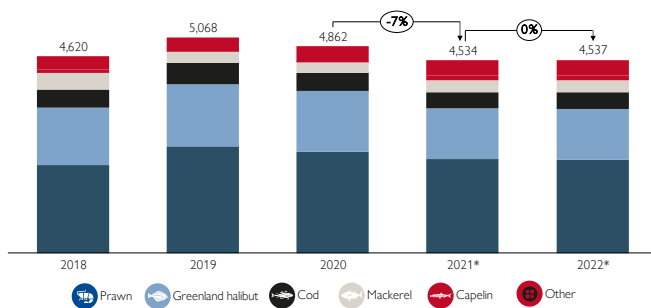
Fisheries

After many years of growth in Greenland's fisheries, this growth braked in the wake of the Covid-19 pandemic's global lockdowns, even though fisheries in Greenland were not interrupted. Prices for prawn, Greenland halibut and cod fell in 2020, among other things because hotel and restaurant closures limited sales to the service sector, and prices continued at this lower level in 2021. Thanks to relatively high catch volumes, the export value is still at a high level, however, see Figure 4. Due to the lower prices in 2021, the BANK of Greenland's estimated export value in 2021 is 7% lower than for 2020, and by and large unchanged from 2021 to 2022, due to continued low prices, as well as lower catch volumes in view of reduced Greenland halibut volumes.

³ Finance Bill for 2022.

Figure 4
Annual value of exports of fish and shellfish

DKK million



Note: *2021 and 2022 are estimates. For prawn, the estimates for Q3 and Q4 2021 and full-year 2022 are based on unchanged prices and volumes from 2021 and full-year 2022 are based on unchanged prices and volumes from 2021, due to an unchanged quota in 2022. For Greenland halibut and cod, the estimate is based on unchanged prices from Q3 2021 and volume changes of +2% and +3%, respectively. For mackerel, capelin and other species, the estimate is based on the expectation of unchanged prices and volumes compared to the same quarter of the previous year.

Sources: Statistics Greenland and own estimates.

For the first time in a number of years the prawn quota will not increase in 2022. The prawn quota adheres to the biological advice. The Greenland Institute of Natural Resources notes that the prawn stock off West Greenland is utilised sustainably and that the stock is stable at a high level.⁴ Inshore Greenland halibut fishing and cod fishing are still subject to considerable over-fishing. The biological advice for both Greenland halibut and cod is reduced volumes for 2022 compared to 2021. This means that the quota for inshore Greenland halibut fishing is 94% higher than the biological advice, and for inshore cod fishing the quota exceeds the biological advice by 120%.

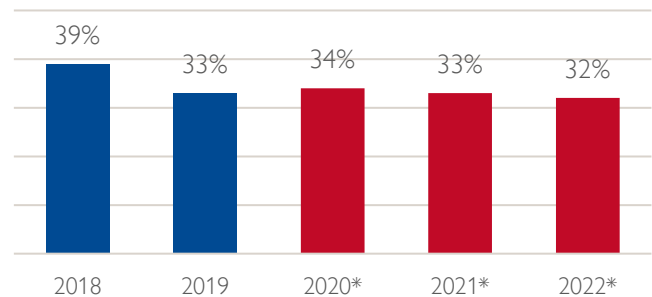
The biological advice from the Greenland Institute of Natural Resources shows that capelin is returning to Greenland. The biological advice for capelin is a historically high level of 904,200 tonnes for 2021/2022, so that the capelin export value is expected to be just as high in 2022. The increase in the capelin export value may partly make up for the declining export value of mackerel.

The expected extra revenue to the Treasury from capelin fishing, amounting to DKK 45.5 million in 2022, has already been earmarked for the new airport in Qaqortoq.⁵ This earmarking of revenue may be problematic in view of the generally declining prices and lower mackerel fishing rates, which will have a negative impact on revenue from the taxation of resources. In 2018, fisheries revenue accounted for no less than 39% of the Greenland Government's revenue excluding the block grant,

see Figure 5. If fisheries revenue fails, this could have major negative consequences for Treasury finances.

Figure 5
Government revenue from fisheries, 2018-2022

Share of the Greenland Government's revenue excluding the block grant



Note: *2020, 2021 and 2022 are estimates. Government revenue comprises taxes on resources, corporate and dividend tax, and tax on personal income. The estimates for 2020-2022 are calculated on the basis of the budgeted resource rents in 2020, 2021 and 2022, the Treasury's revenue estimates and the block grants for 2020, 2021 and 2022 from Finance Act 2022, and personal taxes and corporate taxes as average ratios of total revenue in relation to the resource rent, calculated on the basis of data from 2018 and 2019.

Source: Fisheries Commission (2021).

Report from the Fisheries Commission

The Fisheries Commission's report was published in 2021. The report presents six key messages for the sustainable management of marine resources, see Box 1. The next step will be to follow up the Fisheries Commission's work with specific political initiatives, as the Commission assesses that sustainable fisheries management must commence now. If not, the value of exports and government revenue from fisheries will already begin to decline in the short term, as a consequence of many years' over-fishing in some parts of the industry.

⁴ Greenland Institute of Natural Resources (2021). In 2022, the same volume of prawn as in 2021 can be fished, <https://natur.gl/year/2021/der-kan-i-2022-fiskes-samme-maengde-rejer-som-i-2021/>

⁵ Finance Act Agreement for 2022.

Box 1

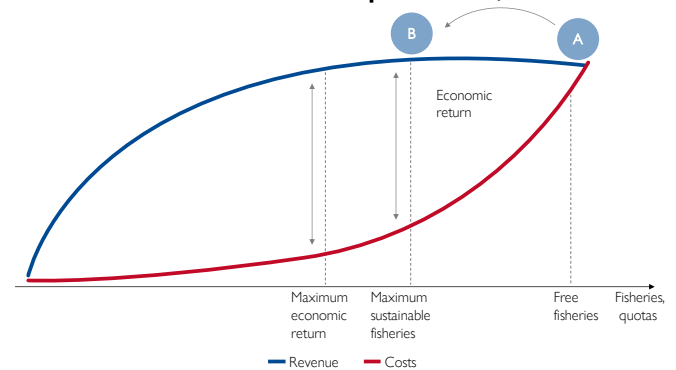
Key messages from the Fisheries Commission

1. Preserve resources for the future, for the benefit of employment, earnings and welfare.
2. Set a fixed and predictable framework for the fisheries industry to ensure investment in continued development, and target any subsidies in line with the overall aims of fisheries policy.
3. Arrange fisheries management so that each fisherman can achieve good earnings. The total resource rent for fisheries can be increased so as to ensure fair distribution of the resource rent via appropriate resource rent taxation.
4. Implement the arm's length principle in management, to ensure transparency and equal treatment.
5. Expand ownership of resource utilisation in relation to shipping companies, and not by deploying increased fishing capacity.
6. Implement labour market and education policy measures in conjunction with fisheries policy adjustments, to ensure socially sustainable transitions.

Source: Report from the Fisheries Commission, July 2021.

The Fisheries Commission describes how, if the quotas are maintained at the current high level, inshore Greenland halibut fishing will collapse in the course of the next five years. This is due to plunging fisheries income, because only an increasingly smaller volume can be fished. At the same time, the costs for the individual fishermen are rising, because they need to fish more to catch the same volume. This means that today we already face a situation in which, for some fishermen, costs and income are not aligned. This means that fishing does not generate any economic profit for the fisherman, nor is there any economic return for society, see point A in Figure 6. This is an untenable situation for the fishermen and, in practice, inshore fishing thus already faces collapse, in both biological and economic terms.

Figure 6
Economic returns at different quota levels, illustration



Note: Illustration based on OECD (2011).

Source: OECD (2011): "Ensuring a Sustainable and Efficient Fishery in Iceland", OECD Economics Department Working Papers, No. 891.

The Fisheries Commission's calculations show that fisheries can move towards point B with a relatively high economic return, if the quotas are reduced to a lower, biologically sustainable level. As an element of the movement from point A to point B, costs will decrease because 1) it is easier to catch larger volumes because there are more, and larger, fish; and 2) because after an adjustment, fisheries will be concentrated among fewer, more effective, fishermen (with the help of individual transferable quotas (ITQs)). The Fisheries Commission describes how, if the quota is reduced and ITQs are introduced today, by 2026 this will already drive the profit for the individual fisherman and the economic return from inshore Greenland halibut fishing back up again.

The fact that we are already at point A, where inshore Greenland halibut fishing generates very little profit, is reflected in the decision by Naalakkersuisut (the Greenland Government) to exempt inshore Greenland halibut fishing from taxes in 2022. Today, the revenue from this source is so low that it is no longer deemed possible to tax this fishing. The tax exemption is made with a view to a permanent change in the resource tax when a new bill is proposed, as expected, at the autumn 2022 session of Inatsisartut (Greenland's Parliament).⁶ However, the decision is in striking contrast to offshore Greenland halibut fishing, which is biologically sustainable and economically efficient, and thereby subject to significant fisheries taxes, for the benefit of society.

For individual fishermen, reduction of the quotas will entail a risk that the fisherman will have to give up fishing as a means of earning a living. This would have severe negative consequences

⁶ Finance Act for 2022.

for each fisherman and their families, and today many fishermen can already see how their inshore fisheries earnings have fallen below an economically sustainable level. The Fisheries Commission assesses that currently more than 80% of the fishermen who use small boats to catch Greenland halibut have insufficient income from fisheries to be able to provide for their families.⁷ Too many people are engaged in this fishing activity, while other sectors face a shortage of manpower. Reorganisation of fisheries and quotas will undoubtedly have adverse consequences for individual fishermen in the short term, but unchanged fisheries management would have an effect that is just as severe. If no action is taken and quota management is left unchanged, not only individual fishermen, but also society as a whole, will lose income. The recent decision to abolish monthly quotas for Olympian fishing is even more problematic when viewed in this context.

The BANK of Greenland can see nothing to suggest that financially constrained fishermen will be able to manage the given quotas and distribute fishing and income across the year. An article in *Sermitsiaq* on 17 December presents Minister for Fisheries and Hunting Aqqaaluaq B. Egede's decision that "Fishermen must themselves dose the Greenland halibut quota: But when the quota has been used, there won't be any more".

If we take a long-term view and are willing to accept changes while we help the people who need to find new employment in other industries, according to the Fisheries Commission fisheries will be able to grow and generate more value, thanks to sustainable management, in the course of less than ten years.⁸

Viewed from the BANK of Greenland's perspective, there is only one path to take, and this is to generally adhere to the Fisheries Commission's recommendations. For a number of years, the BANK of Greenland has pointed to the need for a sustainable framework due to the threat of the collapse of inshore fisheries. On the other hand, there is sound evidence that fisheries can develop, be financed and thrive when managed sustainably.

Tourism

Together with the hotel and restaurant sector, tourism is the sector that has been most severely affected by the Covid-19 pandemic, but the sector nonetheless already began to recover in 2021, see Figure 7. Up to and including September 2021, the total number of overnight stays was already 37% higher than at the same time in 2020. This was driven by an increase of 58%

in foreign visitors, and an increase of 26% in domestic visitors. However, the total number of overnight stays is still 20% below the level in September 2019.

Tourism measured by the number of airline passengers from Greenland also shows an increase. The total number of airline passengers from January 2021 to September 2021 increased by only 5% from the same period of 2020, and compared to the same period of 2019, the number of airline passengers was no less than 66% lower. The difference between the increase in the number of overnight stays and the increase in the number of airline passengers in 2021 may be due to larger numbers of "staycation" tourists, i.e. residents of Greenland who travel within the country, as well as opportunities to hold conferences, etc. again, and also foreign tourists who stay in Greenland for longer and thus have more overnight stays. It should also be noted that, in contrast to Q1 2021, there were no travel restrictions in Q1 2020. For the full year 2021, a greater increase than indicated by the first nine months must therefore be expected.

Figure 7
Change in accumulated number of airline passengers and overnight hotel stays in Greenland during the first nine months of 2020-2021



Note: The Figure shows the change in the accumulated number of overnight hotel stays (in total) distributed on foreign and domestic visitors, and the number of airline passengers travelling from Greenland.

Source: Statistics Greenland.

How the coming tourism season develops will depend on Covid-19 and the related travel restrictions. If the restrictions are lifted, some operators believe that in 2022, tourism will already be back at the 2019 level. This is the case, for example, for the number of cruise ships notified to berth in 2022, which is currently at the 2019 level. Even though so far Greenland has not gained significant revenue from cruise ship tourists, this

⁷ The Fisheries Commission assesses that a small-boat fisherman needs approximately 33 tonnes of Greenland halibut to be able to generate sufficient income to support a family. More than 80% of small-boat fishermen have a catch volume below this level.

⁸ Report from the Fisheries Commission (2021).

trend is still positive. The number of cruise ships berthing is highly uncertain, however, and depends on whether the Covid-19-related requirement for a ship to have been at sea for 14 days before it may berth in Greenland is lifted.⁹ If this requirement is upheld in 2022, there will probably (again) not be any cruise ships berthing in Greenland. In other words, tourism development is still highly sensitive to Covid-19 and the prevailing restrictions.

There are several different views on whether and when air traffic will return to the pre-Covid-19 level. The UN's International Civil Aviation Organization (ICAO) estimates scenarios in which air traffic returns to the pre-Covid-19 level relatively quickly, but they also estimate scenarios in which air traffic might potentially never return to that level.¹⁰ From Greenland's perspective, air traffic to Greenland might increase as a consequence of investments in tourism and new airports. International pressure on air traffic can expose Greenland to tough new competition for tourists, although there is a great surge of interest in the Arctic region, from which Greenland must be able to benefit.

If air traffic returns to a relatively high level, expansion of the airports is more likely to be a success, with an increase in tourist numbers. It is vital, however, to develop the entire tourism value chain and not to focus solely on airports. Figure 8 presents a simplified tourism value chain. The airport investments are a step towards making it possible to strengthen the value chain and bring more tourists to the country. There is also a need for transport, accommodation, meals and beverages, restaurants, sightseeing venues and support services, etc. These are all classical tourism activities that have a direct economic impact

on society. Yet it is just as important to remember infrastructure such as waste handling, transport, healthcare services and energy supply, etc. If just one of these factors cannot handle extra tourist numbers, it will be more difficult to harvest the expected gains that are necessary to generate value from the airport investments.

Harvesting these gains will require cooperation by all operators throughout the value chain, as well as enormous consequential business investments. It is also important to be aware that every link in the tourism value chain has an environmental impact. When this tourism value chain is to be developed, we therefore also need to take account of environmental impacts and how they can be minimised. This is in order to take environmental responsibility, but also to ensure the long-term economic viability of the investments, and to respond to tourists' increasing expectations of a "greener", more sustainable Greenland. The BANK of Greenland assesses that it should be possible to promote economically and environmentally sustainable tourism development through more closely coordinated cooperation between the business community, municipalities and the Greenland Government. The BANK of Greenland considers this to be a significant focus area in the coming years' development of Greenland's economic foundation, and an opportunity for strengthened public-private collaboration. To ensure successful airport investments that result in the extra activity we expect, it is important that airport taxes are not excessive. If they are, this will push up air ticket prices to above a level that tourists are willing to pay, making Greenland a less attractive destination compared to other Arctic destinations. In this way, we risk diminishing the positive effects that the airport investments should generate.

Figure 8
Tourism value chain



Note: This is a simplified version of a tourism value chain adapted to this chapter.
Source: Copenhagen Economics based on UNWTO (2019).¹¹

⁹ At the time of writing, the requirement applies until 6 March 2022.
¹⁰ <https://www.icao.int/sustainability/Pages/Economic-Impacts-of-COVID-19.aspx>

¹¹ UNWTO training in tourism value chains, <https://www.unwto.org/sustainable-development/trainings-oneplanet-stp>

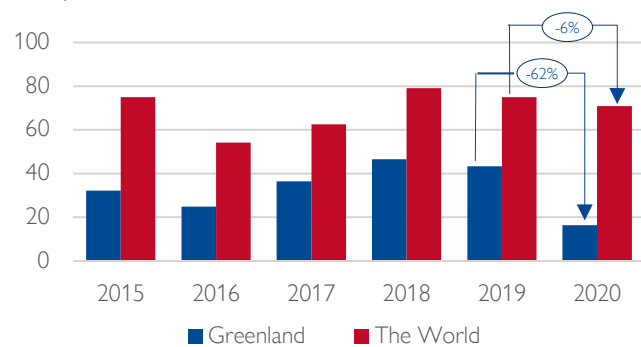
Mineral extraction and exploration

After some years with low exploration activity, this activity gained new momentum in 2021. Part of this increase can be attributed to the major travel restrictions due to Covid-19, which impeded fieldwork in Greenland in 2020. Activity returned in the late summer of 2021, which is a good sign for Greenland, since the investors behind the projects could have withdrawn their investments and placed them elsewhere.

Exploration activity declined not only in Greenland, but also globally in 2020, see Figure 9. The rising national and global trends in 2021 are probably due to the “backlog” of projects that were deferred by Covid-19, and which have now been launched. The decline in exploration activity in Greenland in 2020 must also be viewed in the light of the “stop-the-clock initiative”, whereby the exploration licence holders' exploration obligations were reduced to DKK 0 in 2020 and 2021. This reduction of the obligations, and the travel restrictions, may explain why exploration activity in Greenland fell by 62% from 2019 to 2020, compared to approximately 6% in global terms.

Figure 9
Exploration expenses in Greenland and globally, 2015-2020

Index, 2010=100



Note: Global exploration activities are read from the graph in SGU (2021).

Sources: Mineral Resources Authority and SGU (2021), Bergverksstatistik 2020.

Currently, six companies have a utilisation licence in Greenland.¹² During 2021, London Mining Greenland A/S relinquished its licence. However, Tanbreez was awarded a utilisation licence in 2021, so that the number of companies holding a utilisation licence is unchanged. Among the other six companies, only Greenland Ruby (the Aappaluttoq project) and Lumina Sustainable Materials (White Mountain) are active mines. There is thus potential for increased revenue from the minerals industry, if the other four companies (Nalunaq A/S, Ironbark (Citronen

Fjord), Tanbreez (Killavaat Alannguat) and Dundas Titanium (Stensby Land)), or companies with exploration activities, achieve mining operations in the coming years.

Since some aspects of fisheries are vulnerable due to over-fishing, and with a tourism industry that has suffered significant setbacks due to Covid-19, it is important that the minerals sector achieves growth and progress, if the ambitions for a self-sufficient economy are to be achieved. Measured by the 34 initiatives from the 2020-2024 Minerals Strategy, not much progress has been made since it was published in March 2020. Even though this can probably partly be attributed to Covid-19, it is surprising that no clear prioritisation is seen in this area. The most significant change in this area is not an activity-promoting initiative, but a limitation of opportunities, namely the uranium ban adopted in 2021.

It is positive, however, that in 2021 the Ministry of Mineral Resources joined the European Raw Materials Alliance. The Alliance is a network to support the EU's transition to a green and digital economy. The Alliance focuses on the entire value chain, from extraction of minerals to final products, and the Alliance network includes stakeholders within and outside the EU.¹³ The Ministry of Mineral Resources will use its membership to, among other things, increase awareness of Greenland's minerals potential in the hope that this marketing initiative can contribute to positive development in the minerals area.

In autumn 2021, the controversial uranium mining ban was adopted. Under the Act, preliminary investigation, exploration and utilisation of uranium are not permitted. If preliminary investigation, exploration or utilisation concerns other minerals than uranium, the average uranium content in the overall resource must be below 100 ppm. The uranium ban has drawn considerable media attention because the limitation of 100 ppm for subsidiary strikes can present a challenge for some types of minerals, including rare-earth elements. Greenland Minerals, which operates the Kvanefjeld project with the coveted rare-earth elements, but where the ore generally has a uranium level of 300 ppm, has subsequently chosen to seek new opportunities outside Greenland.

So far it is uncertain how great a negative effect the new Act will have on future minerals investments in overall terms, but the uncertainties, which are highlighted in e.g. the media and consultation responses¹⁴, may reflect doubt among investors. The minerals industry is characterised by very large, long-term

¹² <https://govmin.gl/da/udnyttelse/faa-en-udnyttelsestilladelse/udnyttelsestilladelse/>

¹³ Press release from Naalakkersuisut dated 7 July 2021, “The Ministry of Mineral Resources has joined the European Raw Materials Alliance”, https://naalakkersuisut.gl/da/Naalakkersuisut/Nyheder/2021/07/0707_Raastofalliance

¹⁴ https://naalakkersuisut.gl/da/H%C3%B8ringer/Arkiv-over-h%C3%B8ringer/2021/0207_Uranimik-misissueqqaarnermut

investments, which emphasises the importance of stability and predictability concerning the framework conditions.

The crucial aspect is that investors in exploration projects can expect a utilisation licence on predictable terms, subject to compliance with Greenland's legislation, including applicable environmental legislation. It is important to reassure investors in order to secure investments, and a vital aspect of this reassurance is that the applicable policy is based on broad-reaching agreements.

Sustainable development of Greenland

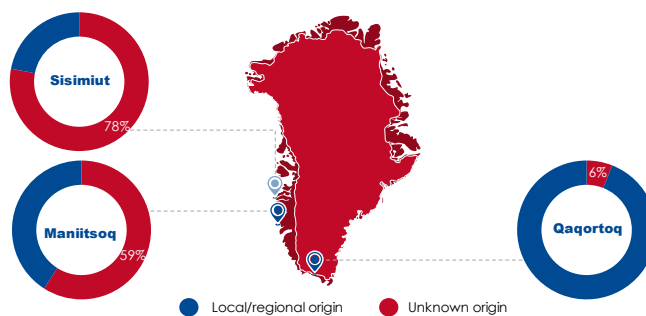
As Greenland develops a self-sustaining economy, it is necessary to achieve sustainable development in the three important industries: fisheries, tourism and minerals. Fisheries must be sustainable, in order to remain profitable. This is clearly apparent from the development in inshore Greenland halibut fishing. Tourism must also be developed sustainably, in line with the green transformation, if the airport investments are to be economically viable. Finally, mineral extraction must be developed in line with environmental and social sustainability. All three industries thus share a need for *sustainable development* – environmental, social and economic.

Environmental sustainability

In its work to implement the UN's 17 Sustainable Development Goals, and its endorsement of the Paris Agreement under COP26, Greenland has signalled that sustainability and the green transformation must be high on the political agenda. These agreements must be followed up by action, however, since otherwise this will be a policy based on symbolic gestures. A national sustainability strategy with clear action plans is also necessary. The green transformation of the economy presents many new opportunities for Greenland, but changes in behaviour at several levels are necessary. One example is waste management. The current waste management is not sustainable, and Greenland is lagging behind other countries. A survey from 2021 shows that a significant proportion of the waste washing up on coasts originates from Greenland, see Figure 10.¹⁵ On the other hand, there is focus on this area and CSR-Greenland's successful Saligaatsoq (waste clearing) has now spread to many towns and reflects increasing popular interest in a clean environment. Another major step is the establishment of the joint municipal waste management company, Esani A/S, which has already commenced disposal of waste volumes from settlements.

Figure 10
Distribution of waste on local/regional and unknown origin in three towns

Ratio of total weight by origin



Note: The report also investigates whether the waste originates from abroad. However, no waste can be definitively attributed to abroad, so this is not included in the figure.

Source: Streitmann et al. 2021.

It is not only in Greenland that people need to adjust and arrange their consumption in new ways. In many countries, this process is encouraged by implementing green taxes. A relevant example from Greenland is a tax on plastic carrier bags that was introduced in 2019.¹⁶ The tax entails that consumers must pay for plastic bags, with the expectation that fewer consumers will elect to pay for a plastic bag.

There is no tradition for using economic incentives such as green taxes in Greenland's green transformation. Compared to the other Nordic countries, Greenland makes significantly less use of green taxes. Besides fewer taxes, in overall terms the tax level in Greenland is lower. In Greenland, the tax on gas and diesel oil to generate heat and electricity is DKK 0.1 per litre, while in Denmark the tax is DKK 2.3 per litre, which is 23 times higher. Taxes must be determined in a Greenland context, but it should be considered whether there might be as yet unrealised potential in behaviour-adjusting green taxes, such as those seen in the Nordic countries. However, behavioural changes require opportunities to switch to actual green alternatives, or actual opportunities to reduce the environmental footprint. Moreover, taxes and other initiatives should be combined, for example in a package of reform measures, to drive the green transformation, without a social bias.

Environmental sustainability is a wide-ranging topic that can be extended with many topics besides the use of economic incentives. In the BANK of Greenland's view, there are individual aspects which the Bank deems to be particularly important. It is positive, for instance, that over the years sound decisions have been made to establish hydroelectric power stations, and these

¹⁵ Strietman et al. (2021), Beach litter in West Greenland: a source analysis.

¹⁶ Inatsisartut Act no. 23 of 18 November 2019 to amend the Landsting Act on import duties (increase and introduction of new duties).

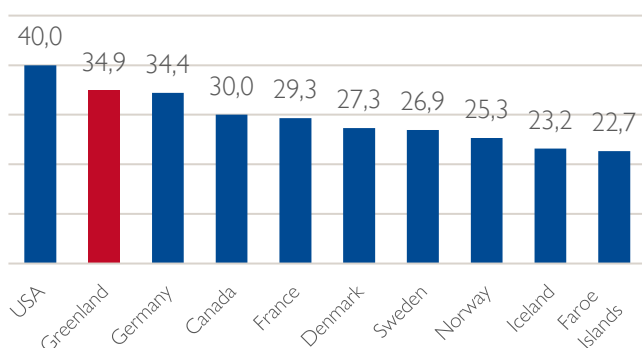
have proved to be strong, sustainable investments. It is important, however, that decisions to introduce hydroelectric power are made on the basis of both environmental and economic viability considerations. On the other hand, it is disappointing how little sustainability is taken into account in certain elements of hunting and fisheries management. It is disconcerting to see obviously non-sustainable management, and the collapse of several stocks has either already taken place, or must be expected. In the same way, this management might risk having a consequential negative effect on Greenland's reputation as a tourism destination or exporter.

Social sustainability

Social sustainability is gauged by e.g. measuring equality. The Gini coefficient is a measure of income inequality, where a coefficient of 0 expresses full equality, while a coefficient of 100 represents full inequality. In Greenland, the Gini coefficient was 34.9 in 2020, see Figure 11. Compared with the USA, Canada, Germany, France and the Nordic countries, this is the second-highest Gini coefficient, exceeded only by the USA. Even when taking account of how¹⁷Greenland's economy is based on goods-in-kind to a certain extent, income inequality is high and has not decreased during the past ten years. There was focus on this high income inequality in the Finance Act Agreement for 2022. In concrete terms, Naalakkersuisut wishes to increase the basic old-age pension amount and raise the early retirement pension, which can affect a group of citizens.¹⁸ The parties behind the agreement have also agreed on a reform of personal taxes and other specific measures to reduced inequality.

Figure 11
Gini coefficients in selected countries in 2020

Gini coefficient



Note: Gini coefficient measured by equivalated disposable income. For Iceland, the Gini coefficient is for 2018, and for the USA and Canada it is for 2019.

Sources: Eurostat, OECD, Statistics Faroe Islands and Statistics Greenland.

Tax reforms can be a simple and direct way of reducing inequality, but if this takes place solely by redistributing society's resources, instead of via better education and social mobility, this can make the country's citizens poorer overall. If a reform of personal taxes e.g. entails a higher tax burden, it can become more difficult to attract and retain educated citizens with relatively high incomes. In other words, there is a risk that high-income groups and high-income industries will not wish to become established in Greenland (which determines whether the income is taxed in Greenland or not), which will diminish the country's overall prosperity and tax base. It is also problematic if this population group who pay relatively high taxes does not also experience a sufficiently high level of public benefits, such as good elementary schools and well-functioning hospitals, which are paid for via taxes. The consequence might be a "brain drain", even though there might also be other underlying causes. Indications that the "bartering terms" between pay-after-tax and experienced value are skewed can be seen from the relatively high numbers of young people from Greenland who stay in Denmark after completing their education. Another indicator is the use of consulting services and the outsourcing of highly-paid specialist jobs to abroad. To ensure that high-income professions and jobs remain in Greenland and are not "outsourced", any future skewed tax burden in relation to experienced value must be avoided.

To increase prosperity and reduce inequality in Greenland, there is a need to reduce the number of unemployed people in Greenland. This can be done by increasing the incentive to work and by raising education levels. Offering non-economically viable fishermen jobs in the construction industry, for example, would promote income equalisation.

Today, more young people than before achieve educational qualifications, but there is still a significant "education backlog" compared to other countries.¹⁹ Only 34% of pupils who graduated from lower secondary school in 2019 were actively engaged in secondary education in 2020.²⁰ For comparison, the ratio in Denmark was 87%. Education is vital to increase employment rates in the longer term. Education is also the path to a higher salary and firmer affiliation to the labour market. Unemployment rates generally decline with higher levels of education, and in Greenland today there is virtually no unemployment among persons with professional qualifications, see Figure 12.²¹

¹⁷ Greenland's Economic Council (2014), Greenland's Economy 2014.

¹⁸ Finance Act Agreement for 2022.

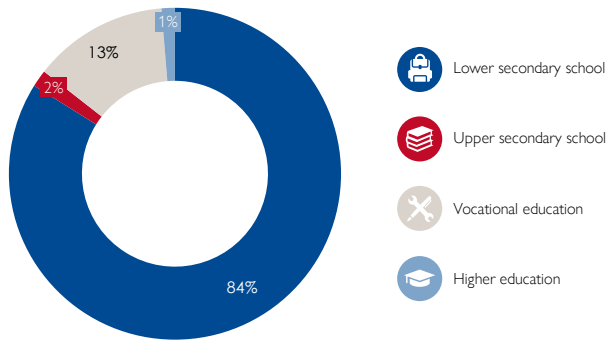
¹⁹ Economic Council (2021), Greenland's Economy – Autumn 2021.

²⁰ Statistics Greenland, calculated on the basis of Table UDXTRFA1.

²¹ Danmarks Nationalbank (2021), The Greenlandic economy – Booming economy and severe labour shortages.

Figure 12
Unemployment by educational level, 2019

Share of unemployed persons



Note: Vocational education includes art and the humanities; business, administration and law; engineering, production and construction; agriculture, forestry, fisheries and veterinary; health and welfare; service sector and others.

Source: Statistics Greenland.

Raising the level of education in Greenland requires measures and reforms across sectors²², and this raising of the bar is necessary at a time when there are clear indications of a declining level among the cohort about to commence education. This declining level affects the quality of upper secondary education, university, etc. Among lower secondary school-leavers in 2021, more than 40% of the pupils failed the written examination in mathematics, and almost 38% failed the written examination in English.²³ PISA tests of schoolchildren show that, to a great extent, a pupil's socio-economic background can predict the pupil's school performance.²⁴ This shows that, to be successful, educational reforms must consider school and home, and take account of the pupils' socio-economic background, as well as fundamental factors such as diet, housing, etc.

In the short term, young people must be assured of education and qualifications. Unfortunately, Greenland has a large generation of young people who are not in work, students or registered as unemployed – called the youth target group. Part of the solution to the inequality challenge is also to get this group of young people into education, or directly into jobs. Naalakkersuisut writes in its employment strategy for 2021-2023 that long-term growth will be severely jeopardised if there is no reduction of youth unemployment – and this also includes the youth target group.²⁵ Measures directed at young people must be targeted and also be integrated with the educational, labour market and social areas.

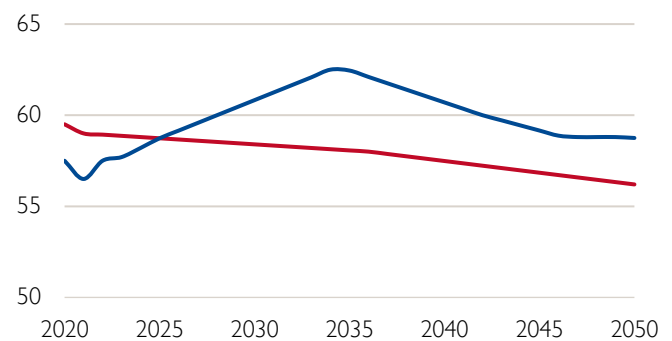
Economic sustainability

A more socially and environmentally sustainable society also gives a need to increase society's economic sustainability. We currently face what is known as the viability problem because fewer people active in the labour market must provide for higher numbers of elderly people, and because the number of elderly people is increasing year by year. This is a challenge that can also be seen in many other countries.

Active labour market participation plays a vital role for the viability issue and Greenland's future economic development. The increasing proportion of elderly people in the population entails higher expenditure on healthcare, elderly welfare services, transfer incomes, etc. If this expenditure is not to outstrip revenue, there is a need for revenue to keep pace, in the form of increased labour-market participation rates. In their autumn 2021 report, Greenland's Economic Council describe how, if extensive reforms are not introduced, expenditure will already exceed revenue by 2025²⁶, see Figure 13. As from 2025, the sustainability problem will grow and public finances will be systematically undermined. Even though this is not a new issue and it has been possible to continuously narrow the threatened gap between revenue and expenditure, the sustainability problem emphasises an acute need for reforms and political action.

Figure 13
Development in public revenue and expenditure, 2020-2050

Percent of GDP



Note: The Figure shows projections made by the Economic Council (2021).

Source: Economic Council (2021), Greenland's Economy, autumn 2021.

This makes it vital that the necessary reforms take place. This is important because Greenland faces some persistent structural challenges in the education and social welfare area in particular, which it has not managed to handle successfully. The lack of political action means that today we have a generation of

²² Ministry of Finance (2021), Mapping of the Sustainable Development Goals.

²³ Statistics Greenland, Table UDDFFK.

²⁴ OECD (2019), PISA 2018 Insights and Improvements.

²⁵ Naalakkersuisut's employment strategy 2021-2023, "Innovation Potential Competence".

²⁶ Economic Council (2021), Greenland's Economy, autumn 2021.

children and young people of whom a large proportion lack the educational qualifications that are demanded in the labour market.

Problems and challenges in Greenland's society are well-known and have been thoroughly analysed over many years. The BANK of Greenland has made frequent reference to many comprehensive reports, particularly since the Tax and Welfare Commission's report in 2011 pointed to the need for reforms in the education and social welfare area in particular. The many analyses and reports have continuously proposed initiatives, but nonetheless there is a shortfall of lasting positive effects of the political measures that were launched, despite the good intentions. One can ask what consequences this has had during all these years? What could we have achieved today, if the measures taken had been more striking and effective? Can courageous, broadly-based decisions now be taken to achieve real change?



About the BANK of Greenland in brief

About the BANK of Greenland in brief

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

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

The BANK of Greenland's mission

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

The BANK of Greenland's values

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

The BANK of Greenland's strategy, vision and objectives

"Strategy 2024" 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 2024. 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".

The Bank's vision for 2024

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

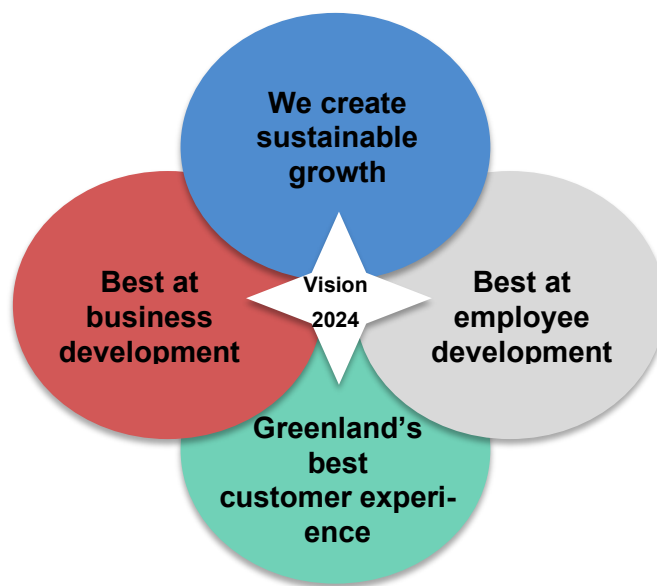


Figure14

The Bank's vision for 2024 - Greenland's best company - for the benefit of Greenland

Summary of Financial Highlights and Key Figures

	2021	2020	2019	2018	2017
SELECTED OPERATING ITEMS:					
Net interest and fee income	338,933	326,513	323,507	316,647	312,528
Value adjustments	11,219	136	9,585	-1,546	-6,368
Other operating income	6,185	5,369	5,722	5,385	5,240
Staff and administration expenses	186,385	178,734	170,895	160,457	155,510
Depreciation and impairment of tangible assets	7,014	6,948	6,672	6,765	6,840
Other operating expenses	2,497	2,610	2,788	2,011	2,709
Write-downs on loans and receivables, etc.	1,537	12,828	7,959	10,938	13,734
Profit before tax	158,904	130,898	150,500	140,315	132,607
Tax	26,072	34,671	20,582	27,423	24,986
Profit for the year	132,832	96,227	129,918	112,892	107,621
SELECTED BALANCE SHEET ITEMS:					
Lending	3,783,681	4,006,248	3,758,736	3,472,174	3,335,119
Deposits	5,363,871	5,847,772	5,687,451	4,899,044	4,205,612
Equity	1,267,911	1,176,917	1,077,676	999,159	958,458
Total assets	7,226,988	7,438,325	7,089,915	6,164,536	5,355,010
Contingent liabilities	1,781,465	1,621,831	1,479,537	1,277,604	1,161,181
KEY FIGURES FOR THE BANK (IN %)					
Return on opening equity before tax and dividend	13.9	12.1	15.6	15.6	15.4
Return on opening equity after tax and dividend	11.6	8.9	13.5	12.0	12.5
Capital ratio	24.4	23.5	23.4	22.7	22.7
Individual solvency requirement	10.7	11.2	11.9	10.3	10.4
KEY RATIOS PER SHARE IN DKK					
Profit for the year per share, before tax	88.2	72.7	83.6	78.0	73.7
Profit for the year per share, after tax	73.8	53.5	72.2	62.7	59.8
Net book value per share	704	654	599	555	532
Dividend per share	40	25	0	30	30
Closing share price	598	590	545	545	649

Definition of key figures for the Bank

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

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

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

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

Management's Review for 2021

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 decreased by TDKK 297 compared to 2020. In recent years the Bank has continuously improved the balance in the ratio between the return on the Bank's lending and its surplus liquidity, and the return on deposits, by introducing negative interest rates for a wider group of customers, and also more products than before. These factors have a positive impact on net interest income in 2021. Furthermore, the Bank's transfer of clearing to its own auspices at the end of the first half-year also reduced the Bank's negative interest income.

On the other hand, a lower level of lending and a change in the Bank's lending mix mean that the Bank's lending interest income is lower than in 2020.

Dividend on the Bank's shareholdings amounts to TDKK 913, compared to TDKK 1,222 in 2019.

Fee and commission income increased by TDKK 12,833 from 2020 to 2021. This item is affected particularly positively by the increase in guarantees, increased investment activity and the pension area during the year. Loan case fees and payment

settlement were also a positive contributing factor. Net interest and fee income increased by a total of TDKK 12,420 to TDKK 338,933.

Other operating income, primarily external rental income on the Bank's residential properties, amounted to TDKK 6,185, compared to TDKK 5,369 in 2020.

Staff and administration expenses increased by TDKK 7,651 to TDKK 186,385. This increase concerns both staff expenses and administration expenses. It was expected that increasing compliance requirements would require the Bank to increase staff numbers. The average number of full-time employees increased by around four people in 2021. Administration expenses rose by TDKK 2,405. The change reflects a decrease in costs, primarily due to the impact of Covid-19 on e.g. training and travel activities, and cost increases for BEC in particular.

Depreciation of property and fixtures and fittings is at the 2020 level, amounting to TDKK 7,014, compared to TDKK 6,948 in 2020.

Other operating expenses decreased by TDKK 113 to TDKK 2,497. Other operating expenses primarily concern operation and maintenance of bank buildings, and contributions to guarantee and settlement assets.

The profit before value adjustments and write-downs is thereby higher than in 2020, amounting to TDKK 149,222, compared to TDKK 143,590 in 2020.

Selected Highlights and Key Figures (not audited)

DKK 1,000

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net interest and fee income	89,871	80,914	82,053	86,095	84,305	81,098	78,230	82,880
Costs, depreciation and amortisation	51,145	46,436	49,048	49,269	51,833	46,028	43,920	46,511
Other operating income	2,244	1,762	1,040	1,139	2,026	1,122	1,134	1,087
Profit before value adjustments and write-downs	40,970	36,242	34,045	37,965	34,498	36,192	35,444	37,456
Value adjustments	3,503	2,601	1,988	3,127	4,828	2,638	4,306	-11,636
Write-downs on loans, etc.	-33	-761	1,409	922	2,434	549	655	9,190
Profit before tax	44,506	39,604	34,624	40,170	36,892	38,281	39,095	16,630

Considering Q4 2021 in isolation, net interest and fee income amounted to TDKK 89,871, compared to TDKK 84,305 for the same period of 2020. Performance in Q4 exceeded

expectations, and to some extent includes income of a non-recurring nature. Total costs are at the level of the same period of the previous year, amounting to TDKK 51,145, compared to

TDKK 51,832 in Q4 2020. At TDKK -33, write-downs and provisions are significantly below the same period of the previous year, due to the retention of a management addition, as a consequence of Covid-19, in 2021. The profit before tax in Q4 is thereby TDKK 44,506, compared to TDKK 36,892 for the same quarter of 2020.

For the full year, value adjustment of securities and currencies resulted in a gain of TDKK 11,219, compared to a gain of TDKK 136 in 2020. In 2020, the markets were subject to unrest as a consequence of Covid-19. In 2021, the Bank's bond portfolio continued to present negative price adjustments as a consequence of the level of interest rates. Equity portfolios, including sector shares and the currency area, gave sound positive value adjustments throughout the year.

Write-downs on loans, etc. amount to TDKK 1,537, which is TDKK 11,291 lower than in 2020. Since the first outbreak of Covid-19 in Q1 2020, the Bank has reviewed both customer exposures and sectors, in order to identify consequences of Covid-19. The management reserve therefore includes a Covid-19 sector and cyclical addition, with weight given to the sectors assessed to be subject to direct and derivative effects. The total Covid-19 write-downs, including the management reserve, are compiled at approximately DKK 21 million, including amounts for derived cyclical effects. The Bank retained the management addition throughout 2021.

The year's total write-downs were moderate in 2021, amounting to 0.03% of the Bank's loans and guarantees. Write-downs and provisions on the Bank's loans and guarantees are still at a limited level, despite the impact of Covid-19, and thereby reflect the continued strong credit standing of the Bank's customers in Greenland.

The profit before tax is very satisfactory at TDKK 158,904, compared to TDKK 130,898 in 2020. The profit for the year thereby corresponds to the most recently notified level of approximately DKK 158 million. The profit gives a return on equity before tax of 13.0%.

Tax is calculated at 25% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses. The profit after tax is TDKK 132,832 in 2021, giving a return on equity after tax of 10.9%.

Balance sheet and equity

The BANK of Greenland's balance sheet at year-end 2021 totals TDKK 7,226,988, which is a decrease of TDKK 211,337 from 2020. Deposits decreased in Q4 2021, amounting to TDKK 5,363,871 at year-end. This is a decrease of TDKK

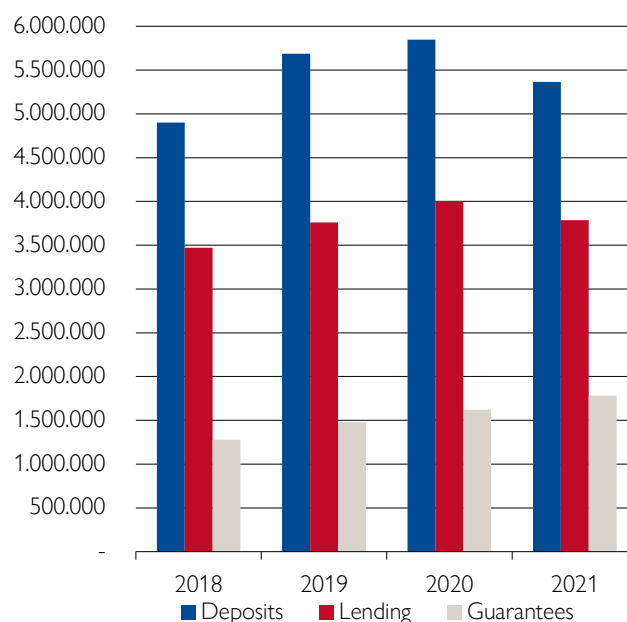
483,901 from 2020. The Bank's deposits are mainly held on demand. Primarily deposits in the public-sector customer segment declined at the end of 2021.

Lending in 2021 fell by DKK 222,567 to TDKK 3,783,681. It was expected that major ongoing construction financing exposures at the end of 2020 would be redeemed during 2021. For the same reason, guarantees increased by TDKK 159,634 to TDKK 1,781,465 during the course of the year, as expected. The increase was primarily in the Bank's loss guarantees for mortgage-credit lending. In Q4 2021, a new guarantee agreement was established with DLR Kredit, which gave a significant extraordinary reduction of guarantees in that quarter.

Total loans and guarantees thereby decreased by a total of TDKK 62,933 to TDKK 5,565,146.

Development in business scope

DKK million



Land and buildings increased by TDKK 17,642 to TDKK 247,292 in 2021. Due to increasing staff numbers, in 2021 the Bank acquired additional staff accommodation.

The pension area, expressed as assets in pool schemes, increased by 63% in 2021, to TDKK 360,537.

Pursuant to the determination of the MREL requirement in October 2021, the Bank undertook a Senior-Non-Preferred bond issue of TDKK 50,000.

Equity amounts to TDKK 1,267,911, compared to TDKK 1,176,917 at the end of 2020. Share capital amounts to TDKK 180,000. The Bank has no hybrid or other subordinate loan capital. The capital ratio is 24.4, compared to 23.5 in 2020.

Uncertainty of recognition and measurement

The main uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees, the valuation of financial instruments, and properties. The management assesses that the uncertainty concerning the presentation of the accounts for 2021 is at a responsible level and is unchanged from the previous year.

Compliance and anti-money laundering

The Bank had its most recent ordinary inspection visit by the Danish FSA in 2019, with a concluding report on 12 March 2020. The mandatory orders received after the inspection are described on the Bank's website under the following link (in Danish only):

https://www.banken.gl/media/julpif1r/2020-03-12_redegoerelse-til-hjside_dk.pdf.

During the financial year, the Bank established a separate department to handle anti-money laundering and measures to prevent the financing of terrorism. A separate compliance function was also established.

Financial risks

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

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

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

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

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

Capital requirement

The BANK of Greenland must by law have a capital base that supports the risk profile. The BANK of Greenland compiles the credit and market risk according to the standard method and the operational risk according to the basic indicator method. It is still the Bank's assessment that there is no need for more sophisticated methods to be used. Concerning risk management, reference is made to Note 2.

MREL requirement

The requirement concerning own funds and eligible liabilities must be viewed as an element of the recovery and resolution of banks. This entails that banks which are subject to this requirement must maintain a specific ratio of capital instruments and debt obligations that, in a resolution situation, can be written down or converted before simple claims.

On 4 October 2021, an MREL requirement was determined for the BANK of Greenland at 30.4% of the Bank's risk-weighted assets at end-2020. The MREL requirement is being phased in during 2022 to 2027. This means that in the course of the coming years, the Bank must fulfil the requirement by issuing capital instruments and consolidation of equity capital.

Pursuant to the determination of the MREL requirement in October 2021, the Bank issued DKK 50 million Senior-Non-Preferred for the purpose of targeted fulfilment of the MREL requirement.

Capital requirement	2021	2020
Pillar I	8.00%	8.00%
Pillar II	2.70%	3.20%
Solvency requirement	10.70%	11.2%
SIFI buffer requirement	1.50%	1.50%
Capital reserve buffer requirement	2.50%	2.50%
Capital requirement	14.70%	15.2%
MREL requirement (phased in linearly as from 1 January 2022)	0.00%	0.00%
Total capital requirement	14.70%	15.2%
Capital base, cf. Note 24	1,201,358	1,137,285
SNP issue	50,000	0
MREL capital base	1,251,358	1,137,285
MREL capital ratio/capital ratio	25.50%	23.50%
Surplus capital cover	10.80%	8.3%

The MREL requirement is being phased in as from 1 January 2022 on a linear basis over 6 years. This entails that the Bank must fulfil an MREL requirement of 2.53% as from 1 January 2022.

Sound capital

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 was designated as an SIFI institution in April 2017. Based on the requirements concerning impairment liabilities determined in 2021, the Board of Directors expects that the total capital reserves must be increased during the coming years. The aim of the Board of Directors is that there must be sufficient capital for growth in the Bank's business activities, just as there must be sufficient capital to cover ongoing fluctuations in the risks assumed by the Bank. On 15 December 2021, the Bank's Board of Directors therefore issued an amended capital objective. In this instance, a target for CET1 of 24% was determined. The BANK of Greenland's capital ratio was 24.4 at year-end 2021.

Based on the aforementioned, the Bank's Board of Directors makes the recommendation to the annual general meeting that dividend of DKK 40 per share be paid for 2021, equivalent to 54% of the profit before tax.

As 31 December 2021, the Bank's individual solvency requirement was compiled at 10.7%. The BANK of Greenland thereby has surplus capital cover before the buffer requirements of 13.7%. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 9.7%.

The individual solvency requirement is compiled on the basis of the Order on the calculation of risk exposures, capital base and solvency requirements, as well as the Danish FSA's guideline in this respect. On the basis of the calculated capital requirement, the Bank has calculated immediate surplus cover of TDKK 673,283, which comprises the difference between the capital requirement (solvency requirement) and the actual capital (capital ratio). The management assesses that the capital is adequate to cover the risk related to the Bank's activities.

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

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

	2021		2020	
	Capital re- quirement	Solvency re- quirement	Capital re- quirement	Solvency re- quirement
Pillar I requirement	393,339	8.0%	387,576	8.0%
Credit risk	98,663	2.0%	97,538	2.0%
Market risk	21,910	0.4%	18,149	0.4%
Operational risk	10,117	0.2%	23,179	0.5%
Other risk	4,046	0.1%	17,887	0.3%
Capital and solvency requirement	528,075	10.7%	544,329	11.2%

Reference is made to the BANK of Greenland's website for a description and amplification of the method of calculation of the capital and solvency requirement for 2021. Reference is also made to the Bank's risk management report for 2021 at

<https://www.banken.gl/en/investor/public-disclosure.aspx>. The report has not been audited.

Liquidity

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

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 2021, the Bank had an LCR of 238.6% and thereby fulfilled the LCR requirement.

DKK 1,000

	2021	2020
Liquidity buffer LCR	2,419,360	2,294,323
Outflow, net	1,013,914	952,168
LCR	238.6%	241.0%

The Supervisory Diamond for banks

The BANK of Greenland has considered the benchmarks set out in the Danish FSA's Supervisory Diamond for banks. The Supervisory Diamond states five benchmarks for banking activities which the Bank aims to fulfil. At the end of 2021, 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 156.7%, which is satisfactorily below the Danish FSA's threshold of 175%. It must be noted that approximately 41 percentage points concern exposures to publicly-owned enterprises.

The exposure to property amounts to 22.9%. This exposure is subject to considerable subordinate public financing. In addition, some of the exposure is based on lease contracts with the state, Greenland Government, or municipalities. The Bank

assesses that both of these factors contribute to stabilising the overall sector exposure.

Investor relations

The BANK of Greenland seeks to ensure transparency concerning the Bank and there is good communication and dialogue with the Bank's shareholders and other stakeholders. This takes place, for example, by providing information to Nasdaq OMX Copenhagen, where the Bank is listed. The purpose of publishing information is to:

- Comply with applicable disclosure obligations and current stock-exchange ethical regulations.
- Ensure openness concerning the Bank.
- Ensure good and positive dialogue with the Bank's stakeholders.
- Increase awareness of the BANK of Greenland in investor circles in Greenland and abroad.
- Give investors structured, continuous and planned information which fulfils the investors' information requirements when investment decisions are taken.
- Increase the liquidity of the BANK of Greenland share.

The objective will result in rapid, accurate information concerning both price-relevant and other matters relating to the Bank.

The BANK of Greenland publishes information that may be of relevance to its share price as company notifications via Notified - Nasdaq OMX and on the Bank's website under "Investor" <https://www.banken.gl/en/investor/>. The content of the notifications includes quarterly, interim and annual reports, including management reviews, general meetings and other news. All company notifications are drawn up in Danish and English on publication. Furthermore, information is made

Sum of large exposures

(maximum 175% of actual core capital)

The BANK of Greenland 156.7%

Property exposure

(less than 25% of total loans and guarantees)

The BANK of Greenland 22.9%

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



Growth in lending

(less than 20% per annum)

The BANK of Greenland -5.6%

Liquidity benchmark

(greater than 100%)

The BANK of Greenland 241.9%

available in Danish, Greenlandic and English on our website: <https://www.banken.gl/en/investor/>.

When investor presentations are held, the material is subsequently published on the BANK of Greenland's website, so that it is generally available.

The Executive Management is responsible for informing investors and other stakeholders, by agreement with the Board of Directors. In special cases, the Executive Management may authorise senior staff members to notify investors and other stakeholders.

At a price of 598 at the end of 2021, the price of the BANK of Greenland's share has increased since the end of 2020, when the price was 590. The BANK of Greenland will propose to the annual general meeting that the dividend payment for 2021 be DKK 40 per share, or a total of DKK 72 million. It should be noted that in Greenland dividend is tax deductible for the dividend paying company.

Shareholders

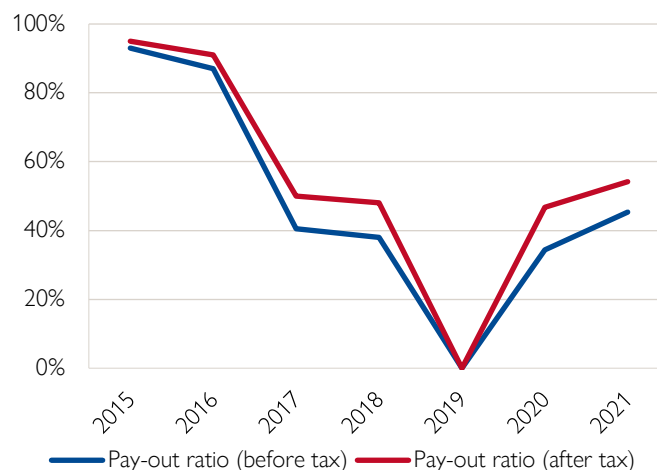
The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders.

At 31 December 2021, the BANK of Greenland had 2,789 shareholders registered by name, which is slightly fewer than at 31 December 2020, when the number of shareholders registered by name was 2,851. Shareholders registered by name account for approximately 98% of the share capital. In accordance with Section 28a of the Danish Companies Act, six shareholders have notified shareholdings in excess of 5%, see Note 23.

Dividend policy

The BANK of Greenland's objective is to continue to distribute dividend to its shareholders, according to the expected development in the Bank's operations and balance sheet, tax optimisation and regulatory solvency requirements. For 2021, the recommendation will be made to the annual general meeting to pay dividend of DKK 40 per share, which should be viewed in conjunction with the description given under Capital requirement. The capital ratio is 24.4.

Historic pay-out ratio



Note: Under Greenland's tax legislation, distributed dividend is fully tax-deductible.

Events occurring after the close of the financial year

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

Outlook for 2022

It is expected that Greenland achieved positive economic growth in 2020 and 2021, despite Covid-19. The BANK of Greenland also expects economic growth in 2022, as described under "Greenland's Society and Economy" in this report.

On this basis, lending is expected to develop positively towards the end of the year. Deposits are expected to be at the level of the end of 2021. The Bank will be affected negatively if the Covid-19 pandemic is exacerbated or amplified to any significant degree.

Total core income is expected to increase in 2022, the primary factors being the expected increased lending volume, the full impact of negative deposit interest rates, and the development in the Bank's pension products.

Total expenses including depreciation and amortisation are expected to be moderately higher than in 2021. Staff expenses are expected to show more subdued development. Administration expenses are also expected to increase, primarily in the IT area.

The Bank assesses that the quality of the loan portfolio is satisfactory. Write-downs on loans are therefore still expected to be at a low, but normalised, level.

Based on interest rate levels, capital losses on the Bank's listed securities must be expected, while capital gains are expected from the currency area and sector shares.

Based on these factors, a profit before tax at the level of DKK 120-140 million is expected, compared to DKK 158.9 million in 2021. An escalation of the ongoing crisis in Ukraine can impact the capital markets and the Bank's profits.

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

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

The Bank is a professional, trusted business partner to commercial enterprises throughout Greenland. To a great extent, this cooperation is based on close relations between business advisers, specialists and business enterprises. This provides good insights into the enterprise's business model and requirements, which, together with the Bank's local knowledge and insight into conditions in society, gives opportunities for relevant valuable business advisory services. The Business Department cooperates with other financial partners to ensure customers' access to the best solutions and opportunities that depend on cooperation with other partners, such as insurance companies and mortgage credit institutes. With its role as a power centre, the Bank wishes to create growth throughout Greenland.

Private customers increasingly use the electronic services offered, such as online and mobile banking. For direct customer contact greater use was made of virtual, online meetings during the periods when it was not possible to meet in person. Many customers have expressed their satisfaction with this flexible

solution. The BANK of Greenland is working continuously to ensure accessibility for customers in the electronic area and in order to ensure a good customer experience, with optimum fulfilment of the customer's wishes and requirements.

The Bank and society

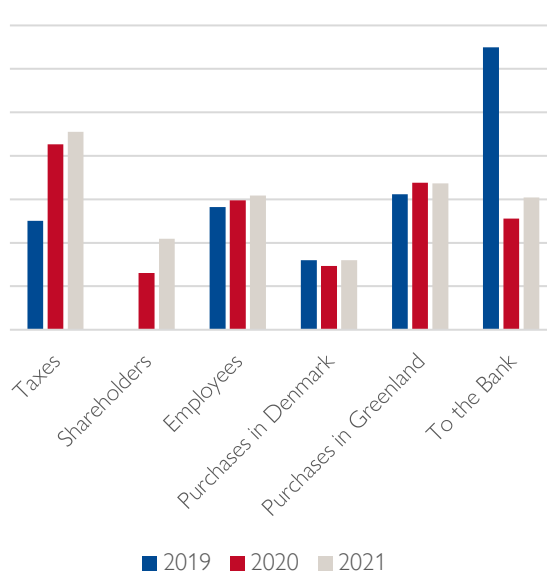
The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 355 million, compared to DKK 320 million in 2020. The income is the sum of net interest and fee income, other operating income and value adjustments, after deduction of write-downs on loans.

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

The BANK of Greenland makes a significant contribution to society via tax payments that, for the last two years, have averaged DKK 88 million per year.

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

DKK million



Employees

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

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

The BANK of Greenland considers it important to ensure the recruitment of staff with financial qualifications and currently has seven financial trainees who will complete their programme in August 2022. Three of these trainees are located at the head office in Nuuk, two in Aasiaat, one in Ilulissat and one in Maniitsoq.

Besides the traineeships, the Bank has very successfully offered internships and created trainee positions for young people with a commercial college background as business economists, or in administration or finance. In 2021, one business economist, one finance economist and one administration economist completed their traineeships and are still employed by the Bank.

In 2021, it was possible to fill 98.3% of the positions in the Bank.

The total number of employees was 139 at the end of 2021. The average age is just over 46 and the average length of service is 9 years and 1 month. The employees comprise 98 women and 41 men. Of the total number of employees, 96 have financial or extended higher educational qualifications.

Partners

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

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

Corporate Social Responsibility Policy (CSR)

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

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

Focus area: Financial understanding

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

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

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

Involvement of employees

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

Our obligations

As a signatory to the UN Global Compact, the BANK of Greenland has endorsed ten principles for responsible business conduct with focus on human rights, labour rights, environment and development, and anti-corruption. We will actively manage our obligation to respect the ten principles, including our obligation to manage human rights in accordance with the UN Guiding Principles on Business and Human Rights, and in particular in relation to our customers, employees and Greenland's society.

What we expect of others

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

the necessary solutions, but reserve the option to terminate our cooperation.

Dialogue and access

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

CSR on a day-to-day basis

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

ESG

The BANK of Greenland considers it important to support the green transformation locally, nationally and globally. For several years the Bank has worked with green initiatives and more sustainable utilisation of resources. The Bank's initiatives are based on the UN Sustainable Development Goals and the Bank works actively with the recommendations from the Forum for Sustainable Finance. The Bank has added reporting of ESG key figures to the annual CSR Report for 2021. ESG comprises various information concerning environmental, social and governance factors.

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 Corporate Governance Statement can be found on the Bank's website: <http://www.banken.gl/corporate/>

Data ethics

In 2021, the BANK of Greenland adopted a Data Ethics Policy. This policy presents the framework for the BANK of Greenland's data ethics principles and conduct.

A report on the Data Ethics Policy can be found on the Bank's website: <https://banken.gl/data-ethics>

Policy and target level for the under-represented gender

In August 2013, the BANK of Greenland's Board of Directors adopted "Policy and target level for the under-represented gender". At the end of 2021, the gender distribution of the members of the Board of Directors comprised 44% women and 56% men. The Board of Directors' objective is for the ratio of the under-represented gender to be at least 33%. The target level for the under-represented gender is thereby fulfilled.

At other management levels, the Bank's overall objective is to achieve and maintain an appropriate equal distribution of men and women in its management. Irrespective of gender, the BANK of Greenland's employees must enjoy equal opportunities for career development and management positions. At the end of 2021, the distribution ratio was 47% women and 53% men. The Bank's objective is for this ratio to be maintained, so that the distribution of male and female managers is maintained at between 40% and 60% at all times.

Board of Directors and Executive Management

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 34.

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 Chair's planning of meetings, and the quality of the material provided to the Board of Directors. The latest evaluation was prepared internally by the BANK of Greenland in October 2021. The evaluation of the Board of Directors was at a high level. It was 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 25 March 2020, up to 1 March 2024 the Board of Directors is authorised to allow the Bank to acquire own shares for a nominal value of up to 10% of the share capital, at the listed price on the date of acquisition, with upward or downward variation of 10%.

Audit Committee

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

The tasks of the Audit Committee are to:

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

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

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

Risk Committee

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

The tasks of the Risk Committee are to:

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

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

Remuneration Committee

The Remuneration Committee consists of the Chair and Vice Chair 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 2021, 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.

The Bank of Greenland has prepared a remuneration report. The report 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 Chair and Vice Chair of the Board of Directors.

In 2021, 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 2021 and attendance of the meetings of the Board of Directors and all four committees can be seen here: <https://www.banken.gl/en/about-us/board-of-directors/>

The 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 2021, the BANK of Greenland had the following agreements that are assessed to be significant and that would be amended or would expire on a change of control of the Bank in conjunction with e.g. a merger.

- Data processing agreement with BEC Financial Technologies (BEC)
- Cooperation agreement with DLR Kredit A/S

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 Kredit

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-credit 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.

Management statement

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 2021 for Grønlands-BANKEN, aktieselskab.

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 at 31 December 2021, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2021.

Nuuk, 2 March 2022

Executive Management

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða

Chair

Malene Meilfart Christensen

Niels Peter Fleischer Rex

Kristian Frederik Lennert

Vice Chair

Lars Holst

Peter Angutinguaq Wistoft,

It is furthermore our opinion that in all significant respects the Annual Report has been prepared in accordance with the ESEF Regulation.

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.

Maliina Bitsch Abelsen

Yvonne Jane Poulsen Kyed

Ellen Dalsgaard Zdravkovic

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 2021, which comprise the statement of income and the statement of comprehensive income, the balance sheet, and the statement of changes in equity and notes, including the accounting policies applied and the cash flow statement. The annual financial statements are prepared in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

It is our opinion that the annual financial statements give a true and fair view of the Bank's assets, liabilities and financial position at 31 December 2021, and of the result of the Bank's activities for the financial year from 1 January to 31 December 2021, 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (the IESBA Code) and the additional ethical requirements applying in Denmark, just as we have fulfilled our other ethical obligations in accordance with these requirements and the IESBA Code. It is our view that the audit evidence obtained is an adequate and appropriate basis for our opinion.

To the best of our knowledge, no prohibited non-auditing services as described in Article 5(1) of Regulation (EU) no. 537/2014 have been performed.

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 - 31 December 2021. 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.

<p>Write-downs on loans and provisions for losses on guarantees, etc.</p> <p>Lending amounted to DKK 3,784 million and guarantees to DKK 1,781 million at 31 December 2021 (lending amounted to DKK 4,006 million and guarantees to DKK 1,622 million at 31 December 2020).</p> <p>The determination of expected write-downs on loans and provisions for losses on guarantees, etc. is subject to considerable uncertainty and to a certain extent is based on managerial estimates. As a consequence of the significance of these estimates and the size of the loans and guarantees, etc. of the Bank, the auditing of write-downs on loans and provisions for losses on guarantees, etc. is a key audit matter.</p> <p>The aspects of loans and guarantees, etc. which entail the greatest degree of estimation, and which therefore require greater auditing attention, are:</p> <ul style="list-style-type: none"> • Identification of exposures 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. • Assessment of the consequences of Covid-19 and other events that are not already taken into account, as managerial estimates incorporated in the models, and as managerial additions. <p>The principles for the compilation of write-downs on loans and provisions for losses on guarantees, etc. are described further in the accounting policies applied, and the management has described the handling of credit risks and the assessment of the impairment requirement for loans and the need for provisions for losses on guarantees, etc. in Notes 2 and 13 to the annual financial statements.</p>	<p>The matter was considered as follows during the audit</p> <p>On the basis of our risk assessment, the audit has included a review of the Bank's relevant procedures for write-downs on loans and provisions for losses on guarantees, etc., the testing of relevant controls, and the examination of exposures on the basis of random sampling.</p> <p>Our audit procedures included testing of relevant controls concerning:</p> <ul style="list-style-type: none"> • 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 additions <p>Our audit procedures also included:</p> <ul style="list-style-type: none"> • 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. • Challenging of managerial estimates incorporated in the models, as well as managerial additions relating to the consequences of Covid-19 and other events that are not already taken into account.
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Statement concerning the Management's Review

The Management is responsible for the Management's Review.

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

In connection with our audit of the annual financial statements our responsibility is to read the Management's Review and to consider whether the Management's Review has significant

inconsistencies with the annual financial statements or the knowledge we have obtained from the audit, or otherwise appears to contain material misstatements.

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

On this basis it is our view that the information in the Management's Review is in accordance with the annual financial

statements and has been prepared in accordance with the requirements of the Financial Activities Act. We have not found any material misstatements in the Management's Review.

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 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 continuation as a going concern, where relevant, and for applying 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.

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.

Declaration concerning compliance with the ESEF Regulation

As an element of the audit of the annual financial statements of GrønlandsBANKEN A/S we have performed procedures in order to express an opinion as to whether the Annual Report for the 2021 financial year, with the file name "549300EQF6IH6OIAYL40-2021-12-31-da", has been prepared in accordance with European Commission Delegated Regulation (EU) 2019/815 on the specification of a single electronic reporting format (the ESEF Regulation) with requirements concerning the preparation of an annual report in XHTML format.

The management is responsible for the preparation of an annual report in compliance with the ESEF Regulation, including the preparation of an annual report in XHTML format.

Based on the evidence obtained, it is our responsibility to achieve a high degree of certainty that, in all material respects, the annual report has been prepared in accordance with the ESEF Regulation, and to express an opinion. The procedures include control that the annual report is prepared in XHTML format.

It is our opinion that, in all material respects, the annual report for the 2021 financial year, with the file name "549300EQF6IH6OIAYL40-2021-12-31-da", has been prepared in accordance with the ESEF Regulation.

Copenhagen, 2 March 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Anders O. Gjelstrup

Jakob Lindberg

State-Authorised Public Accountant

State-Authorised Public Accountant

MNE no. 10777

MNE no. 40824

Internal auditor's report

To the shareholders of the BANK of Greenland

Audit statement

Opinion

We have audited the annual financial statements of GrønlandsBANKEN, Aktieselskab for the financial year from 1 January to 31 December 2021, which comprise the statement of income and statement of comprehensive income, balance sheet, statement of changes in equity and statement of cash flows and notes, including accounting policies applied. 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 for GrønlandsBANKEN, Aktieselskab give a true and fair view of the Bank's assets, liabilities and financial position at 31 December 2021, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2021, in accordance with the Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

The audit performed

Our audit was 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. This requires that we comply with ethical requirements and that the audit was planned and performed in order to achieve a high degree of assurance that the annual financial statements are free of material misstatement.

The audit was planned and performed so as to assess the procedures and internal control procedures, including the risk management planned by the management, directed at the presentation of accounts process and material business risks.

An audit includes performing the audit procedures to obtain audit evidence of the amounts and information in the annual financial statements. The audit procedures chosen depend on the auditor's assessment, including assessment of the risks of material misstatement in the annual financial statements, whether this is due to fraud or error. In the risk assessment, the auditor considers the internal control procedures that are relevant for the company's preparation of annual financial statements that give a true and fair view. The purpose is to perform the audit procedures that are appropriate in the circumstances. An audit also includes assessment of whether the management's choice of accounting policies is appropriate, whether the management's accounting estimates are reasonable, and the overall presentation of the annual financial statements.

Our audit included the material, risk-exposed areas and it is our opinion that the audit evidence obtained is adequate and appropriate to form a basis for our opinion.

Statement concerning the Management's Review

The Management is responsible for the Management's Review.

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

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

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

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

Copenhagen, 2 March 2022

Dennis Lundberg
Audit Manager



Statement of income

DKK 1,000

Notes		2021	2020
3	Interest income	223,790	229,089
4	Negative interest income	-13,033	-14,412
5	Interest expenses	1,019	129
6	Positive interest expenses	24,383	19,870
	Net interest income	234,121	234,418
	Share dividend, etc.	913	1,222
7	Fees and commission income	104,794	91,961
	Fees paid and commission expenses	895	1,088
	Net interest and fee income	338,933	326,513
8	Value adjustments	11,219	136
	Other operating income	6,185	5,369
9.10	Staff and administration expenses	186,385	178,734
	Depreciation and impairment of tangible assets	7,014	6,948
	Other operating expenses	2,497	2,610
13	Write-downs on loans and receivables, etc.	1,537	12,828
	Profit before tax	158,904	130,898
11	Tax	26,072	34,671
	Profit for the year	132,832	96,227
	PROPOSED ALLOCATION OF PROFIT		
	Profit for the year	132,832	96,227
	In total available for allocation	132,832	96,227
	Proposed dividend	72,000	45,000
	Retained profit	60,832	51,227
	Total allocation	132,832	96,227

Statement of comprehensive income

DKK 1,000

	2021	2020
Profit for the year	132,832	96,227
Other comprehensive income:		
Value adjustment of properties	4,346	4,140
Value adjustment of defined-benefit severance/pension scheme	-32	-29
Tax on value adjustment of properties	-1,152	-1,097
Other comprehensive income after tax	3,162	3,014
Comprehensive income for the year	135,994	99,241

Balance sheet

(Year-end)

DKK 1,000

Notes		2021	2020
	Cash balance and demand deposits with central banks	1,434,027	192,107
12	Receivables from credit institutions and central banks	57,293	1,686,361
13	Loans and other receivables at amortised cost	3,783,681	4,006,248
14	Bonds at fair value	1,100,975	885,752
15	Shares, etc.	138,902	122,763
18	Assets connected to pool schemes	360,537	221,589
16	Land and buildings in total, domicile properties	247,292	229,650
17	Other tangible assets	6,652	6,856
	Other assets	93,798	82,241
	Accruals and deferred income	3,831	4,758
	Total assets	7,226,988	7,438,325
19	Liabilities to credit institutions and central banks	13,145	17,040
20	Deposits and other liabilities	5,363,871	5,847,772
	Deposits in pool schemes	360,537	221,589
21	Issued bonds at amortised cost	49,642	0
	Current tax liabilities	22,615	22,610
	Other liabilities	53,911	60,452
	Prepayments and deferred expenses	7,499	6,082
	Total debt	5,871,220	6,175,545
	Provisions for pensions and similar obligations	1,705	1,389
22	Provisions for deferred tax	68,326	64,128
13	Provisions for losses on guarantees	7,673	9,890
	Other provisions	5,351	5,159
13	Provisions for losses on non-utilised credit facilities	4,802	5,297
	Total provisions	87,857	85,863
	Equity		
23	Share capital	180,000	180,000
	Revaluation reserves	37,628	34,749
	Retained earnings	978,283	917,168
	Proposed dividend	72,000	45,000
	Total equity	1,267,911	1,176,917
	Total liabilities	7,226,988	7,438,325

1 Accounting policies applied

2 Financial risks and policies

24-34 Other Notes

Statement of changes in equity

DKK 1,000

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Total equity
Equity, 1 January 2020	180,000	31,706	865,970	0	1,077,676
Other comprehensive income		3,043	-29		3,014
Profit for the period			51,227	45,000	96,227
Equity, 31 December 2020	180,000	34,749	917,168	45,000	1,176,917
Equity, 1 January 2021	180,000	34,749	917,168	45,000	1,176,917
Dividend paid				-45,000	-45,000
Other comprehensive income		2,879	283		3,162
Profit for the year			60,832	72,000	132,832
Equity, 31 December 2021	180,000	37,628	978,283	72,000	1,267,911

Cash flow statement

DKK 1,000

	2021	2020
Profit for the year	132,832	96,227
Write-downs on loans	1,537	12,828
Depreciation and impairment of tangible assets	7,014	6,948
Recognised profit on sale of tangible assets	-727	-42
Accruals and deferred expenses, net	2,344	-1,159
Profit for the year after adjustment for non-cash operating items	143,000	114,802
Liabilities to credit institutions and central banks	-3,895	3,415
Deposits	-344,953	269,569
Lending	221,030	-260,340
Other working capital	-162,020	-7,046
Other liabilities	-5,726	-25,128
Change in working capital	-295,564	-19,530
CASH FLOWS FROM OPERATING ACTIVITIES	-152,564	95,272
Sale of tangible assets	3,614	245
Purchase, etc. of tangible assets	-22,993	-3,074
CASH FLOWS FROM INVESTMENT ACTIVITIES	-19,379	-2,829
Dividend paid	-45,000	0
Bond issue, including amortisation effect	49,642	0
CASH FLOWS FROM FINANCING ACTIVITIES	4,642	0
CHANGE IN CASH AND CASH EQUIVALENTS	-167,301	92,443
Cash and cash equivalents, beginning of year	2,734,718	2,642,275
Cash and cash equivalents, end of year	2,567,417	2,734,718
Cash balance and demand deposits with central banks	1,434,027	192,107
Certificates of deposit with Danmarks Nationalbank, cf. Note 12	0	1,345,000
Fully secured and liquid cash and cash equivalents in credit institutions, cf. Note 12	57,293	341,361
Non-mortgaged securities	1,076,097	856,250
Cash and cash equivalents, end of year	2,567,417	2,734,718



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Notes to the Annual Report, including Accounting policies applied

1. Accounting policies applied

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

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

The accounting policies applied are unchanged from the Annual Report for 2020.

About recognition and measurement in general

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

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

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

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

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

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

Significant accounting estimates, assumptions and uncertainties

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

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

On the preparation of the annual financial statements, the management undertakes a number of accounting assessments as the basis for the presentation, recognition and measurement of the institution's assets and liabilities. The 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 significant estimation uncertainty related to the preparation of the Annual Report for 2021, 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 of this property by DKK 8 million. On the valuation of the Bank's head office property in Nuuk, different prices per square metre are used in relation to market rent and potential use.

Determination of fair value

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

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

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

Hedge accounting

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

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

Derivative financial instruments

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

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

Translation of foreign currencies

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

Set-offs

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

Agreement with the Ministry of Industry, Business and Financial Affairs in Denmark

The BANK of Greenland has entered into an agreement with the Ministry of Industry, Business and Financial Affairs in Denmark on contributions to support financial stability in Greenland. The contribution is divided into directly attributable compensation contributions for the Bank's MREL issuance costs, and a basic amount.

Compensation has been received for the Bank's MREL issuance costs for the element of the Bank's issues that exceeds the agreed average level to which a small bank in the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark will be subject.

The compensation is presented as a set-off against subsidy-entitled interest items, or negative interest income and interest expenses, respectively.

Basic amounts received are not directly attributable to a single cost element and are therefore recognised under other operating income. Compensation is recognised in the statement of income in the relevant period.

The Bank has no unfulfilled commitments at the balance sheet date, or other contingent items related to the public compensation.

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.

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

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 and operating expenses

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

Tax

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

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

On calculating the taxable income, Greenland allows tax deduction.

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

Balance sheet

Cash balances and demand deposits at central banks

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

Receivables from and debt to credit institutions and central banks

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

Loans and other receivables at amortised cost

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

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

Reference is also made to the descriptions in Note 2.

Bonds at fair value

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

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

Shares, etc.

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

The fair value of unlisted and non-liquid shares is based on the available information concerning 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 2020) an independent assessment is obtained of the market value of the Bank's head office property in Nuuk. The fair value of other head office properties is reassessed annually on the basis of calculated capital values for the expected future cash flows.

Increases in head office properties' reassessed value are recognised in revaluation reserves under equity. Any decrease in value is recognised in the statement of income, except in the case of reversal of revaluations 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 at fair value in separate balance sheet items. Pool schemes are managed by an external partner. The Bank's own return on pool activities is carried under fee and commission income.

Accruals and deferred income

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

Deposits and other liabilities

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

commission received, which are an integral element of the effective interest rate.

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

Issued bonds

Issued bonds are 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.

Prepayments and deferred expenses

Prepayments and deferred expenses recognised under liabilities comprise income received prior to the balance sheet date, but which concerns a subsequent accounting period, including accrued interest and commission. Prepayments 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.

Contingent liabilities

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.

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.

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 Department, with independent control by the Accounting Department.

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, loans, etc. to business customers are only granted to customers with business activities in Greenland;

DKK 1,000	2021	2020
Maximum credit exposure		
Cash balances and demand deposits at central banks	1,434,027	192,107
Receivables from credit institutions and central banks	57,293	1,686,361
Loans and other receivables at amortised cost	3,783,681	4,006,248
Bonds at fair value	1,100,975	885,752
Shares, etc.	138,902	122,763
Other assets, including derivative financial instruments	93,798	82,241
Off-balance-sheet items		
Guarantees	1,781,465	1,621,831
Drawn facilities	2,022,428	1,823,231
Exposure specification		
Lending, cf. Note 13	3,783,681	4,006,248
Guarantees, cf. Note 25	1,781,465	1,621,831
Write-downs and provisions on guarantees, cf. Note 13	182,042	181,883
Other adjustments	-31,993	-24,251
Gross exposure, cf. below	5,715,195	5,785,711

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

Risk diversification

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

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

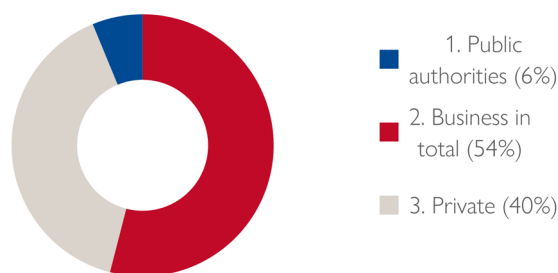
Standard terms

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.

Figure 1
Lending and guarantee debtors by sectors



The geographical spread of the Bank’s lending and guarantees in Greenland is distributed on the five main municipal towns (primary), smaller towns (secondary), settlements and villages (tertiary) and abroad (other), cf. Figure 3. According to the Bank’s business model, lending and guarantees outside Greenland are maximised at 10% of total lending and guarantees.

Figure 2
Lending and guarantee debtors by industries under business

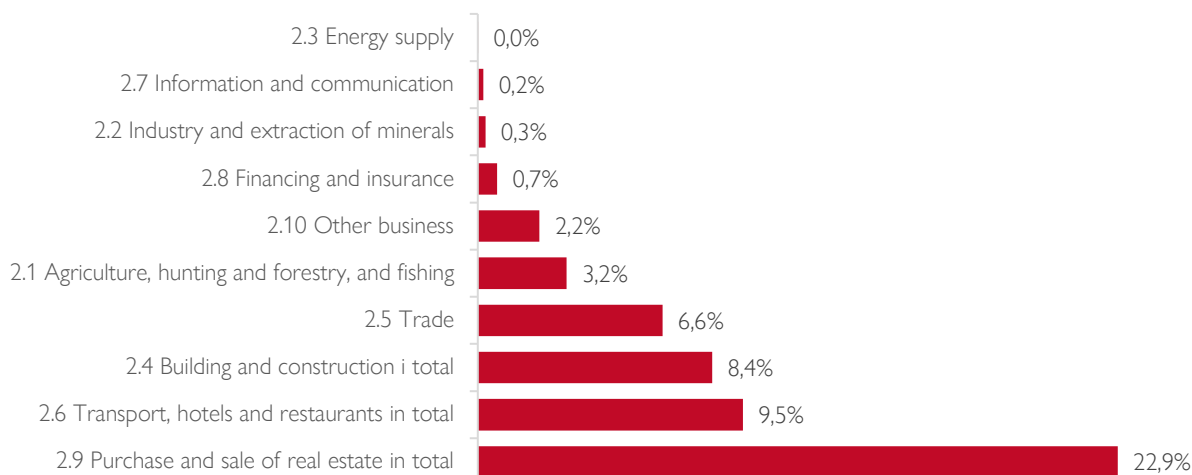
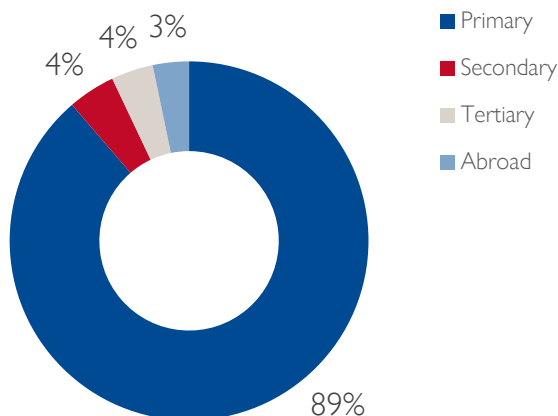


Figure 3
Geographical spread of lending and guarantees



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 sample controls in the individual departments.

Collateral security

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

For financing, the collateral security primarily consists of:

- Mortgages on private residential properties, primarily in Greenland;
- Mortgages on commercial properties for own use;
- Mortgages on rental properties (residential and commercial);

- Mortgages on movable property, cars, boats, snow scooters, operating equipment, etc.;
- Mortgages on fishing vessels;
- Mortgages on fishing rights;
- Mortgages on easily negotiable securities;
- Surety pledges;
- Assignments; and
- Charges on units/shares in the companies to which credit facilities have 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;
- In the case of large property exposures, mortgages on rental properties are assessed 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.

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

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

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

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

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

Division into stages

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

Significant increase in credit risk (Stage 2)

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

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

Under 1%

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

1% and higher

The probability of default (PD) during the remaining term to maturity increases by 100% or the 12-month PD increases by 2.0 percentage points 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 the relevant 12 months' PD exceeds 5%, the exposure will move to stage 2.

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

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

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

Credit-impaired assets (Stage 3)

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

- The borrower is in considerable financial difficulties.
- The borrower is in breach of contract, for example due to failure to fulfil payment obligations for repayments and interest.
- When the Bank or other lenders grant the borrower an easement of terms that would not have been 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 exceeding DKK 100,000, which are treated individually, while other exposures are subject to model calculation.

Definition of default

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

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

The assessment of whether a borrower is in arrears concerns both overdrafts exceeding the fixed lines and failure to pay either instalments or interest. The assessment of whether it is unlikely that a borrower can fulfil its payment obligations is based on both qualitative and quantitative indicators. A qualitative indicator for business loans might be, for example, whether there is any breach of covenants. Quantitative indicators might, for example, be an assessment of whether a borrower can fulfil its obligations for other loans, or is in arrears 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 share of 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 probability of default (PD) is determined on the basis of observed defaults over a period of time, reflecting an economic cycle, after which the observed defaults are converted to an estimated probability applying to a specific time (12-month PD).

Lifetime PD is compiled on the basis of 12-month PD according to mathematical models and projections of 12-month PD. This is based on expectations of the future and the development in the loans.

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

The expected loss given default (LGD) is estimated on the basis of 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 in 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.

As a consequence of Covid-19 the BANK of Greenland has continuously noted OIK (objective indication of credit deterioration) for individual exposures assessed to be affected by Covid-19. Furthermore, on a discretionary basis, the Bank has written down DKK 21 million at year-end 2021, distributed at sector level, with particular weight given to the hotel, transport, real estate and private segments. This includes a general cyclical addition.

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

Exposure and write-downs by sector

	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000		DKK 1,000	
2021				
Public	355,524	6	1,915	1
Business:				
Agriculture and fisheries	181,997	3	5,628	3
Industry and extraction of minerals	15,874	0	1,472	1
Energy supply	500	0	266	0
Construction and civil engineering	479,672	8	29,685	16
Trade	378,224	7	12,002	7
Transport, restaurants and hotels	542,656	10	20,509	11
Information and communication	11,518	0	308	0
Financing and insurance	39,768	1	479	0
Real estate	1,310,079	23	17,533	9
Other business	126,285	2	19,976	11
Business in total	3,086,573	54	107,858	58
Private	2,273,098	40	77,070	121
In total	5,715,195	100	186,843	100
	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000		DKK 1,000	
2020				
Public	425,961	7	2,292	1
Business:				
Agriculture and fisheries	177,111	3	11,501	6
Industry and extraction of minerals	55,852	1	2,198	1
Energy supply	388	0	201	0
Construction and civil engineering	374,884	7	15,787	9
Trade	351,576	6	12,524	7
Transport, restaurants and hotels	531,953	9	16,690	9
Information and communication	23,422	0	484	0
Financing and insurance	41,251	1	160	0
Real estate	1,343,374	23	27,023	15
Other business	168,990	3	21,092	11
Business in total	3,068,801	53	107,660	58
Private	2,290,949	40	77,228	121
In total	5,785,711	100	187,180	100

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 2 WEAK TDKK	Stage 3 TDKK	In total TDKK
Rating 1 – 3	3/2A	3,069,550	11,757	0	2,094	3,083,401
Rating 4 – 8	2B	1,342,853	563,276	348,966	299	2,255,394
Rating 9 – 10	2C	0	0	209,522	169	209,691
Rating 11	1	0	3,063	3,938	159,708	166,709
In total		4,412,403	578,096	562,426	162,270	5,715,195

Classification BANK of Greenland

- Ratings 1-3 correspond to the Danish FSA's creditworthiness scale 3/2A – Customers with undoubtedly good creditworthiness and customers with normal creditworthiness.
- Ratings 4-8 correspond to the Danish FSA's creditworthiness scale 2B – Customers that do not fulfil the criteria in 1-3, but which on the other hand do not have significant signs of weakness. The debt servicing ability is good, although the key financial indicators may be weak.
- Ratings 9-10 concern customers with significant signs of weakness, and without OIK occurring. The customer's debt servicing ability is less satisfactory and the customer is economically vulnerable/has weak key indicators.
- Rating 11 Customers with OIK. Customers with and without loss risk compilation (write-down). The debt servicing ability is poor or non-existent, and there is a risk of losses.

Credit exposure to industries broken down by stages:

	Stage 1 TDKK	Stage 2 TDKK	Stage 2WEAK TDKK	Stage 3 TDKK	In total TDKK
Public	355,420	104	0	0	355,524
Business:					
Agriculture and fisheries	156,735	4,354	14,073	6,834	181,996
Industry and extraction of minerals	11,994	856	1,254	1,770	15,874
Energy supply	225	0	0	274	499
Construction and civil engineering	213,511	176,713	61,194	28,255	479,673
Trade	304,525	5,281	65,512	2,906	378,224
Transport, restaurants and hotels	392,961	83,199	58,812	7,683	542,655
Information and communication	9,259	1,532	728	0	11,519
Financing and insurance	38,523	626	619	0	39,768
Real estate	1,081,288	89,401	137,319	2,070	1,310,078
Other business	61,839	7,765	44,035	12,648	126,287
Business in total	2,270,860	369,727	383,546	62,440	3,086,573
Private	1,786,123	208,265	178,880	99,830	2,273,098
In total	4,412,403	578,096	562,426	162,270	5,715,195

Reason for value adjustment of exposures in stage 3

	Credit exposures before write- downs	Write-downs	Accounting value	Collateral secu- rity	Maximum credit risk
2021					
Bankruptcy	268	268	0	0	0
Collection	20,609	15,665	4,944	3,918	1,026
Financial difficulties	141,393	74,029	67,364	51,300	16,064
In total	162,270	89,962	72,308	55,218	17,090
2020					
Bankruptcy	1,548	1,370	178	178	0
Collection	31,463	25,051	6,412	6,349	63
Financial difficulties	190,445	68,434	122,011	94,442	27,569
In total	223,456	94,855	128,601	100,969	27,632

Credit quality of exposures in general

Exposures with arrears or overdrafts > DKK 1,000

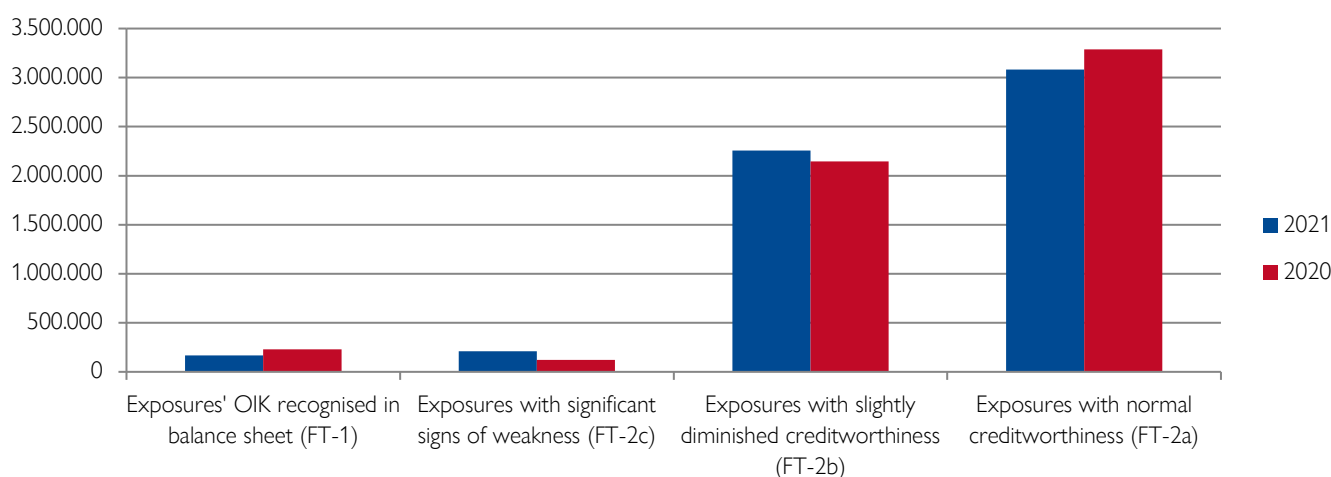
In DKK 1,000	2021	2020
0-30 days	1,284	5,532
31-60 days	743	428
61-90 days	203	196
> 90 days	229	405
In total	2,459	6,561

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

Credit exposures before write-downs distributed by creditworthiness

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

DKK 1,000



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 a report on a random day of the month, which is reported to the Executive Management.

Interest rate risk

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

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

The BANK of Greenland has outsourced the portfolio management of the Bank’s bond holdings to an external portfolio manager. The portfolio manager is subject to the aforementioned risk framework and works on the basis of a duration of 1.5 years. In addition, the BANK of Greenland has entered into an interest rate swap totalling DKK 10 million, for partial cover of the interest rate risk on the Bank’s bond portfolio. Reference is made to Notes 28 and 30.

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 2021. Reference is made to Note 27 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 238.6% at the end of 2021. Reference is also made to key figures for LCR, as well as the key figures for lending as a ratio of deposits in Note 33.

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

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

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

The BANK of Greenland has entered into cooperation on internal auditing with Arbejdernes Landsbank A/S and the Bank has also appointed a legal staff member as compliance officer. This will help to ensure that the Bank complies with both external and internal requirements at all times.

DKK 1,000	2021	2020
3. Interest income		
Lending and other receivables	220,044	225,064
Bonds	3,746	4,025
Total interest income	223,790	229,089
4. Negative interest income		
Receivables from credit institutions and central banks	-11,008	-11,608
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-2,025	-2,804
Total negative interest	-13,033	-14,412
5. Interest expenses		
Credit institutions and central banks	6	12
Deposits and other liabilities	988	117
Issued bonds	25	0
Total interest expenses	1,019	129
6. Positive interest expenses		
Deposits and other liabilities	24,383	19,870
Total positive interest expenses	24,383	19,870
7. Fees and commission income		
Securities and securities accounts	6,359	4,087
Payment settlement	39,654	38,833
Loan transaction fees	5,817	5,140
Guarantee commission	30,718	25,507
Other fees and commission	22,246	18,394
Total fee and commission income	104,794	91,961
8. Value adjustments		
Lending at fair value	-6,670	-1,471
Bonds	-6,473	-9,519
Shares	12,922	6,178
Currency	4,519	3,266
Foreign exchange, interest rate, equities, commodities and other contracts, as well as derivative financial instruments	6,921	1,682
Assets connected to pool schemes	40,126	1,942
Deposits in pool schemes	-40,126	-1,942
Total value adjustments	11,219	136

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.

DKK 1,000 **2021** **2020**

9. Staff and administration expenses

Staff expenses		
Salaries	83,188	77,763
Other staff expenses	2,302	3,087
Pensions	10,535	9,670
Social security expenses	535	794
In total	96,560	91,314
Other administration expenses	89,825	87,420
The average number of employees in the financial year, converted to full-time employees	137.7	133.3
Of which salaries and remuneration to the Board of Directors and the Executive Management	5,583	5,479
Five other employees (2019: four employees) whose activities have a significant influence on the Bank's risk profile:		
Contractual remuneration, including free car and other benefits	4,982	4,132
Pension	621	517

10. Audit fees

Statutory audit of the annual financial statements	650	645
Other declarations with assurance	87	42
Tax advisory services	20	27
Other services	0	48
Total fees to the auditors elected by the Annual General Meeting, who perform the statutory audit	757	762

Non-auditing services are provided by Deloitte, Statsautoriseret Revisionspartnerselskab and comprise fees for mandatory declarations and general tax advisory.

11. Tax on the profit for the year

Tax on the profit for the year is calculated as follows:		
Current tax	23,026	22,981
Deferred tax	7,145	11,690
Change in deferred tax as a consequence of a change in the corporate tax supplement	-4,099	0
In total	26,072	34,671
Tax on the profit for the year is broken down as follows:		
Calculated 26.5% tax on the profit for the year	42,109	34,688
Change in deferred tax as a consequence of a change in the corporate tax supplement	-4,099	0
Other adjustments	-13	-17
Tax value of dividend deduction	-11,925	0
In total	26,072	34,671
Effective tax rate	16.4%	26.5%
Corporate tax paid in 2021 amounts to TDKK 22,804		

12. Receivables from credit institutions and central banks

On demand	51,864	341,361
Up to and including 3 months	5,429	1,345,000
In total	57,293	1,686,361
Receivables subject to terms of notice at central banks	0	1,345,000
Receivables from credit institutions	57,293	341,361
In total	57,293	1,686,361

13. Lending**Write-downs on loans, guarantees and non-utilised credit facilities**

New write-downs concerning new facilities during the year	29,455	22,675
Reversal of write-downs concerning redeemed facilities	-25,917	-17,028
Net write-downs during the year as a consequence of changes in the credit risk	-723	8,031
Losses without preceding write-downs	647	516
Received for claims previously written off	-1,925	-1,366
Recognised in the statement of income	1,537	12,828

Lending at amortised cost	3,783,681	4,006,248
Total lending by remaining term to maturity:		
On demand	868,437	637,201
Up to and including 3 months	173,599	434,207
Over 3 months and up to and including 1 year	611,889	753,768
Over 1 year and up to and including 5 years	1,286,814	1,429,108
Over 5 years	842,942	751,964
In total	3,783,681	4,006,248

DKK 1,000

Stage 1	Stage 2	Stage 3	Total
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13 Lending - continued**Write-downs on loans****31.12.2021**

Start of the period	14,202	71,617	86,174	171,993
New write-downs concerning new facilities during the year	5,424	13,766	7,459	26,649
Reversal of write-downs concerning redeemed facilities	-3,079	-11,891	-8,562	-23,532
Change in write-downs at the beginning of the year – transfer to stage 1	19,607	-11,812	-7,795	0
Change in write-downs at the beginning of the year – transfer to stage 2	-1,397	2,581	-1,184	0
Change in write-downs at the beginning of the year – transfer to stage 3	-59	-1,148	1,207	0
Net write-downs as a consequence of changes in the credit risk	-13,384	4,838	10,957	2,411
Previously written down, now finally lost	0	0	-6,975	-6,975
Interest on written-down facilities	0	0	3,823	3,823
Write-downs in total	21,314	67,951	85,104	174,369

DKK 1,000	Stage 1	Stage 2	Stage 3	Total
Write-downs on guarantees				
31.12.2021				
Start of the period	554	655	8,681	9,890
New write-downs concerning new facilities during the year	342	677	865	1,884
Reversal of write-downs concerning redeemed facilities	-5	-4	-125	-134
Change in write-downs at the beginning of the year – transfer to stage 1	534	-188	-346	0
Change in write-downs at the beginning of the year – transfer to stage 2	-17	4,051	-4,034	0
Change in write-downs at the beginning of the year – transfer to stage 3	-2	-3	5	0
Net write-downs as a consequence of changes in the credit risk	-662	-3,117	-188	-3,967
Write-downs in total	744	2,071	4,858	7,673
Write-downs on non-utilised drawing rights				
31.12.2021				
Start of the period	746	239	4,312	5,297
New write-downs concerning new facilities during the year	769	151	2	922
Reversal of write-downs concerning redeemed facilities	-273	-48	-1,930	-2,251
Change in write-downs at the beginning of the year – transfer to stage 1	159	-107	-52	0
Change in write-downs at the beginning of the year – transfer to stage 2	-35	58	23	0
Change in write-downs at the beginning of the year – transfer to stage 3	0	0	0	0
Net write-downs as a consequence of changes in the credit risk	-163	744	252	833
Write-downs in total	1,203	1,037	2,561	4,801
Write-downs on loans				
31.12.2020				
Start of the period	15,835	41,405	82,938	140,178
New write-downs concerning new facilities during the year	4,285	3,967	5,835	14,087
Reversal of write-downs concerning redeemed facilities	-2,036	-5,210	-8,652	-15,898
Change in write-downs at the beginning of the year – transfer to stage 1	13,272	-10,410	-2,862	0
Change in write-downs at the beginning of the year – transfer to stage 2	-2,580	7,533	-4,953	0
Change in write-downs at the beginning of the year – transfer to stage 3	-105	-2,878	2,983	0
Net write-downs as a consequence of changes in the credit risk	-14,469	37,210	14,594	37,335
Previously written down, now finally lost	0	0	-6,847	-6,847
Interest on written-down facilities	0	0	3,138	3,138
Write-downs in total	14,202	71,617	86,174	171,993

DKK 1,000	Stage 1	Stage 2	Stage 3	Total
Write-downs on guarantees				
31.12.2020				
Start of the period	656	267	19,560	20,483
New write-downs concerning new facilities during the year	212	181	3,686	4,079
Reversal of write-downs concerning redeemed facilities	-2	0	0	-2
Change in write-downs at the beginning of the year – transfer to stage 1	188	-188	0	0
Change in write-downs at the beginning of the year – transfer to stage 2	-44	16,772	-16,728	0
Change in write-downs at the beginning of the year – transfer to stage 3	0	-2	2	0
Net write-downs as a consequence of changes in the credit risk	-456	-16,375	2,161	-14,670
Write-downs in total	554	655	8,681	9,890

Write-downs on non-utilised drawing rights

31.12.2020				
Start of the period	814	3,408	12,328	16,550
New write-downs concerning new facilities during the year	592	229	3,688	4,509
Reversal of write-downs concerning redeemed facilities	-184	-145	-799	-1,128
Change in write-downs at the beginning of the year – transfer to stage 1	3,359	-3,230	-129	0
Change in write-downs at the beginning of the year – transfer to stage 2	-89	10,652	-10,563	0
Change in write-downs at the beginning of the year – transfer to stage 3	0	0	0	0
Net write-downs as a consequence of changes in the credit risk	-3,746	-10,675	-213	-14,634
Write-downs in total	746	239	4,312	5,297

DKK 1,000

2021**2020****14. Bonds at fair value**

Mortgage-credit bonds	1,100,975	885,752
In total	1,100,975	885,752
Of which nominal TDKK 50,000 deposited as security for debt to Danmarks Nationalbank		

15. Shares, etc.

Shares/unit trust certificates listed on Nasdaq OMX Copenhagen	25,123	4,820
Unlisted shares included at fair value	113,779	117,943
Reassessed value, year-end	138,902	122,763

DKK 1,000 **2021** **2020**

16. Head office properties

Reassessed value, beginning of year	229,650	228,904
Additions during the year, including improvements	20,533	863
Disposals during the year	-2,771	0
Write-offs	-4,885	-4,717
Value changes recognised in other comprehensive income	4,346	4,140
Value changes recognised in the statement of income	419	460
Reassessed value, year-end	247,292	229,650

There is no public property valuation in Greenland.

In 2020, an independent expert assessment of the market value of the Bank's domicile property in Nuuk was obtained. The valuation has not made it necessary to change the book value.

No expert assessment was obtained for the assessment of the Bank's other domicile properties.

17. Other tangible assets

Cost, beginning of year	54,578	52,760
Additions during the year, including improvements	2,460	2,211
Disposals during the year	-401	-393
Cost, year-end	56,637	54,578
Depreciation and write-downs, beginning of year	47,722	45,221
Depreciation for the year	2,548	2,691
Reversal of depreciation concerning disposals	-285	-190
Depreciation and write-downs, year-end	49,985	47,722
Accounting value, year-end	6,652	6,856

18. Assets connected to pool schemes

Investment associations	359,866	221,400
Non-invested funds	671	189
In total	360,537	221,589

19. Debt to credit institutions and central banks

On demand	13,145	17,040
In total	13,145	17,040
Debt to central banks	13,145	16,170
Debt to credit institutions	0	870
In total	13,145	17,040

DKK 1,000

2021**2020****20. Deposits and other liabilities**

On demand	4,826,448	5,713,721
Up to and including 3 months	0	2,310
Over 3 months and up to and including 1 year	127,916	12,719
Over 1 year and up to and including 5 years	0	57,511
Over 5 years	409,507	61,511
In total	5,363,871	5,847,772
On demand	4,826,448	5,322,574
On terms of notice	294,802	294,190
Special deposit conditions	242,621	231,008
In total	5,363,871	5,847,772

21. Issued bonds at amortised cost

Bond issue	49,642	0
In total	49,642	0
Distribution in remaining duration		
Over 1 year and up to and including 5 years	49,642	0
In total	49,642	0

The loan was raised as Senior-Non-Preferred on 27 October 2021 and falls due for full redemption on 27 October 2026. The Bank has the option of early redemption as from 27 October 2025.

22. Provisions for deferred tax

The year's changes in deferred tax can be summarised as follows:		
Deferred tax, beginning of year	64,128	51,341
The year's deferred tax recognised in the statement of income for the year	7,146	11,690
Adjustment of deferred tax concerning equity items	1,151	1,097
Change in deferred tax as a consequence of a change in the corporate tax supplement	-4,099	0
In total	68,326	64,128
Deferred tax concerns:		
Head office properties	49,693	51,451
Operating equipment	633	752
Proposed dividend for the financial year	18,000	11,925
In total	68,326	64,128

DKK 1,000

2021

2020

23. Share capital

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

Own shares

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

Greenland Holding A/S	Nuuk	15.26%
NunaFonden	Nuuk	13.98%
AP Pension Livsforsikringsaktieselskab	Copenhagen	12.87%
BETRI P/F	Thorshavn	9.88%
LB Forsikring	Copenhagen	6.33%
Kim B. Pedersen	Snevre	5.00%

24. Capital statement

Credit risk	4,070,758	4,099,907
CVA risk	1,720	2,928
Market risk	204,615	126,259
Operational risk	639,644	615,611
Total risk exposure	4,916,737	4,844,705
Equity	1,267,911	1,176,917
Proposed dividend, accounting effect	-52,920	-33,075
Framework for ratio of own shares	-10,764	-5,310
Deductions for prudent valuation	-1,490	-1,247
Deductions for Non-Performing Exposures	-1,379	0
Actual core capital	1,201,358	1,137,285
Capital base	1,201,358	1,137,285
Actual core capital ratio	24.4	23.5
Capital ratio	24.4	23.5
Statutory requirement of actual core capital ratio (excluding capital reserve buffer)	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

25. Contingent liabilities

Mortgage finance guarantees	942,401	976,295
Registration and remortgaging guarantees	306,503	137,502
Other guarantees	532,561	508,034
In total	1,781,465	1,621,831

The Bank is a member of BEC (BEC Financial Technologies a.m.b.a.). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding five years' IT costs.

Like the rest of the Danish banking sector, the Bank is obliged to pay in contributions to the Settlement and Guarantee Capital scheme.

DKK 1,000

2021**2020****26. Legal cases**

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

27. Currency exposure

Assets in foreign currency, in total	41,737	29,688
Liabilities in foreign currency, in total	32,540	22,969
Exchange-rate indicator 1	9,799	6,604
Exchange-rate indicator 1 as a ratio of core capital	0.8	0.6
Exchange-rate indicator 2	83	20

28. Interest rate risk

The Bank solely has fixed-interest-rate assets in Danish kroner.

Interest rate risk for debt instruments, etc.	14,511	13,070
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29. 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

Executive Management:	100	100
Board of Directors, including members elected by the employees	4,391	6,620
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	2,192	1,802

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 2021 are 3.75%.

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

Board of Directors		
Kristian Frederik Lennert	10	10
Yvonne Jane Poulsen Kyed	10	10
Peter Angutinguq Wistoft	81	0
Executive Management:		
Martin Birkmose Kviesgaard	1,455	1,455

DKK 1,000

2021

2020

30. Derivative financial instruments

Loans at fixed interest rates covered with interest swaps

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

Lending

Amortised/nominal value	92,488	127,191
Accounting value	105,741	149,900

Covered with interest rate swap

Synthetic principal/nominal value	80,631	114,209
Accounting value	1,675	8,345

Lending at fixed interest rates without cover

Amortised/nominal value	19,487	21,958
Accounting value	21,719	25,072

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.

	Nominal value	Positive market value	Negative market value	Net market value
2021				
Currency contracts				
Spot	602	0	0	0
Interest rate contracts				
Swaps	90,631	262	-2,468	-2,206
Share contracts				
Spot, purchase	3	10	-3	7
Spot, sale	3	3	-10	-7
In total	6	13	-13	0
In total	91,239	275	-2,481	-2,206
2020				
Currency contracts				
Spot	237	1	0	1
Interest rate contracts				
Swaps	124,209	0	-9,149	-9,149
Share contracts				
Spot, purchase	31	4	-13	-9
Spot, sale	31	13	-4	9
In total	62	17	-17	0
In total	124,508	18	-9,166	-9,148

Derivative financial instruments - continued**Term structure by remaining term to maturity**

	Up to and including 3 months		Over 3 months	
	Nominal value	Net market value	Up to and including 1 year Nominal value	Net market value
2021				
Interest rate contracts				
Interest rate contracts, swaps	0	0	456	-12
Currency contracts				
Currency contracts, spot	602	0	0	0
Share contracts				
Spot, purchase	3	7	0	0
Spot, sale	3	-7	0	0
In total	6	0	0	0
In total	608	0	456	-12
	Over 1 year Up to and including 5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts, swaps	50,396	-1,286	39,779	-908
In total	50,396	-1,286	39,779	-908
	Up to and including 3 months		Over 3 months	
	Nominal value	Net market value	Up to and including 1 year Nominal value	Net market value
2020				
Interest rate contracts				
Interest rate contracts, swaps	0	0	7,500	-137
Currency contracts				
Currency contracts, spot	237	1	0	0
Share contracts				
Spot, purchase	31	-9	0	0
Spot, sale	31	9	0	0
In total	62	0	0	0
In total	299	1	7,500	-137
	Over 1 year Up to and including 5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts, swaps	22,648	-1,099	94,061	-7,913
In total	22,648	-1,099	94,061	-7,913

31. 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 may be the net book value, if the net book value is calculated on the basis of underlying assets and liabilities measured at fair value.

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

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

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

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

Shares in level 3 comprise sector shares in companies with which there is cooperation on products, payment settlement and

administration, and are measured at estimated fair value. 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 at the balance sheet date. Determining these shares' fair value is subject to uncertainty. For other unlisted shares for which observable input is not immediately available, the valuation is based on estimates which include information from the companies' accounts.

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

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

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

For fixed-interest-rate financial liabilities such as deposits and debt to credit institutions measured at amortised cost, the difference from fair value 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.

DKK 1,000	Listed prices Level 1	Observable prices Level 2	Non-observable prices Level 3	In total
2021				
FINANCIAL ASSETS				
Bonds	1,100,975	0	0	1,100,975
Shares	25,123	0	113,779	138,902
Head office properties	0	0	247,292	247,292
Positive market value of derivative financial instruments	0	275	0	276
In total	1,126,098	275	361,071	1,487,445
FINANCIAL LIABILITIES:				
Negative market value of derivative financial instruments	0	2,481	0	2,482
In total	0	2,481	0	2,482

DKK 1,000	Listed prices Level 1	Observable prices Level 2	Non-observable prices Level 3	In total
2020				
FINANCIAL ASSETS				
Bonds	885,752	0	0	885,752
Shares	4,820	0	117,943	122,763
Head office properties	0	0	229,650	229,650
Positive market value of derivative financial instruments	0	18	0	18
In total	890,572	18	347,593	1,238,183
FINANCIAL LIABILITIES:				
Negative market value of derivative financial instruments	0	9,166	0	9,166
In total	0	9,166	0	9,166

DKK 1,000	2021	2021	2020	2020
	Amort. cost.	Fair value	Amort. cost.	Fair value
Financial instruments recognised at amortised cost:				
Receivables from credit institutions and central banks	57,293	57,225	1,686,361	1,686,000
Lending and other receivables	3,783,681	3,810,803	4,006,248	4,016,668
Liabilities to credit institutions and central banks	13,145	13,145	17,040	17,040
Deposits and other liabilities	5,363,871	5,363,183	5,847,772	5,847,169
Derivative financial instruments:				
Interest rate swaps (net)	0	2,206	0	9,148

32. Sensitivity calculations

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

Interest rate risk:

The sensitivity calculation in relation to the Bank's interest rate risk is based on the interest rate risk key ratio that is reported to the Danish FSA. This key ratio shows the effect on the core capital after deductions on a change in interest rates of 1% point, equivalent to 100 basis points. The calculation shows that if the average interest rate on 31 December 2021 had been 100 basis points higher, all other things being equal, the profit for the year before tax would be TDKK 14,511 lower (2020: TDKK 13,070 lower), primarily as a consequence of a negative fair value adjustment of the Bank's holdings of fixed-interest-rate bonds.

Currency risk:

The sensitivity calculation in relation to the Bank's currency risk is based on the currency indicator 1 key ratio that is reported to the Danish FSA. Currency indicator 1 expresses a simplified measure of the extent of the Bank's positions in foreign currency, and is calculated as the 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 2021, had experienced a loss on currency positions of 2.5% of currency indicator 1, all other things being equal, the profit before tax would be TDKK 245 lower (2020: TDKK 165 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 2021 had been 10% lower, all other things being equal, the profit for the year before tax would be TDKK 13,890 lower (2020: TDKK 12,276 lower), as a consequence of a negative fair value adjustment of the share portfolio.

Property risk:

If the value of the Bank's properties on 31 December 2021 had been 10% lower, the negative value adjustment of properties, all other things being equal, would be TDKK 24,729 before tax (2020: TDKK 22,965 lower).

33. Five-Year Financial Highlights and Key Figures

	2021	2020	2019	2018	2017
Net interest and fee income	338,933	326,513	323,507	316,647	312,528
Value adjustments	11,219	136	9,585	-1,546	-6,368
Other operating income	6,185	5,369	5,722	5,385	5,240
Staff and administration expenses	186,385	178,734	170,895	160,457	155,510
Depreciation and impairment of tangible assets	7,014	6,948	6,672	6,765	6,840
Other operating expenses	2,497	2,610	2,788	2,011	2,709
Write-downs on loans and receivables, etc.	1,537	12,828	7,959	10,938	13,734
Profit before tax	158,904	130,898	150,500	140,315	132,607
Tax	26,072	34,671	20,582	27,423	24,986
Profit for the year	132,832	96,227	129,918	112,892	107,621
SELECTED BALANCE SHEET ITEMS:					
Lending	3,783,681	4,006,248	3,758,736	3,472,174	3,335,119
Deposits	5,363,871	5,847,772	5,687,451	4,899,044	4,205,612
Equity	1,267,911	1,176,917	1,077,676	999,159	958,458
Total assets	7,226,988	7,438,325	7,089,915	6,164,536	5,355,010
Contingent liabilities	1,781,465	1,621,831	1,479,537	1,277,604	1,161,181
OFFICIAL KEY FIGURES:					
Solvency ratio	24.4	23.5	23.4	22.7	22.7
Core capital ratio	24.4	23.5	23.4	22.7	22.7
Return on equity before tax	13.0	11.6	14.5	14.3	14.1
Return on equity after tax	10.9	8.5	12.5	11.5	11.4
Rate of return	1.8	1.3	1.8	1.8	2.0
Income per cost krone	1.8	1.7	1.8	1.8	1.7
Interest rate risk	1.2	1.1	2.1	2.0	1.1
Foreign exchange position	0.8	0.6	0.9	0.5	1.6
Lending plus write-downs as a ratio of deposits	69.1	68.8	67.2	73.1	82.2
Lending as a ratio of equity	3.0	3.4	3.5	3.5	3.5
Growth in lending during the year	-5.6	6.6	8.3	5.0	8.5
Liquidity Coverage Ratio	238.6	241.0	238.8	282.1	222.4
Sum of large exposures	156.7	162.6	163.5	160.4	160.2
Ratio of receivables at reduced interest rates	0.5	0.8	0.8	0.9	0.6
Write-down ratio for the year	0.0	0.2	0.1	0.2	0.3
Accumulated write-down ratio	3.2	3.2	3.3	3.5	3.1
Profit for the year per share	73.8	53.5	72.2	62.7	59.8
Net book value per share	704.0	653.8	599.0	555.0	532.0
Dividend per share	40.0	25.0	0.0	30.0	30.0
Listed price/profit for the year per share (PE)	8.1	11.0	7.6	8.7	10.9
Stock exchange quotation/net book value per share	0.8	0.9	0.9	1.0	1.2

33. 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.

Liquidity coverage ratio

Liquidity buffer/payment obligations within 30 days.

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.

34. 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:



Former CEO Gunnar í Liða

Born on 13 April 1960 (male)

Joined the Board of Directors on 6 April 2005. Last re-elected in 2021. Current term expires in 2023.

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 and Vist P/F (Chairman)

Chairman of the Nomination Committee of:

- Bakkafrost P/F

Gunnar í Liða holds an MSc(Econ), supplemented with a management qualification from Wharton Business School, and was employed in the Faroese financial sector from 1988 to 2010 – until the end of 2010 as Director of the Faroe Islands' largest insurance company, when he resigned from this position.

Gunnar í Liða also has substantial Board experience from Faroese companies, including financial activities, and a special insight into North Atlantic economic affairs and financing.



Director Kristian Frederik Lennert INUPLAN A/S

Born on 30 November 1956 (male)

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

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

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

Member of the Board of Directors of:

- INUPLAN A/S (Chairman)

Director of:

- Ejendomsselskabet Issortarfik ApS
- Attavik-Udlejning

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



**Programme head Maliina Bitsch Abelsen
Unicef Greenland**

Born on 7 February 1976 (female)

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

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

Member of the Audit Committee and member of the Risk Committee

Owner of

- Pikiala

Co-owner of:

- Yogarta I/S

Member of the Board of Directors of:

- Royal Greenland A/S (Vice 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.



**Branch Director Malene Meilfart Christensen
GrønlandsBANKEN A/S**

Born on 9 August 1979 (female)

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

Member of the Audit Committee and member of the Risk Committee



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 2021. Current term expires in 2023.

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

Member of the Audit Committee and member of the Risk Committee

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

Member of the Boards of Directors of:

- Vestjysk Bank A/S
- AG Gruppen A/S (Chairman)
- AG Construction A/S (Chairman)
- AG Development A/S (Chairman)
- AG Invest A/S (Chairman)
- Vækstfonden (Vice Chairman)

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



Deputy manager Yvonne Jane Poulsen Kyed
GrønlandsBANKEN A/S

Born on 29 January 1970 (female)

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

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



Communication and Marketing Manager
Niels Peter Fleischer Rex
GrønlandsBANKEN A/S

Born on 02 October 1981 (male)

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

Member of the Audit Committee and member of the Risk Committee

Member of the Board of Directors of:

- Elite Sport Greenland



Finance and Administration Manager
Peter Angutinguaq Wistoft,

Born on 8 April 1964 (male)

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

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

Member of the Audit Committee and member of the Risk Committee

Member of the Board of Directors of:

- Usisaat ApS

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

Peter Wistoft is Head of Finance & Administration of Trinity Hotel og Conference Center A/S, and a former CEO of Kalaallit Airports Holding A/S. He is a state-authorized 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.



CEO Ellen Dalsgaard Zdravkovic
Nærpension forsikringsformidling A/S

Born on 05 July 1972 (female)

Joined the Board of Directors on 24 March 2021. Current term expires in 2023.

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

Member of the Audit Committee and member of the Risk Committee

Ellen Dalsgaard Zdravkovic is CEO of Nærpension, a subsidiary 100% owned by AP Pension, which intermediates pension and insurance solutions to 30+ Danish local banks.

Her professional experience includes positions at the Danish Ministry of Finance, as manager of the Quartz consultancy, and at ATP for many years, as a consultant, department manager and most recently as vice president.

Ellen Dalsgaard Zdravkovic holds an MSc in Political Science from the University of Copenhagen. In 2021, Ellen Dalsgaard Zdravkovic completed a board of directors programme within insurance and pensions at Copenhagen Business School, and has also taken a number of MBA subjects at Rutgers University, as well as a management programme at London Business School.

Ellen Dalsgaard Zdravkovic has extensive experience with transformations, innovation and digitalisation of complex processes with many transactions, compliance and sustainable transition.



Managing Director Martin Birkmose Kviesgaard
GrønlandsBANKEN A/S

Born on 23 May 1966 (male)

Joined the Executive Management on 1 March 2006.

Member of the Boards of Directors of:

- BEC Financial Technologies a.m.b.a.
- Fugleværnsfonden



Information about the BANK of Greenland

The BANK of Greenland

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Board of Directors

Former CEO Gunnar í Liða, Chair
Director Kristian Frederik Lennert, Vice Chair
Programme head Maliina Bitsch Abelsen
Branch Director Malene Meilfart Christensen*)
Former Executive Vice President Lars Holst
Deputy Manager Yvonne Jane Poulsen Kyed*)
Communication and Marketing Manager Niels Peter Fleischer
Rex*)
Finance and Administration Manager Peter Angutinguaq
Wistoft
CEO Ellen Dalsgaard Zdravkovic

*) Employee representatives

Executive Management

Managing Director Martin Birkmose Kviesgaard

Audit Committee

Comprises the full Board of Directors.

Risk Committee

Comprises the full Board of Directors.

Remuneration Committee

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

Nomination Committee

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

Audit

Deloitte

Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6, DK-2300 Copenhagen

Financial calendar and stock exchange notifications

Financial calendar for 2022

Annual Report 2021	2 March
Annual General Meeting in Nuuk	29 March
Interim report, First Quarter 2022	10 May
Interim report, First Half 2022	17 August
Interim Report, First Nine Months 2022	2 November

Notifications to the stock exchange in 2021

27 January	Upward adjustment and specification of expectations for 2020
1 March	Annual Report 2020
3 March	Notice convening the Annual General Meeting
10 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
19 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
24 March	Minutes of the 2021 Annual General Meeting
24 March	Articles of Association 2021
11 May	Interim Report, First Quarter 2021
21 May	Major shareholder notification
23 June	Major shareholder notification
24 June	Major shareholder notification
18 August	Interim Report, First Half 2021
10 September	Financial Calendar 2022
4 October	Decision concerning MREL requirement for the BANK of Greenland – Capital objective and agreement with the Danish Ministry of Industry, Business and Financial Affairs.
13 October	The BANK of Greenland issues DKK 50 million Senior-Non-Preferred
19 October	Upward adjustment of expectations for 2021
3 November	Interim Report, First Nine Months 2021
16 November	Insiders' trading – Erhvervsfonden
15 December	Adjusted capital objective