

Chairman's Verbal Report

Annual General Meeting, 25 March 2020

Due to the situation with the escalating coronavirus and the resulting Covid-19 pandemic, and the prohibition of meetings of more than ten people, there is very limited attendance of this annual general meeting, but I would still like to welcome you all. As stated by the chairman of the meeting, it is pleasing to note that so many people have given power of attorney and proxy votes to the Board of Directors, so that the actual participation today is considerable. I would therefore like to thank the shareholders for their support to the Board of Directors.

Growth in lending and capital gains gave the best result in the BANK of Greenland's history in 2019, which the Board of Directors describes as satisfactory. I will revert to the financial statements shortly, and Managing Director Martin Kviesgaard will then review the bank's annual report in greater detail.

I usually comment on the development in the world around us during the past year, which also affects our own and our customers' activities. Due to the very special situation faced by the world today. I will, however, reduce my review of external developments in 2019, and instead refer to the detailed economic report included in the annual report.

There is no doubt that the pandemic caused by the coronavirus is the greatest concern right now. It is difficult to say how much this will affect the development in the global economy this year, but there is no doubt concerning its impact on the markets, just as millions of people are affected. Based on the price fluctuations we have witnessed on the international stock exchanges, we can note that we need to go back to the financial crisis in 2008/2009, or even further back, to see anything like this development.

I will now turn to our own world, and then consider our assessment of the immediate future.

The BANK of Greenland achieved a profit before tax of DKK 150.5 million in 2019, which is the best result in the bank's 52-year history.

There is no doubt that 2019 was another busy year for the BANK of Greenland. The bank's market position was strong. In fact, we have never had so much money out working in society as we did in 2019.

We interpret this to mean that the bank is competitive and that we deliver an attractive product to people and companies in Greenland. We also seek to maintain the bank's reputation at a high level. We can see from the surveys performed that we have a good reputation, and this should in particular be viewed in the light of how in current years the overall sector is fighting to defend its reputation.

We believe that our vision to be for the benefit of Greenland, with constant focus on business development, represents value, and we believe that this is acknowledged, and that customers reward this by giving their business to the bank. There are many examples of this, and in particular the work on housing projects, several thousand Qimatut pensions, and many environmental and Illuga loans, are helping to create value.

I also know that this has generated a lot of activity in the bank. In particular, I would like to thank the bank's employees and managers for their extraordinary contributions. You have been vital to achieving the fine results in recent years. I also know that there is a lot of activity to operate and change the bank in the shadow of the coronavirus and the challenges this presents. Beyond the considerable immediate uncertainty, we believe that the development opportunities in the slightly longer term must still be expected to be favourable. It will be exciting to be part of our own development, but also of Greenland's development after the corona crisis.

In November, the BANK of Greenland received a visit by the Danish FSA. The bank published the FSA's supervisory report earlier in the month, and in this context the Executive Management commented that in the annual report the bank has taken account of the mandatory orders issued concerning write-downs, and that the bank is complying with the orders given.

There is no doubt that the bank, like other banks visited during 2019, has seen a tightening of the FSA's assessments of exposures and the administrative practice. We do not consider everything to be quite reasonable in relation to the bank's size and documented stable operation over many years, but we naturally take note of this, and will adhere to the FSA's instructions.

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

As notified in the stock exchange announcement on 18 March, the Board of Directors has proposed the cancellation of the shareholder dividend of DKK 30 per share stated in the annual report. As the annual report shows, the bank's solvency ratio would be 22.5 if dividend were to be paid. We will later present the accounting consequences of the cancellation of dividend, but I can say that the solvency ratio will thereby increase to 23.4.

As stated in the stock exchange announcement, the Board of Directors has assessed that in this situation it is vital that the bank backs up with maximum equity strength, in order to support the credit requirements of companies in Greenland in view of the uncertain situation. Therefore we have chosen to cancel the dividend for the year.

In the aforementioned stock exchange announcement, the Board of Directors also stated that it is possible that an extraordinary general meeting might be convened later in the year, to consider the payment of dividend, if the situation improves and the capital requirement is reduced.

The bank's management has assessed the impact of the situation on the bank's operations and credit-loss expectations. This included consideration of other assets and in particular the risk of value adjustment of securities. The basic operations may also be affected by any decline in the lending volume, as a consequence of lower economic activity. All of these factors are assessed on the basis of a scenario with a significant impact around five months ahead, and thereby on the basis that the tourist season may actually have been lost.

In the preliminary statement on 18 March, the estimated result is changed from an expected annual profit of DKK 120-140 million before tax, to an expected annual profit of DKK 80-130 million before tax. This reflects the uncertainty of the assessment of the consequences, but also that we assess operations to be very robust.

We also assess that, even if Greenland is affected, and particularly the tourist sector, Greenland's economic position is still relatively favourable.

The key stabilising factor is the Danish block grant, which significantly stabilises the overall economy, while the large public sector and the strong, large publicly owned companies also have a stabilising effect.

The coronavirus situation will affect the economic development in Greenland, but by how much is still uncertain.

Copenhagen Economics has calculated this for the bank. In 2019, tourism accounted for a modest 1.9% of GDP. With multiplier effects, it is probable that GDP growth will fall from the previously expected around 3% in 2020 to closer to 0. There is no doubt, however, that the massive packages of economic assistance now being introduced will be of great significance. Food exports from the fishing industry are not yet affected significantly. A certain spillover to other sectors must be expected, however, and it will probably not be possible to estimate GDP before greater clarity is achieved. It is, however, vital to emphasise the importance of economic assistance packages not being financed in a way that entails seeking to help one sector by transferring an excessive share of the bill to another sector.

Other sectors may and must be expected to be affected, but our immediate assessment is that Greenland is a good place to be, particularly from an economic aspect, when a global crisis is unfolding. This was also our experience during the financial crisis around ten years ago.

When the situation has normalised, and we naturally do not know when this will be, we expect to see activity resulting from the airport construction projects that have been launched, and consequential investments in infrastructure and new business opportunities. We must admit that the economic visibility has diminished significantly, but we nonetheless assess that in the slightly longer term there are still good opportunities for development in Greenland. This will also be reflected in the continuing strength of the bank's traditional business, even though the development in 2020 is naturally subject to greater uncertainty.

Later on the agenda, the annual general meeting will consider a shareholder proposal calling on the bank's Board of Directors to contact BankNordik concerning a merger or other binding cooperation. The same shareholder has also proposed that the bank purchase own shares on a significant scale. Under the agenda item, I will describe why the bank's Board of Directors has recommended that both proposals be rejected.

In 2019, the bank received an award for its CSR reporting. This was an award for the best reporting by small and medium-sized enterprises to the Global Compact. This is a fine acknowledgement of our employees' great efforts, for the benefit of Greenland. The latest CSR report can be read in "Report on the BANK of Greenland's corporate social responsibility in 2019" on the bank's website. On the website there is also a description of how we relate to the "Recommendations for corporate governance".

In 2019, the BANK of Greenland's Executive Management comprised Managing Director Martin Kviesgaard. In accordance with the Danish Financial Activities Act, the Chairman's report must include a report on the remuneration of the company's executive management. This remuneration amounted to DKK 3.254 million in 2019, compared to DKK 3.194 million in 2018. The remuneration package comprises salary including pension, holiday travel and company car, and telephone and Internet according to applicable rules in Greenland. Besides the remuneration package, severance pay of DKK 271,000 has been calculated for the year. This will only be paid out if certain specific conditions are fulfilled, if the Managing Director's employment continues for a number of years.

Before concluding this report from the Board of Directors, I would like to take this opportunity to thank the bank's many customers who have given us their business, and also thank the many business contacts and, not least, the bank's shareholders for good and constructive cooperation during the past year.

According to the Articles of Association, Kristian Frederik Lennert, Maliina Abelsen and Peter Angutinguaq Wistoft resign from the Board of Directors at the end of their term of office. The Board of Directors proposes the re-election of Kristian Frederik Lennert, Maliina Abelsen and Peter Angutinguaq Wistoft. Finally, I would also like to thank my colleagues in the Board of Directors for good and constructive cooperation.

The battle against the coronavirus is raging in Greenland, and even though there is general concern as to how this will develop, we hope that we can avoid the tragic consequences seen in several other countries. I would like to thank everyone for the great efforts being made in many parts of our society to help ensure that we can avoid this.

Thank you for your attention!