

# Annual Report

## 2022

The Annual Report has been prepared in a Danish and an English version. In case of discrepancy between the Danish-Language original text and the English-Language translation the Danish text shall prevail.

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# Management's Review

## Annual Report in Headlines

### A year of market turmoil and a significant increase in business volume

Geopolitical uncertainty, supply chain challenges, and increasing inflation and interest rates affected the global economy in 2022, but Greenland's economy continues to be robust. The financial markets' performance and Greenland's robustness are both reflected in the Bank's Annual Report for 2022. In 2022, the Bank made significant progress in virtually all business areas, while impairment write-downs were low, although negative value adjustment of the Bank's bond portfolio reduced the Bank's profit.

The BANK of Greenland achieved a profit before tax of DKK 109.1 million in 2022, compared to DKK 158.9 million in 2021. The result is within the revised guidance from October 2022 of a profit of between DKK 90 and 120 million.

### Core operations at an improved level

The Bank's core operations improved from DKK 149.2 million in 2021 to DKK 153.0 million in 2022.

After declining in 2021, lending grew significantly in 2022. Lending increased by DKK 570 million to a record-high level of DKK 4,354 million at the end of 2022. The increase in lending is a result of the Bank's favourable market position, Greenland's

continued sound economic performance and, in particular, the business community's great propensity to invest in 2022.

In 2022, net interest income increased by DKK 9.1 million to DKK 243.2 million. This modest increase reflects, among other things, that a significant part of the increase in lending took place in the last part of 2022. The last part of 2022 therefore also shows a clear improvement in net interest.

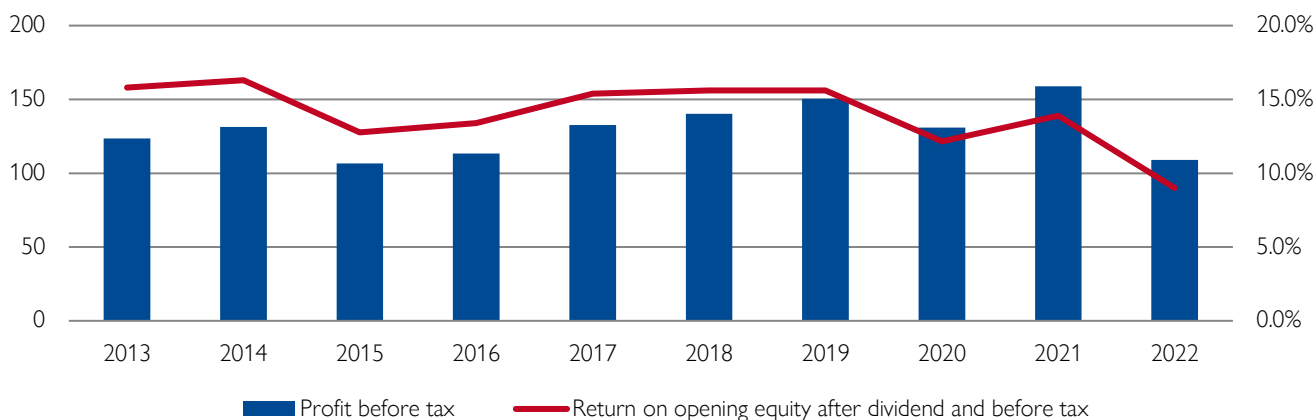
The sustained high construction activity and home sales meant that the Bank's guarantee volume increased in 2022. At the end of 2022, guarantees amounted to DKK 1,934 million, compared to DKK 1,781 million in 2021.

Money-market interest rates changed from negative to positive in 2022. This improved the return on the Bank's surplus liquidity, and the Bank has re-introduced positive deposit interest rates for the Bank's customers.

Fee and commission income increased in 2022, compared to the previous year. Key drivers of this increase included the expanding volume of guarantees, as well as the investment area.

Costs also rose in 2022. The increase can be attributed primarily to staff expenses. As a consequence of a changed principle for the calculation of holiday pay obligations, staff

DKK million



expenses increased by a one-off amount of DKK 5.2 million. The Bank has a by and large unchanged number of full-time employees, but the pay increases under collective agreements also increased staff expenses in 2022.

### Limited losses and write-downs

Write-downs and provisions amounted to a modest DKK 4.5 million in 2022, compared to DKK 1.5 million in 2021. The overall level of write-downs is still relatively low, but does reflect an increased and significant management reserve now amounting to around DKK 42 million, including amounts for derived cyclical effects, rising inflation and increasing interest rates. Society and customers have thereby once again demonstrated considerable economic robustness, despite the uncertainty in the world around us.

### Capital losses

The Bank's liquidity is placed in the money market, in bonds and, to a certain extent, in sector shares. The increasing interest rates and general market turmoil resulted in higher capital losses on the Bank's bonds. However, the Bank's sector shares and the currency area continued to make a positive contribution. In 2022, value adjustments resulted in a capital loss of DKK 39.4 million, compared to a capital gain of DKK 11.2 million in 2021.

### Growth in the Bank

The Bank experienced significant growth in 2022. Lending increased by 15%, reaching the highest level in the Bank's history, while the investment and pension area also expanded. Based on ongoing private and public investments, the Bank expects continued growth in 2023, but at a lower level than in 2022.

### Balance sheet, capital and dividend

The BANK of Greenland's capital-intensive activities, and lending and guarantees in particular, expanded significantly in 2022, requiring continued 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 2022, the Bank therefore continued to issue both Tier 2 and Tier 3 capital.

The capital base is still assessed to be robust. On this basis, dividend of DKK 20 per share, equivalent to 36% of the profit for the year, is therefore proposed, after which the Bank has a solvency ratio of 23.6, compared to 24.4 in 2021. The solvency requirement amounts to 11.1%, compared to 10.7% in 2021.

### Outlook for 2023

Greenland continues to avoid being affected by rising inflation, and even though inflation may rise in 2023, we still expect favourable development in the banking business. Together with the return to positive interest rates, the Bank expects improved core operations in 2023.

Uncertainty in the capital markets will affect the Bank's value adjustments. We nonetheless expect losses and write-downs to remain at a low level, and derived risks related to inflation, rising interest rates and cyclical uncertainty in 2023 are assessed to be covered by the current level of impairment write-downs.

The Bank expects a profit before tax of DKK 130-170 million for 2023. This expectation corresponds to the notification in the stock exchange announcement of 15 December 2022.

Nuuk, 1 March 2023

Martin Birkmose Kviesgaard, Managing Director





### Greenland's Society and Economy

Globally, 2022 was a year characterised by economic uncertainty. The year was affected by the aftermath of Covid-19, Russia's invasion of Ukraine, increasing food and commodity prices and rising interest rates. Despite these negative global trends, Greenland's economy is still taking a positive course. Provisional data shows that Greenland experienced substantial GDP growth, relatively low inflation and continued low unemployment. Furthermore, the export value of fish and shellfish was higher in 2022 than in the preceding years. Tourism also rebounded in 2022, and is now at a higher level than before Covid-19. Greenland's economic and commercial development in 2022 was thus generally positive. Nonetheless, the BANK of Greenland finds that the development in public finances, among other things reflecting major structural challenges, gives grounds for concern. Ensuring a sustainable long-term fiscal policy therefore requires major comprehensive reform initiatives and business development to be firmly on the agenda, so that Greenland can continue to handle potential cyclical shocks and increasing global uncertainty.

In this year's Annual Report, we consider these topics as three overarching themes. The first theme concerns the overall economic development, and the second theme deals with business trends and potential, while the last theme considers the structural challenges which Greenland faces.

#### Overall economic development

##### Economic growth

Despite the global economic situation, Greenland's economy remains strong. Provisional data shows that GDP grew by 1.2% in 2021, despite the Covid-19 pandemic, reflecting high activity and low unemployment. In 2022, Greenland's economic upswing continued. The BANK of Greenland therefore expects higher economic growth in 2022 than in 2021.

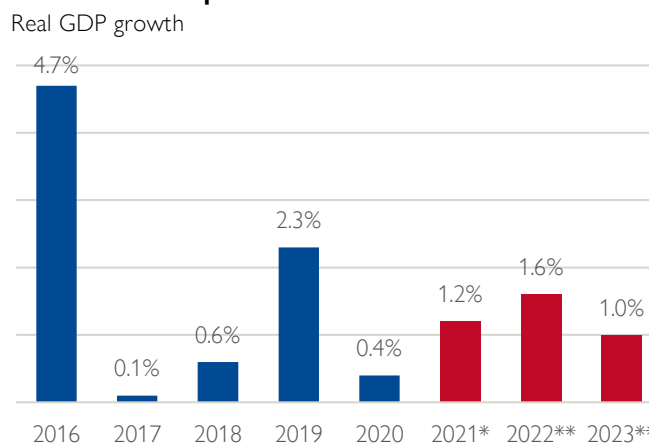
As in 2021, economic progress was driven especially by an easing of fiscal policy, with significant building and construction investments in particular, as confirmed by the level of activity around the airports in Nuuk and Ilulissat. There is also construction of schools and childcare institutions in Nuuk, together with residential construction projects that are particularly evident in Nuuk and Ilulissat.

Provisional data for 2022 also indicates that the year's fisheries exports are helping to drive economic progress. Fisheries exports have returned to a high level after declining export values in 2020 and 2021. This is due in particular to higher price levels for fish and shellfish. In addition, the tourism sector has expanded to a higher level than both the previous year and prior to the Covid-19 pandemic. The negative effects of rising

energy prices and considerably higher interest rates thus do not yet appear to have affected economic activity significantly.

Greenland's Economic Council's cyclical assessment from September estimates GDP growth at 1.6% in 2022. Based on economic activity in the last two quarters of 2022, the BANK of Greenland assesses that GDP increased by between 1.5% and 2% in 2022. In 2023, the higher price and interest rate levels, as well as the expected rising energy prices from the last part of 2023, will have a negative impact on consumption and investments. Falling oil prices in the last part of 2022 are positive and a high level of construction activity at the start of 2023 supports low unemployment. The BANK of Greenland therefore expects GDP growth to continue in 2023, although at a slightly lower level than in 2022, see Figure 1.

**Figure 1**  
**Economic development**



Note: 2016-2018 are final figures, while 2019-2020 are provisional figures. 2021\* is based on Greenland's Economic Council's preliminary economic assessment. 2022-2023\*\* is based on the BANK of Greenland's estimate. The figure shows real GDP growth, compiled in 2010 prices.

Sources: Statistics Greenland and Greenland's Economic Council.

It is important to emphasise that the positive economic development is not uniform across the country. The growth is driven by Nuuk and the larger northern Greenland towns, which is also reflected in their historically low unemployment rate. There is higher unemployment in southern Greenland and Tasiilaq, which contributes to considerable pressure as more people move to Nuuk, with increasing demand for housing and welfare services such as education, childcare institutions and healthcare. Positive economic growth can only be achieved if a number of critical conditions are in place. This includes handling the lack of manpower and the substantial imbalance between housing demand and supply in Nuuk in particular, as well as access to welfare services for children, adults and the elderly.

*Price trends*

Major global conflicts and uncertainty brought significant price increases, particularly for energy, food and materials, to large parts of the world in 2022. For example, inflation was just below 9% in both Denmark and the Faroe Islands in 2022, see Figure 2. This trend was reflected throughout the EU, where inflation exceeded 11% in November 2022.<sup>1</sup> Despite these global price increases, Greenland's inflation remained relatively low. Consumer prices in Q3 2022 were only 2% higher than at the same point in 2021.

The relatively limited increase in inflation in Greenland so far is partly due to price hedging agreements for, among other things, energy supplies. While the global supply crisis exerted pressure on global prices, Greenland benefited from hydroelectric power as an energy source. Polaroil, which has an obligation to supply oil and diesel products to Greenland, furthermore has a fixed price agreement for oil. This fixed price agreement is valid for the period from 2021 to 2023 and therefore currently serves as a buffer against price increases for oil products, so that consumer prices are affected to a lesser extent. If the global situation is unchanged when the fixed price agreement expires at the end of 2023, this is expected to have a significant impact on consumer prices in Greenland, even though the current oil price has fallen significantly from its peak in the summer of 2022.

An expectation of increasing import prices will affect the level of economic activity, since higher consumer prices entail lower purchasing power.

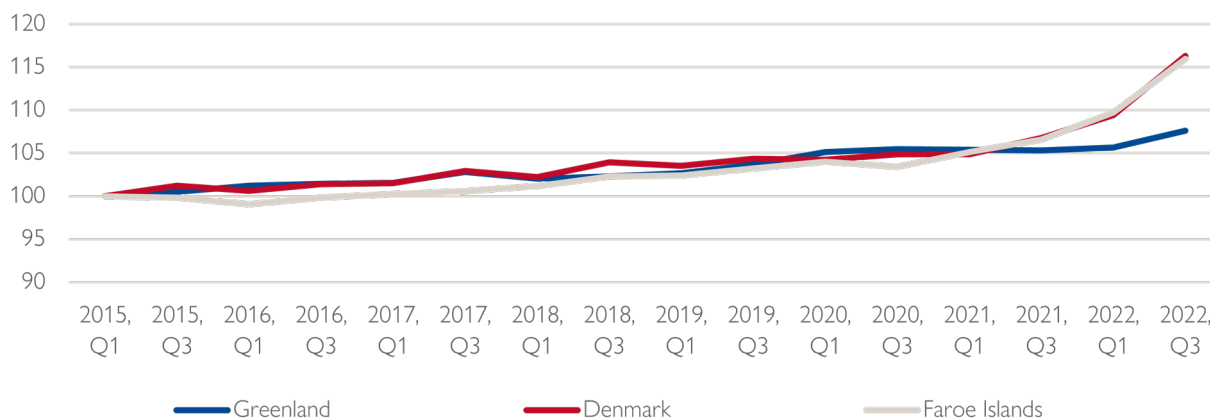
Increasing inflation also resulted in the central banks raising interest rates significantly. Rising interest rates have an impact on the purchasing power and propensity to invest of both private consumers and businesses. The BANK of Greenland assesses that this can be expected to have a knock-on effect on activity in the retail sector and the construction industry, for example.

*Housing market*

Greenland's housing market has experienced steady growth for several years. From 2015 to 2022, housing prices in Nuuk increased by around 31% in current prices, which is at the level of the average development in Denmark up to 2021, but significantly below housing price trends in Copenhagen or Thorshavn, for example. The demand for housing has generally been high in recent years, particularly in Nuuk and Ilulissat. Development has been driven by urbanisation, resulting in migration towards Nuuk, which has led to a high demand for housing that cannot be sufficiently met by the current housing supply. It has been sought to rectify the imbalance between supply and demand by constructing more residential buildings, but housing prices have nonetheless shown stable increases. The development stagnated in 2022, however. This may, among other things, reflect the rising interest rates, but fluctuations from year to year are also affected by a changing

**Figure 2**  
**Development in inflation**

Index (2015=100)



*Note:* Development in the consumer price index from 2015 to 2022, with 2015 as index 100. The figure is calculated at six-monthly intervals. Q1 is the first quarter and Q3 is the third quarter.

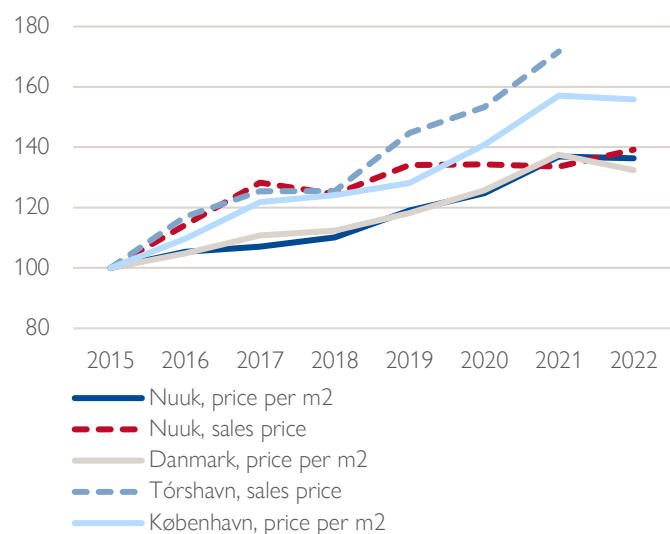
*Sources:* Statistics Greenland, Statistics Denmark and Statistics Faroe Islands.

<sup>1</sup> Eurostat, PRC\_HICP\_MANR.

supply of newly built flats. In terms of the average sales price per home purchased, this has not increased significantly in recent years. Buyers have thus increasingly purchased smaller homes, (such as newly built homes) and actually purchased homes according to what the individual household can afford. This means that the price increase does not have as great an impact on the individual household's available income as the increase in the price per square metre would otherwise indicate. In view of a higher level of interest rates at the start of 2023 and expected rising energy prices in the longer term, downward pressure on housing prices can be expected. Homeowners in Greenland are less affected by the development in interest rates, however, as mortgage-credit loans in Greenland are only available at fixed interest rates with instalment payments.

**Figure 3**  
**Development in housing prices**

Housing prices in Nuuk, Denmark, Copenhagen and Thorshavn, index (2015=100)



*Note: 2015=100. Price trends in Nuuk (Greenland), Denmark and Copenhagen are compiled in DKK per m2 for detached and terrace houses, as well as owner-occupied flats, while for Thorshavn (the Faroe Islands) and Nuuk (Greenland) the prices are compiled on the basis of sales prices. The prices are adjusted by the consumer price index. Data for Denmark is based on Q4, except for 2022, which is based on Q3. Data for the Faroe Islands is only until 2021 due to missing data.*

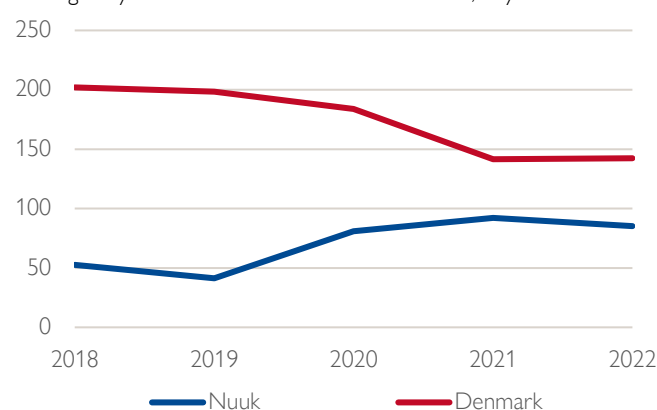
Sources: Finance Denmark, BANK of Greenland and Statistics Faroe Islands.

The high demand for housing in Nuuk is also of great significance to the average number of days on market. Days on market were below two months in 2018 and 2019 and around a quarter of the Danish days on market for the same period. According to real estate agents in Nuuk, days on market have increased slightly since then, and in 2022 it took an average of 85 days to sell a home in Nuuk, which must still be considered

to be a short time. As described, the expectation is that we have not yet seen the full impact of the increasing inflation and interest rates, as well as the expected rising energy prices. We are therefore likely to see an increased impact on the housing market in the coming years. Migration to Nuuk and the larger towns has the opposite effect, however, by supporting the housing market in these areas.

**Figure 4**  
**Development in average days on market**

Average days on market in Nuuk and Denmark, days



*Note: Days on market denotes the average number of days a detached or terraced house, or owner-occupied flat, has been offered for sale before it is removed from the market. For Greenland, only sold homes are included, while the Danish figures also include homes that are not sold. Days on market are calculated on the basis of the date of sale/delisting.*

Sources: The BANK of Greenland and Finance Denmark.

**OI balance – Development in government budgets**

Even though 2021 was a year with reasonable economic performance, with GDP growth and low unemployment, there was a significant deficit on the OI (operations and investment) balance – around twice the deficit budgeted by Naalakkersuisut in the 2021 Finance Act, see Table 1.

This contradicts last year's expectations of a smaller deficit than budgeted. This expectation was based on Greenland weathering the crisis better than feared. The actual deficit in 2021 is due, among other things, to public expenditure on support packages, emergency aviation and the health service. In addition, significant resources were allocated for the building and construction activities for airports, incineration plants and hydroelectric power plants, which are partly financed by the Treasury. At the same time, growth in public sector employment led to higher salary expenditure.

An OI balance below budget is not necessarily negative, since this depends on the reason for the downward adjustment. If, for example, it is due to profitable investments with a positive present value, the Budget Act is complied with and the



economy is otherwise sound, this may be deemed to be appropriate.

For 2022, a small surplus is expected, cf. the Finance Act for 2022. Based on the favourable economic development in 2022, it can be expected that the Treasury performed well during the year. For the coming years, the Finance Act Agreement budgets for a substantial four-year surplus of almost DKK 173 million, without a single deficit year in the 2023-2026 period. This is supported by the fact that income from the fisheries industry is currently likely to increase due to rising fish prices and falling oil prices, and that the block grant is adjusted in line with price trends in Denmark and will thereby be higher than usual.

The increase in public construction activities is also reflected in Greenland's debt level. In 2021, the gross interest-bearing debt of the Greenland Government, municipalities and publicly-owned companies amounted to just over 27% of GDP.

In view of the high level of construction activity, the debt will increase in the coming years.<sup>2</sup> This increase does not reflect the Greenland Government's debt, which is budgeted to diminish and actually disappear up to 2025, but an increasing gross debt for the municipalities and publicly-owned limited liability companies. There is still considerable residential construction activity, while Naalakkersuisut is also undertaking major

investments in Greenland's infrastructure, including the airports in Nuuk, Ilulissat and Qaqortoq. Some elements of the construction activity are intended to settle the maintenance backlog that has accumulated for homes, infrastructure, ports and energy supply.<sup>3</sup>

It must be emphasised that the debt level in Greenland has been at a very low level for quite some time, and even though it is higher this year, it is still well below the European average.

An increase in the interest-bearing debt will, all other things being equal, scale up the risk exposure. This may be economically viable, however, depending on whether the debt is used for profitable investments. Investing in Greenland's homes, infrastructure and supply systems is positive, if the investments are profitable, but since the construction activities will be financed by establishing debt, this should take place with due consideration of both the increased risk exposure and the alternative investment opportunities. To ensure that a responsible fiscal policy is implemented, it was adopted by law in 2021<sup>4</sup> that the total appropriations for operations, grants and investment in the municipalities' and the Greenland Government's annual budgets/finance acts, including budget forecast years, may not exceed real growth of 1% over one year and 2% over four years. This management instrument will ensure control of growth in public expenditure and will therefore in the longer term support the gradual reduction of the economic sustainability problem.

As described, the current global economic uncertainty may reduce the propensity to invest in the construction industry.

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

	2018	2019	2020	2021	2022	2023	2024	2025	2018-2021	2022-2025	2023-2026
Budgeted											
OI balance, Finance Act	+11.2	+7.2	+49.6	-76.2	+7.6	+6.1	+11.8	+62.6	+92.3	-11.8	+172.8
Actual											
OI result	+132.7	+142.0	-134.8	-150.0						-135.2	
Difference	+121.5	+134.8	-184.4	-73.8						-123.4	

Note: A minus indicates a deficit. The figures for 2018-2021 are actual figures, while the figures for 2022-2023 are those adopted for the year. The figures for 2024-2026 are budget estimates. The total calculated for 2019-2022 is subject to the assumption that the actual result for 2021 is as adopted.

Source: Finance Acts for 2018, 2019, 2020, 2021, 2022 and 2023 and the Finance Bill for 2023.

<sup>2</sup> Finance Bill for 2023 and GDP estimate from Greenland's Economic Council, "Greenland's Economy – Autumn 2022".

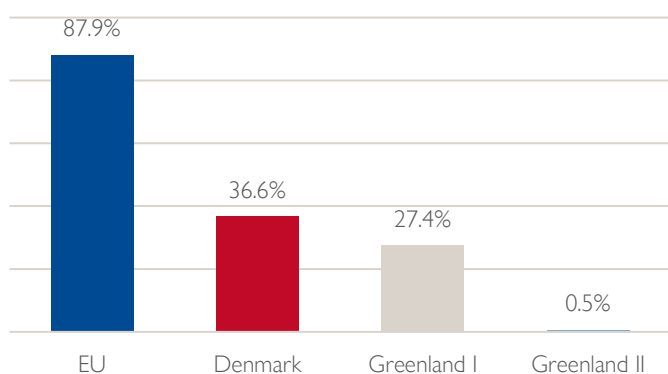
<sup>3</sup> Finance Bill for 2023.

<sup>4</sup> Inatsisartut (Greenland Parliament) Act no. 13 of 1 December 2021, Section 2(2) para (2).

The current prioritisation of public investments to support the reduction of the maintenance backlog can potentially sustain continued activity in the construction industry. However, this must take due account of the current economic upswing, with low unemployment, and that the investments should not further increase inflation.

**Figure 5**  
**Gross public interest-bearing debt in Greenland, Denmark and the EU in 2021**

Per cent of GDP



Note: 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 2023, Statistics Greenland and Eurostat.

**Business conditions**

Since the 1950s, Greenland's business structure has to a great extent been driven by the fishing industry. Today Greenland has an efficient and modern ocean-going fishing fleet. Greenland's fishing industry dominates the country's business structure to such an extent that the business structure can be described as one-stringed.<sup>5</sup> The success of the fishing industry is therefore extremely important for Greenland's economy. Yet potential opportunities also exist within other industries such as tourism, extraction of mineral resources and energy production. Diversification of the business structure to include these sectors, for example, would be desirable, as this would contribute to increased resilience in the economy.

*Fisheries*

Greenland's fisheries exports achieved constant growth for many years, but in 2020 the industry saw a decline in the export value of fish and shellfish, among other things due to falling prices as a consequence of the pandemic's closure of hotels and restaurants around the world. Price levels continued to drop in 2021, when the export value of fish and shellfish

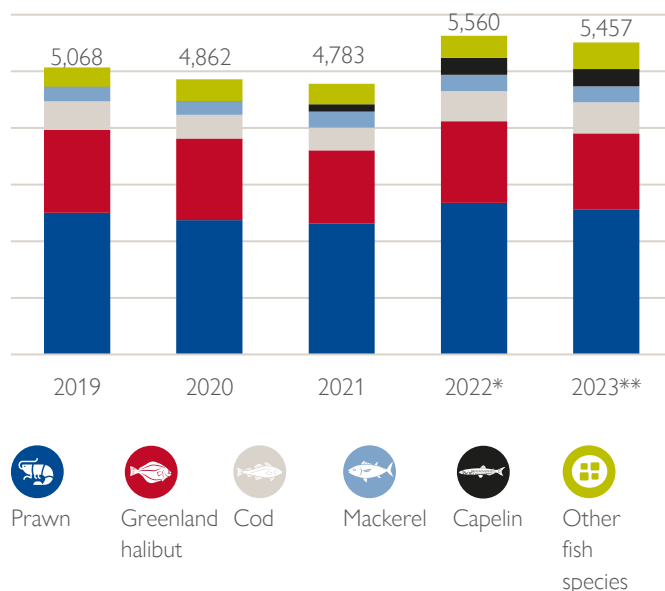
decreased by a further 2%. Looking at the provisional data for 2022, this development has now been reversed and the export value of fish and shellfish increased significantly in 2022, see Figure 6.

The positive development is primarily due to higher fish prices during 2022, thereby matching the international increase in food prices. In Q3 2022, prawn prices were 20% higher, Greenland halibut prices were 24% higher and cod prices were no less than 58% higher than at the same time in 2021.

Based on price increases and the associated higher export value in 2022, it is assessed that the export value will increase by around 16% in 2022 compared to 2021. This means that the year's export value of fish and shellfish will exceed the 2019 level by almost 10%. The continued high international food prices indicate that the export value of fish and shellfish will also be high in 2023. However, the changed fishing quotas could potentially mean that the export value in 2023 will be slightly lower than in 2022, see Figure 6.

**Figure 6**  
**Annual value of exports of fish and shellfish**

DKK million



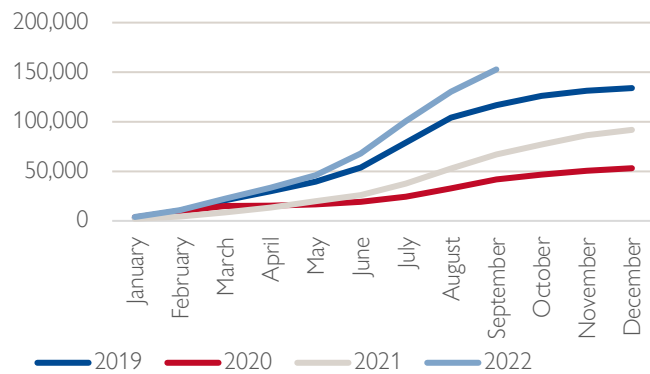
Note: 2022\* are estimates, where mackerel, capelin and other fish species are projected based on data for the first 9 months, due to data availability. The projections are calculated on the basis of seasonal trends from the previous years' catches at fish type level. 2023\*\* are projections, where prices are on average assumed to be identical to 2022, while volumes are assumed to change equivalently to quota changes. The quotas not yet adopted, including for inshore Greenland halibut fishing in East Greenland and deep-sea cod fishing in West Greenland, are assumed to be unchanged from 2022. The prices are not adjusted in relation to the consumer price index and are therefore nominal/current prices.

<sup>5</sup> Bianco (2019), "Ender Grønlands økonom og erhvervsudvikling i fisk" (Will Greenland's economy and business development stay with fish).

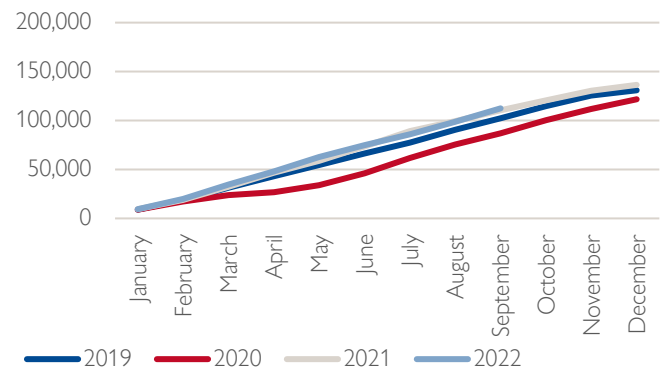
**Figure 7**  
**Development in number of overnight hotel stays**

Number of overnight hotel stays, accumulated annually

Number of foreign-visitor overnight stays



Number of domestic-visitor overnight stays



Note: The figure shows the number of foreign-visitor and domestic-visitor/Greenland overnight hotel stays for 2019 to 2022. The number of overnight hotel stays is accumulated for each year. This means that the last month represents the total annual number. For 2022, the first nine months are included due to data availability.

Source: Statistics Greenland.

Sources: Statistics Greenland, Naalakkersuisut and own estimates.

In addition to the block grant, around one third of the Greenland Government's other revenue comes from fisheries. The rising export prices may partly offset the impact of the increasing import prices, as the terms of trade (ratio between export and import values) improve. This is a very favourable situation for Greenland's economy.<sup>6</sup>

The increasing fish and shellfish prices have been significant in terms of mitigating the consequences of the rising fuel prices, which have particularly affected large vessels, as these are not protected by the service contract for oil products. The industry was also affected by supply-chain challenges and the general price increases for materials, which are among other things reflected in rising packaging prices. If the current uncertainty in the global economy continues in the coming years, this might have the consequence of less stable fish and shellfish consumer markets. However, the current scenario of falling oil prices is positive for the industry and supports a positive assessment of the economic outlook for 2023 for the industry and the Treasury, and measured in GDP terms.

The development of Greenland's fisheries should take great account of biological, social and economic sustainability. A substantial element of fisheries adheres to the biological advice from the Greenland Institute of Natural Resources. For some species, however, the quotas are still higher than recommended by the Institute. A decision not to adhere to the biological

recommendation may reflect local socioeconomic factors. This is a short-term strategy, however, as pressure from fisheries exceeding the recommended level may reduce the catch potential going forward. To ensure that fisheries can continue to make a major contribution to Greenland's economy, it is therefore vital that fisheries adhere to the biological advice.

There are also differences in terms of the social and economic sustainability of fisheries. There is great fluctuation in income distribution across the industry. Some fishermen thus earn a very good living, while others do not fare so well. This reflects the fact that quotas are distributed on too many quota shares and licences, so that fishing is not profitable for the individual fisherman. Pursuant to the Fisheries Commission's report from 2021, it is therefore important to implement fisheries reforms to support that, going forward, Greenland's fishing industry is biologically, socially and economically sustainable for society. Reform initiatives in this area may have negative consequences for the individual family in the short term, but from a long-term societal perspective this will be the right path towards a fishing industry that is ready for the future.

#### Tourism and aviation

In recent years, the tourism industry has been severely affected by the Covid-19 pandemic. However, preliminary figures for the first nine months of 2022 clearly show that the tourism industry is back on track. Compared to 2021, the number of foreign-visitor overnight stays increased by no less than 128%, see Figure 7. Comparison of the number of foreign-visitor overnight stays in 2022 with the level in 2019 (before the

<sup>6</sup> See "Greenland's Economy – Autumn 2021", Greenland's Economic Council.

Covid-19 pandemic) also shows an impressive increase of 31%. This very positive development proves that Greenland is becoming an even more attractive destination for foreign tourists.

The same trend applies to air traffic. In the first ten months of 2022, there were close to three times as many foreign airline passengers flying from Greenland compared to the same period in 2021, see Figure 8. Compared to 2019 (before the Covid-19 pandemic), there is also a small increase of just over 7% in the number of foreign airline passengers.

The significant increase in the number of overnight hotel stays, compared to a smaller increase in air travel, may reflect that foreign visitors stay longer in Greenland. This is positive, since the tourists will presumably also spend more in Greenland. However, some of the increase in foreign-visitor overnight stays may reflect a demand related to migrant labour.

In 2020 and 2021, cruise tourism was interrupted by the Covid-19 pandemic, but in 2022, this form of tourism began to flourish once again. According to Visit Greenland's list of visiting cruise vessels, there were 425 port calls in 2022. In 2019, the number of calls was 395. This increase in cruise tourism has led to some debate concerning such topics as the value creation associated with cruise tourism. One concern is that cruise tourists spend less than other tourists. This concern is also supported by a study of the impact of the cruise industry on Svalbard's local community.<sup>7</sup> This survey shows that cruise

tourists from conventional cruise vessels generate less economic benefit than visitors from expedition cruises.

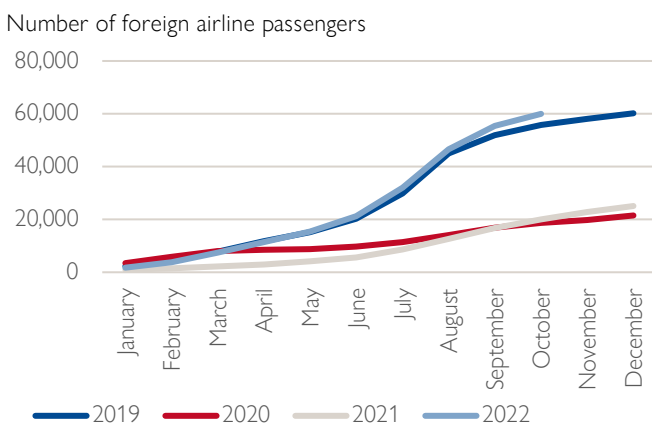
The increases in overnight hotel stays, air traffic and cruise ships in 2022 must be viewed in the light of the global uncertainty, including increasing inflation and consequently declining purchasing power. As inflation is expected to remain relatively high in 2023, this could affect the tourism industry in the long term, with the risk of a new decline in this activity. However, the first figures for 2023 indicate that the number of flight bookings is significantly higher than in 2019.

By the end of 2024, the airports in both Nuuk and Ilulissat are expected to be completed. Among other things, the new airports will have larger terminals and longer starting and landing runways, so that international aircraft will be able to land directly in Nuuk and Ilulissat. Airports alone cannot generate growth in tourism, however, and full utilisation of the increased capacity will probably only be achieved gradually, and will also require investment in initiatives to support tourism. These measures and investments should reflect greater awareness that development must be sustainable in climate, social and economic terms.

To release the full potential of tourism, a number of areas must be developed. They include hotel capacity, where occupancy has been particularly high during the high season. In addition, there is the challenge of a lack of manpower. This applies particularly to the service industries, where skilled manpower such as chefs and waiters is a scarce resource. Investment in

**Figure 8**  
**Development in the number of airline passengers**

Number of airline passengers, accumulated annually



Note: The figure shows the number of foreign and Greenlandic departing airline passengers for 2019 to 2022. Foreign refers to all countries that are not Greenland. The number of departing flight passengers is accumulated for each year. This means that the last month represents the total annual number. For 2022, the first 10 months are included due to data availability.

Source: Statistics Greenland.

<sup>7</sup> Cruise Study Svalbard (2019).

more attractions of high quality will also be necessary to ensure the continued growth of the tourism industry. Many local tourism operators in Greenland are currently finding it challenging to establish stable local tourist services, based on local guides, despite high activity and demand. Finally, a potential barrier may be the availability of the housing, welfare benefits, etc. required by employees who support tourism. The aforementioned barriers must be addressed if tourism is to continue to increase and thereby contribute to economic growth.

In the BANK of Greenland's view the investment in airports and in developing tourism and other industries, in addition to the new infrastructure, is both economically attractive and necessary. On the other hand, it is also obvious that progress will not be made by itself or as a "big bang" in the autumn of 2024, when the airports are completed. This development will take place continuously over a number of years, but on the other hand, it is already well underway. The development of new attractions and experiences, besides investments in maritime tourism and a number of new hotels, show that the private business sector is well underway with investments that can already be seen or which will be realised in the coming years, before and after the new airports are opened.

On the other hand, there is still a lot to be clarified in order to realise the full potential. In particular, a competitive price structure for flights to Greenland must be established. This is a matter of urgency, since it is an opportunity for Naalakkersuisut to have a decisive influence on whether the new airports will provide the basis for successful development of the tourism industry, or whether the price structure will impede growth before it has really started. Clarification is therefore essential for all parties, including those who are to invest, finance or work in the industry.

#### *Mineral extraction and mining*

For several hundred years, Greenland's underground has been explored and subject to extraction of e.g. precious metals, and particularly cryolite for aluminium production brought many years of prosperity. Today, however, there is only one active mine left after the ruby mine near Aappaluttoq announced its closure at any rate throughout 2023. However, several projects are in various development phases, and a few only lack the required financing to be settled.

If investors can be persuaded to invest in Greenland's underground, this would be a welcome business opportunity. For potential investors, however, this requires an expectation

of profitability, which none of the last many years' mineral extraction projects have proved able to deliver.<sup>8</sup>

One area of particular interest is rare earth metals. Rare earth metals are a necessary production resource for the green transition, among other things. For an electric car, for example, around five kilos of rare earth metals are needed. These earth metals are not rare in themselves, but it is only rarely that they can be extracted profitably. Today, China accounts for 80% of extraction, and therefore in practice has a monopoly position. Extraction of rare earth metals is an expensive, difficult and time-consuming practice in which to build up expertise and capacity. Yet as demand increases as a consequence of greater pressure on the green transition, in the coming years more companies may see the potential of investing in the exploration and extraction of rare earth metals. Naalakkersuisut is aware of these mining opportunities, and therefore in February 2020 introduced a new minerals strategy to make geoscience data more accessible to potential investors.

Potentially, the industry will contribute positively to Greenland's economy and also put Greenland on the world map of suppliers for the green transition. The picture of the potential in Greenland remains unchanged, however, as does the history of a number of projects that were not realised or were stopped, and always with losses for investors as a result. Nonetheless, there are still opportunities to achieve a minerals-based economy, but whether Greenland is actually creating an attractive framework to realise this potential is rather more uncertain. The industry is international and the framework must be competitive internationally, as well as being transparent and predictable.

<sup>8</sup> See "Study on Arctic Mining in Greenland" Ministry of Economic Affairs and Employment of Finland (2020).

*Hydroelectric power*

Greenland, like many other countries, is moving away from fossil fuels. This makes demands of other energy sources to supply energy to businesses and households. Hydroelectric power plants currently supply six towns and are by far the largest renewable energy source in Greenland. Hydroelectric power is a sustainable energy source that provides some of the same benefits as typically apply to fossil fuels. Hydroelectric power ensures high supply security, in contrast to wind turbines and solar panels. Hydroelectric power utilises the energy generated by falling or flowing water. This makes hydroelectric power a stable supply source, with the energy in water reservoirs serving as a natural energy bank, which also contributes to the security of supply.<sup>9</sup>

This is confirmed by the development since 2003. While hydroelectric power accounted for only 6% of total energy consumption in 2003, in 2021 it accounted for 16%, see Figure 9, left. On considering the energy sector alone, this pattern becomes even clearer. In 2003, hydroelectric power accounted for 24% of energy consumption in the energy sector, while the level was no less than 54% in 2021. Within electricity generation, this is even more striking, with hydroelectric power's share growing from around 60% in 2003 to 80% in 2021.<sup>10</sup>

However, 82% of Greenland's total energy consumption is still covered by fossil fuels. This is primarily due to the large

proportion of fossil fuel energy used for transport purposes, but is also partly due to the lack of opportunities or incentives to switch energy type.

The level of tax on fossil fuels is relatively low, and the additional green price of changing energy type is therefore relatively high.

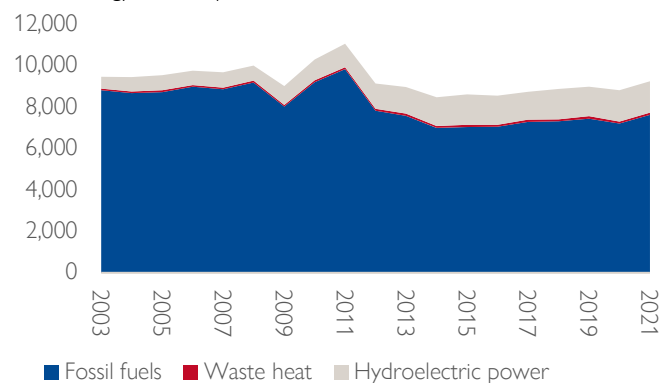
Investment plans for expansion of the plant in Buksefjorden and the establishment of a hydroelectric power station in Qasigiannuit have been adopted, and more than DKK 3 billion will be invested in these hydroelectric power stations.<sup>11</sup>

Hydroelectric power can also be used to produce hydrogen, which can subsequently be used to produce ammonia or methanol, for example. This technology is called power-to-x and has the advantage that the energy can be stored and transported. This technology is expected to play an important role in achieving carbon neutrality by 2050. Using hydroelectric power for power-to-x has also attracted interest from several foreign investors. Next year, Naalakkersuisut is expected to launch a tendering process for investment in hydroelectric power opportunities in Tasersiaq and Tarsartuup Tasersua, which can potentially expand capacity by 800 MV, which is almost nine times the current level. This will require major foreign investment, as it is estimated that the projects will cost more than DKK 20 billion, making them the largest ever construction project in Greenland. It is therefore necessary and

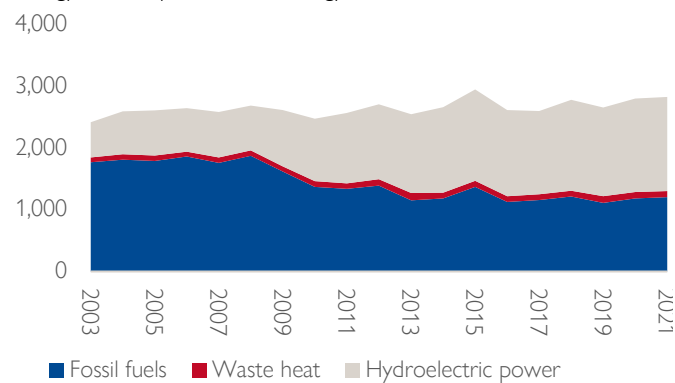
**Figure 9**  
**Development in energy consumption by energy source**

Energy consumption in terajoules (TJ)

Total energy consumption



Energy consumption in the energy sector



Note: The figure shows the development in the distribution of actual energy consumption from 2003 to 2021. Energy consumption is presented in terajoules (TJ). The huge leap in 2010 and 2011 is due to energy consumption for oil exploration in those two years.

Source: Statistics Greenland.

<sup>9</sup> See "Annual Accounts 2021", Nukissiorfit.

<sup>10</sup> Nukissiorfit and Statistics Greenland.

<sup>11</sup> See "Greenland's Economy – Autumn 2021", Greenland's Economic Council.

positive that a tendering process concerning the right of establishment has been launched.

Viewed from the BANK of Greenland's perspective, however, there is a lack of a number of less complex initiatives to promote the green transition and ensure that Greenland actually contributes to reducing climate impact and consumption of resources. As the BANK of Greenland emphasised in its 2021 Annual Report, Greenland makes significantly less use of green taxes than the other Nordic countries. It is also difficult to identify structural measures that can help ensure more energy-optimised and sustainable construction in Greenland.

### Structural challenges

Greenland faces a number of major structural challenges. There is a significant housing and infrastructure maintenance backlog, the labour market lacks qualified manpower, the level of education is low and has been so for a long time, and there is great inequality, while the ageing of the population is expected to exert great pressure on public expenditure. Fluctuations in the fishing industry have major consequences for public revenue, as the diversification of economic activity is relatively limited. The extent of these structural issues requires a clear political prioritisation of major and widely accepted initiatives and reforms. This is vital if Greenland is to have a sustainable economy and sustainable social development going forward.

#### *Maintenance backlog*

A considerable maintenance backlog has been built up in the areas of housing, energy, utility supply, ports and airports. It is estimated that there is a current reinvestment requirement of almost DKK 8 billion. (2 billion for housing, 270 million for port installations, 2.4 billion for the utilities sector, 800 million for the healthcare sector and 1 billion for the airport area, and 1.1 billion for institutions and housing for senior citizens).<sup>12</sup>

The reinvestment requirement for the Greenland Government's rental housing stock alone is increasing by DKK 0.3 billion per year, and some housing needs renovation so urgently that it will soon become uninhabitable. This is because the rent that is charged does not fully cover the housing associations' actual expenses, which should otherwise be the case under Section 28 of the Rent Regulation. Extraordinary amounts have therefore been allocated for this purpose, although the funds allocated by no means meet the requirement. In addition, DKK 25.2 million is allocated annually

under the Finance Act for reinvestment in port and quay installations, which is only sufficient to cover the investment that is absolutely necessary. It is therefore vital to take further measures to address this, before the maintenance burden becomes insurmountable.

It is positive that the parties to the 2023 Finance Act have focused on the need to provide more funds for renovation and ongoing maintenance of the asset portfolio. However, the challenge is that a growing need for funding of public services will require increased public revenue.

As previously mentioned, the public-sector economy is currently strong, with low debt and an OI surplus, disregarding the Covid years. In view of the maintenance backlog challenges described above, the positive OI figures conceal that Greenland and the Treasury are managing by "borrowing from the future". Failing to maintain Greenland's assets makes it possible to increase consumption in the short term, but the challenges will not disappear and concrete measures will become more and more necessary. Naalakersuisut is taking steps in the right direction, but the BANK of Greenland would like to encourage even more action, such as implementing reforms in the housing, pension and tax areas, while also creating the growth in the private sector that is necessary to ensure economic sustainability.

#### *Labour market*

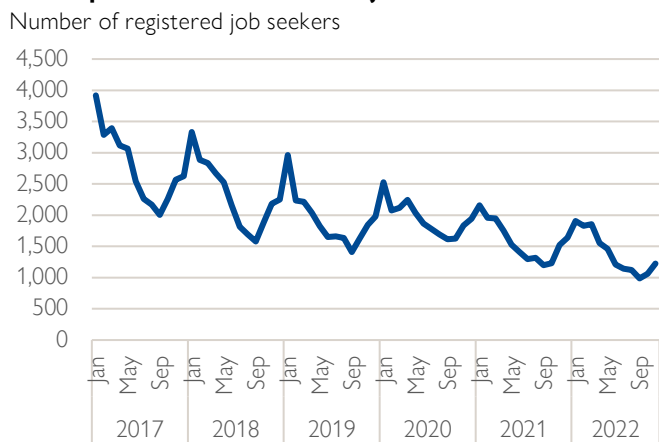
The economic recovery in recent years has reduced unemployment to a historically low level, which is clearly reflected in the development in the number of registered job seekers, see Figure 10. This applies particularly to Nuuk and the larger northern Greenland towns.<sup>13</sup> This is positive, as it indicates that more people have found employment. It also means that public tax revenue will increase, while the bill for public benefits will be lower. Yet this also presents the challenge that close to full utilisation of production capacity entails a growing unfulfilled need for new manpower across the different sectors. The intense excess demand for manpower means that many workplaces face high employee turnover rates and pressure on wages.

The lack of qualified manpower is particularly evident in the professions requiring skilled manpower. This increases the demand for foreign manpower to fill this gap in the labour market.

<sup>12</sup> See the 2023 Finance Bill, "Greenland's Economy – Autumn 2022", Greenland's Economic Council, and "Status på boligmassen på øldreområdet, 2020" (Status of housing stock in the elderly sector 2020), Department of Social Affairs, Family and Justice.

<sup>13</sup> See "The Greenlandic Economy 2022", Danmarks Nationalbank.

**Figure 10**  
**Development in the number of job seekers**



Note: Monthly figures for the number of registered job seekers. The number is calculated on the basis of the entire population.

Source: Statistics Greenland.

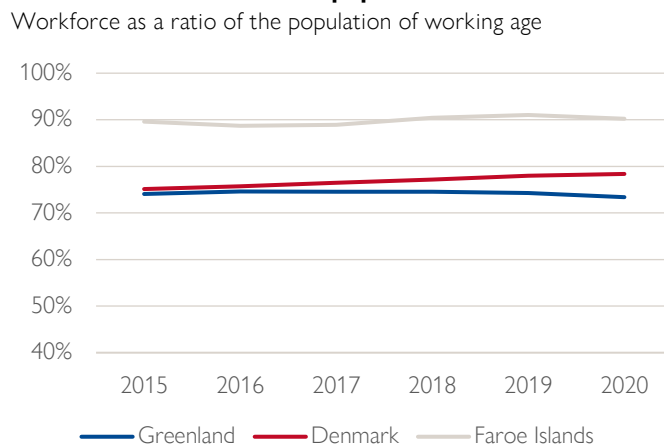
The demographic development will significantly increase public expenditure in the coming years. This makes it problematic that there is a demand for labour that exceeds supply, which is a significant challenge and barrier to future economic development.

Even though the number of domestic job seekers is low, this does not mean that the entire working population is employed. This is because the unemployment rate reflects the proportion of unemployed in the actual workforce. But since a relatively large proportion of a country's population may be outside the workforce, a country can have low unemployment even though a relatively small proportion of the population is employed. For example, the workforce as a ratio of Greenland's population decreased slightly from 2019 to 2020, which may have contributed to the declining number of registered job seekers, see Figure 11.

Expanding the workforce can increase the labour supply. The Faroe Islands are a particularly good example of this. Their workforce comprises over 90% of the population of working age. By comparison, in 2020 Greenland's workforce accounted for around 73% of the population of working age. This was considerably below the rate for the Faroe Islands, but only slightly lower than the Danish level of 78%, see Figure 11. If Greenland's workforce had accounted for the same proportion of the population as in Denmark, the labour supply would have been almost 7% higher, equivalent to an increase in the workforce by almost 2,000 people. With a workforce percentage at the same level as in the Faroe Islands, Greenland's labour supply would be no less than 23% higher,

equivalent to a workforce increase of almost 6,500 people. Both scenarios would thus have significant positive consequences for the shortage of manpower in Greenland, and thereby also for the economy.

**Figure 11**  
**Workforce as a ratio of the population**



Note: The figure shows the workforce (unemployed and employed in total) as a percentage of the population in Greenland, Denmark and the Faroe Islands, respectively. Due to data limitations, the ratios are compiled for marginally different population groups for the three countries (populations: 16-66 year-olds in Denmark, 15-64 year-olds in the Faroe Islands and 18-65 year-olds in Greenland). Reservation is therefore made for comparability.

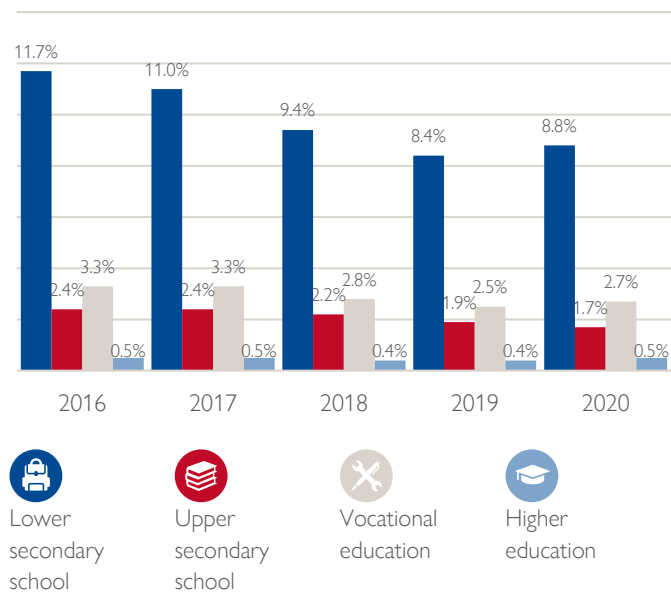
Sources: Statistics Denmark, Statistics Greenland and Statistics Faroe Islands.

Considering unemployment more closely, it is clear that unemployment is unevenly distributed across education levels. For the share of the population educated beyond lower secondary school, unemployment is very low and below the level of structural unemployment that is considered to be normal. This has been the case for many years. Meanwhile, unemployment was close to 10% in 2020 for the share of the population with lower secondary school as the highest education level achieved, see Figure 12. This pattern confirms that the shortage of manpower primarily concerns qualified manpower. A higher-educated population would be able to alleviate some of this shortage of manpower, which would also increase employment. This employment could also be expected to be at better rates of pay, making a further positive contribution to public revenue.



**Figure 12**  
**Unemployment by level of education**

Unemployment rate calculated for each of the four education levels



Note: The columns show the level of unemployment for each of the four education levels in Greenland in 2016-2020.

Source: Statistics Greenland.

**Education**

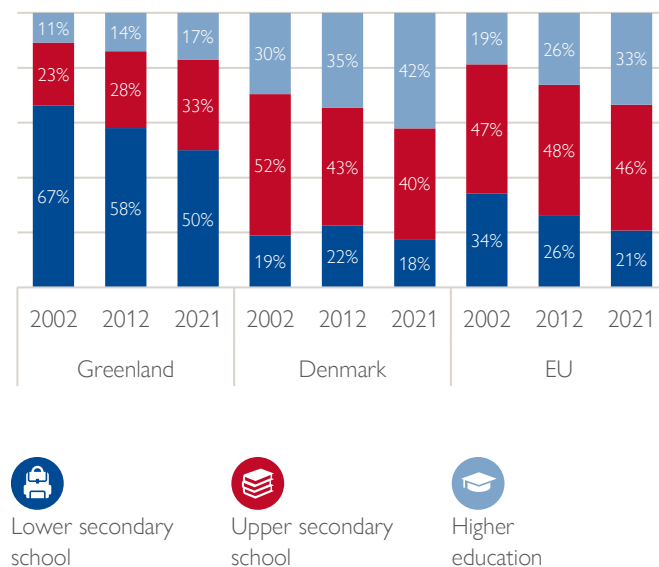
The high unemployment rate for the share of the population with a lower level of education is partly related to the fact that only a relatively small proportion of Greenland's population have educational qualifications beyond lower secondary school. Even though an improvement can be seen, 50% had only achieved lower secondary education in 2021, see Figure 13.

From an international perspective, this is very low. There are several reasons for the low level of education. Firstly, many people live far away from an educational institution, which applies to upper secondary education, and particularly to higher education. This distance in itself can therefore be a major barrier, contributing to inequality between towns and settlements. In addition, lower secondary schools are not efficient enough. Pupils are not encouraged to learn more and therefore end up with grade averages and skills that are not good enough for them to continue their education. The language transition from Greenlandic to Danish in connection with higher education can also present a barrier. Many young people therefore end up without any educational qualifications

after lower secondary school.<sup>14</sup>

**Figure 13**  
**Development in level of education**

Distribution of education



Note: The columns show the distribution of education on the populations between the ages of 25 and 64 in Greenland, the EU and Denmark for 2002, 2012 and 2021.

Sources: Statistics Greenland, Eurostat and Statistics Denmark.

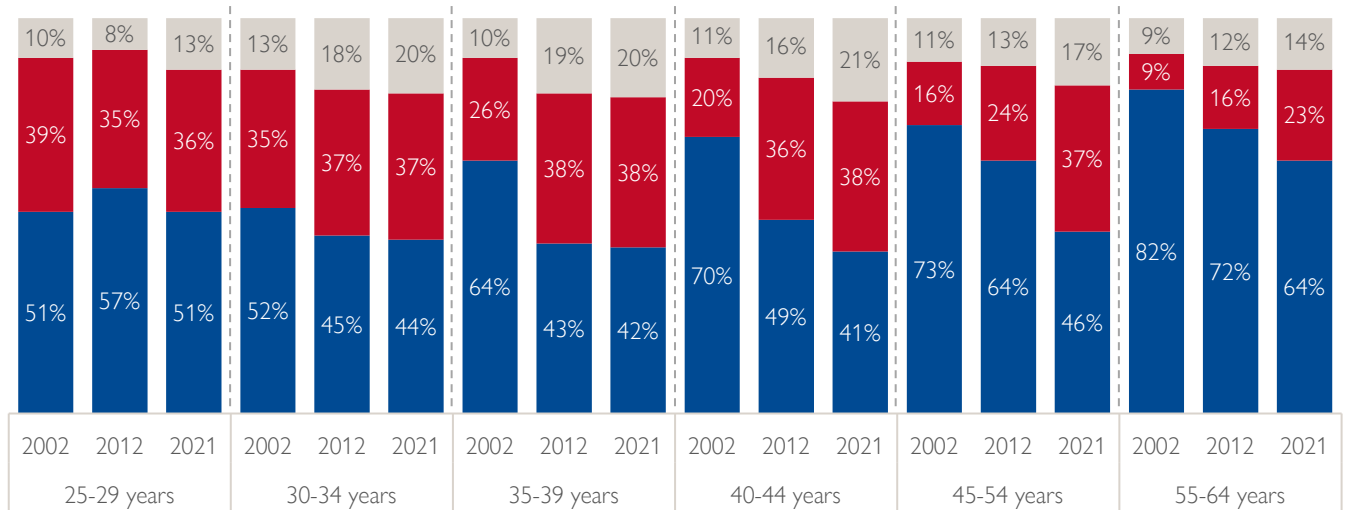
Despite these challenges, the level of education has improved over the last 20 years, but not at a satisfactory pace, see Figure 13.

The reason for this development is that the new younger generation is better educated than the older generation, see Figure 14. The source of concern is that the education level of the younger generations has not shown any significant improvement during the last 20 years. People aged between 25 and 29 have the same level of education as in 2002, and the group aged between 30 and 34 has only improved marginally since 2012. The level of education in Greenland thus does not seem to be on the right track in terms of catching up with the international level. Forecasts therefore also show that by 2040, almost 42% of Greenland's population will still only have completed lower secondary education.<sup>14</sup>

<sup>14</sup> "Uddannelse – nøglen til Grønlands fremtid" (Education – the key to Greenland's future), Lennert & Demant-Poort 2021.

**Figure 14**  
**Level of education by age group**

Distribution of education



 Lower secondary school
  Upper secondary school
  Higher education

*Note: The columns show the distribution of education for age intervals in Greenland for 2002, 2012 and 2021.*  
*Source: Statistics Greenland.*

To ensure that more progress is made, educational reforms will be required to address some of the issues affecting Greenland's education system.

As the supply of education in Greenland is limited, especially when it comes to higher education, many young people seek education abroad. More than one in four people apply for higher education abroad. This is not a problem in itself, but it creates the challenge that many young people choose to remain abroad after completing their education. Statistics show that, in the year after graduation, only 43% had returned to Greenland, and three years later that figure had only increased to 57%.

If more of these well-educated people can be persuaded to return to Greenland, this will strengthen the foundations for Greenland's society.

*Demographic issues*

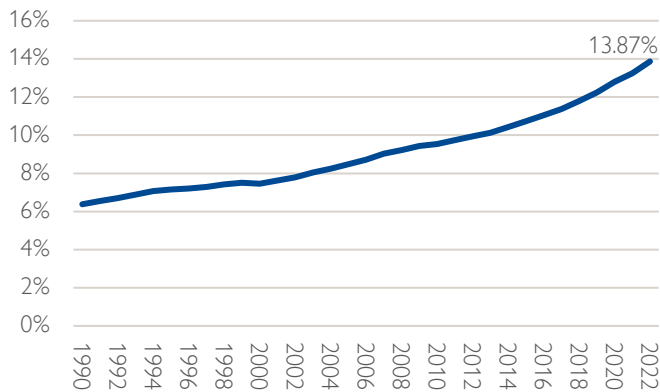
The population will age considerably in the coming years. As Figure 15 shows, the proportion of the population aged over 60 has doubled over the last 30 years. By 2022, almost 14% of the population will be aged over 60. This development is

positive and clearly shows that the standard of living has improved. Yet it also makes demands, since an ageing population requires more public services, resulting in higher public expenditure. In 2022, public expenditure accounted for around 56% of GDP, while forecasts predict that this level will already exceed 60% by 2030.<sup>15</sup>

<sup>15</sup>See "Greenland's Economy – Autumn 2022", Greenland's Economic Council.

**Figure 15**  
**Development in proportion of population aged over 60**

Proportion of population aged over 60



Note: Proportion of the population aged over 60 from 1990 to 2022.

Source: Statistics Greenland.

As the population ages, the population of working age decreases. One reason is declining fertility. In addition to the increased provider burden in society, greater requirements are made of the public sector's role. This challenge is by no means unique to Greenland, but on the contrary, a structural challenge that can be seen in most parts of the world. Nevertheless, action is required. This emphasises the need for the sustainability and growth plan to ensure a balance between satisfactory quality and financing. Without action, there will be a financing shortfall in 2035 of around DKK 1 billion annually (2020 level).<sup>16</sup>

With fewer breadwinners for each elderly person, this makes great demands of reforms to ensure sustainable fiscal development. It is positive that this is mentioned in the 2023 Finance Act Agreement, where there is focus on maintaining welfare in society through education and labour market policies that can ensure more manpower for the different sectors.<sup>17</sup> One reform that could strengthen long-term fiscal-policy sustainability is indexation of the retirement age, so that it is linked to life expectancy. Greenland's Economic Council calculates that such a model would strengthen sustainability by 1.7% of GDP, as a significant contribution to resolving the sustainability issue.<sup>18</sup>

### Inequality

Over many years, social inequality in Greenland's society has increased. This is a significant economic development challenge, as a substantial inequality gap can lead to division of society into different classes without equal opportunities.

One indicator of inequality, often used comparatively, is the Gini coefficient. The Gini coefficient is 0 if a country has full economic equality, while it is 100 if a single person earns the country's entire income. The lower the Gini coefficient, the less inequality. For Greenland, the Gini coefficient has generally been increasing since 2002, which indicates a widening gap between rich and poor in society. In 2021, however, inequality declined slightly compared to the previous years and is now at its lowest level since 2009.<sup>19</sup>

Comparison of the Gini coefficient in Greenland with other comparable countries makes it clear that social inequality in Greenland is relatively high, see Figure 16. Naalakkersuisut is also focused on this inequality in the work towards a forthcoming tax reform. Specifically, Naalakkersuisut proposes that a cohesive tax reform can reduce inequality by making the tax system more progressive. The taxation of low-paid citizens will thereby be eased, while the taxation of the highly-paid and of capital assets will be increased.

In this year's Finance Bill, Naalakkersuisut proposes to reduce the extent of the tax subsidy to – or expand the tax base for – highly-paid employees. Naalakkersuisut would thus like a tax system with greater redistribution of income. The advantage of a tax reform of this nature is, of course, the reduced inequality expected as a result. This can have a number of both social and economic benefits. Yet it will also require the high-tax-paying element of the population to experience how their tax payments are used to finance a satisfactory level of public services. If this is not the case, Greenland might become a relatively less attractive place to live for the highly educated people, with the risk that more highly educated people, and thereby those who pay the most in tax to society, choose to leave. It would also be less relevant for businesses to operate in the country. At worst case, this could lead to outsourcing of businesses and high-value workplaces.

<sup>16</sup> See "Greenland's Economy – Autumn 2021", Greenland's Economic Council.

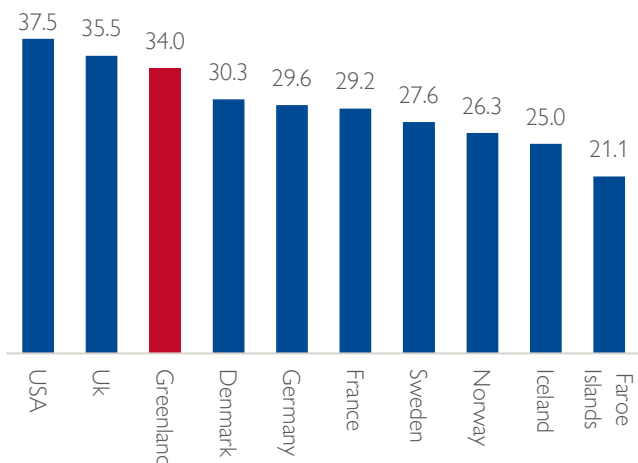
<sup>17</sup> Finance Act Agreement for 2023.

<sup>18</sup> See "Greenland's Economy – Autumn 2021", Greenland's Economic Council.

<sup>19</sup> Statistics Greenland, INDIU101.

**Figure 16**  
**Gini coefficients in selected countries**

Gini index for relevant comparable countries



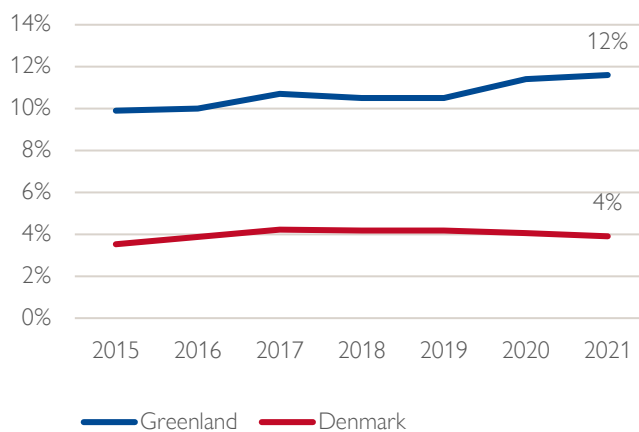
Note: 2021 figures: USA, Greenland and Denmark, 2020 figures: England, Sweden, Norway and Faroe Islands, 2019 figures: Germany and France, 2017 figures: Iceland.

Sources: Statistics Greenland, Statistics Denmark and Eurostat.

Despite the negative consequences of a tax reform, it is clear that inequality is a structural problem. This becomes even more apparent on examining the proportion of the population living in relative poverty. Relative poverty is defined as a person who has less than half of the median level of income in the country, taking due account of family size and structure. In Greenland, more than every ninth citizen over the age of 14 lives in relative poverty. This is a very high proportion. For comparison, less than every 25th citizen lives in relative poverty in Denmark. In addition, the proportion in Greenland is growing, see Figure 17. Even though the figures do not include the value of the barter economy, an increasing share of the population is lagging behind, despite the expanding economy, low unemployment and commercial success.

**Figure 17**  
**Inequality in Greenland compared to Denmark**

Proportion of the population living in relative poverty



Note: The proportion of the population aged over 14 whose income is below 50% of the median of the equivalised disposable income. Equivalised disposable income is an income measure that corrects income on the basis of number of family members, i.e. the scale economies that may arise from more adults and the expenses associated with having children.

Sources: Statistics Greenland and Statistics Denmark.

Together with differences in education levels, a significant reason for the great inequality is probably the major difference between towns and settlements in Greenland. In 2021, the average annual equivalised disposable income, adjusted for household structure, was DKK 202,300 in towns, while it was only DKK 146,780 in settlements.

It is clear that Greenland's economic progress does not benefit everyone. This is not just a political issue, but also an economic barrier to growth. The reason is that social inequality often persists for generations, so that a large proportion of the population are already behind at birth, particularly in view of lower secondary school's relatively low ability to encourage pupils to learn more. If we do not succeed in reducing inequality now, we can expect to see a similar inequality pattern repeated in coming generations.

It is therefore positive that Naalakkersuisut has increased focus on vulnerable children and young people.<sup>20</sup> Specifically, two major action plans are underway. "A good start in life", is aimed at children under 6 years of age, and "A good childhood" targets children aged between 6 and 18 years. In addition to the clear social value, the measures are also expected to contribute to a stronger economic situation.

<sup>20</sup> Finance Bill for 2023.

### Concerning public finance trends

Overall, 2022 was a good year for Greenland's economy. There is economic growth and low unemployment. This is due to progress in various industries, but also to an expansionary fiscal policy with several major capital investments. This capital expenditure has financed housing, infrastructure and energy supply. The construction activities are financed partly by interest-bearing debt. If the fiscal-policy investments are profitable, the investments will produce a surplus. The debt-to-GDP ratio increases, however, which undermines the resilience of the economy. Overall, the BANK of Greenland considers several of these construction projects to be appropriate and necessary, but even with profitable investments, returns should be weighed against the increased economic uncertainty.

The maintenance backlog is only one of several structural issues. The population is ageing, and all other things being equal, this will increase public expenditure on both welfare and health. This development makes great demands of public revenue. A tax reform is therefore currently being developed. The tax reform will reduce inequality and increase the incentive to work. A reform of the tax system will be beneficial, as certain non-earned income is either not taxed or taxed at a low rate, while earned income is taxed relatively high in some segments.

However, it can be expected that a tax reform would not only resolve the concerning development in public finances. It will be vital, for instance, that we succeed in ensuring that more members of the younger generation gain educational qualifications. The figures clearly show that qualified manpower is in highest demand. If this demand can be better met to a wider extent, the tax base will be expanded. This will require reforms of the primary and lower secondary school system, to raise academic standards and ensure that more pupils are qualified for higher education.

Another means of enhancing the sustainability of the long term fiscal policy is indexation of retirement age. Today, the retirement age is not linked to life expectancy. If a reform is introduced that maintains the expected number of years as an old-age pensioner at the current level, sustainability can be expected to be strengthened by 1.7% of GDP. This would be the largest and most important contribution to resolving the sustainability issue, as it would reduce public expenditure while increasing public revenue.<sup>21</sup>

Greenland's revenue base is extremely dependent on revenue from fish and shellfish exports. This imbalance makes the economy vulnerable to factors that can affect either prices or

volumes. Diversification to other industries will be necessary to protect the resilience of the economy. This makes it important to develop the private business sector, and that new types of private business are promoted, including that there is a clear tourism strategy for Greenland. This would realise the potential boom in tourism, but this must be with due focus on sustainability and the local community. At the same time, utilisation of Greenland's resources, as both mineral extraction and sustainable energy production, is a business opportunity that must continue to be promoted and investigated in the coming years. If we succeed in this, it will be beneficial to the economy, the climate and our international standing and reputation, and not least for the population of Greenland.

<sup>21</sup>See "Greenland's Economy – Autumn 2022", Greenland's Economic Council.



GrønlandsBANKEN

### 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 a 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.



**Figure 18**

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

## Summary of Financial Highlights

	2022	2021	2020	2019	2018
SELECTED OPERATING ITEMS:					
Net interest and fee income	351,485	338,933	326,513	323,507	316,647
Value adjustments	-39,356	11,219	136	9,585	-1,546
Other operating income	6,588	6,185	5,369	5,722	5,385
Staff and administration expenses	195,056	186,385	178,734	170,895	160,457
Depreciation and impairment of tangible assets	7,320	7,014	6,948	6,672	6,765
Other operating expenses	2,706	2,497	2,610	2,788	2,011
Write-downs on loans and receivables, etc.	4,523	1,537	12,828	7,959	10,938
<b>Profit before tax</b>	<b>109,112</b>	<b>158,904</b>	<b>130,898</b>	<b>150,500</b>	<b>140,315</b>
Tax	10,361	26,072	34,671	20,582	27,423
<b>Profit for the year</b>	<b>98,751</b>	<b>132,832</b>	<b>96,227</b>	<b>129,918</b>	<b>112,892</b>
SELECTED BALANCE SHEET ITEMS:					
Lending	4,353,585	3,783,681	4,006,248	3,758,736	3,472,174
Deposits	5,942,479	5,363,871	5,847,772	5,687,451	4,899,044
Equity	1,318,592	1,267,911	1,176,917	1,077,676	999,159
Total assets	7,949,566	7,226,988	7,438,325	7,089,915	6,164,536
Contingent liabilities	1,934,125	1,781,465	1,621,831	1,479,537	1,277,604
KEY FIGURES FOR THE BANK (IN PER CENT)					
Return on opening equity before tax and dividend	9.0	13.9	12.1	15.6	15.6
Return on opening equity after tax and dividend	8.1	11.6	8.9	13.5	12.0
Capital ratio	23.6	24.4	23.5	23.4	22.7
Individual solvency requirement	11.1	10.7	11.2	11.9	10.3
KEY RATIOS PER SHARE IN DKK					
Profit for the year per share, before tax	60.6	88.2	72.7	83.6	78.0
Profit for the year per share, after tax	54.9	73.8	53.5	72.2	62.7
Net book value per share	733	704	654	599	555
Dividend per share	20	40	25	0	30
Closing share price	590	598	590	545	546

### 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 2022

### Principal activity

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

### Statement of income

Net interest income increased by TDKK 9,103 from 2021. The start of 2021 was affected by a higher level of lending than at the start of 2022. Furthermore, in recent years the Bank has seen a change of mix in the lending structure in favour of loans at lower margins. This had a negative impact on lending rates in 2022. Interest rate increases in the money markets in the second half-year improved the return on the Bank's surplus liquidity.

Dividend on the Bank's shareholdings amounts to TDKK 1,822, compared to TDKK 913 in 2021.

Fee and commission income increased by TDKK 2,002 from 2021 to 2022. The increased guarantee volume and higher investment activity during the year affected this item particularly positively. On the other hand, payment settlement, which is behaviour-related, developed negatively. Net interest and fee income increased by a total of TDKK 12,552 to TDKK 351,485.

Other operating income, primarily external rental income from the Bank's residential properties, amounted to TDKK 6,588, compared to TDKK 6,185 in 2021.

Staff and administration expenses increased by TDKK 8,671 to TDKK 195,056. Staff expenses are affected by a change in the principle for the calculation of the accounted holiday pay obligation. The one-off effect of this change amounted to TDKK 5,221 in 2022. In addition, staff expenses rose as a consequence of pay increases under collective agreements, while the number of full-time employees remained by and large unchanged from 2021. Administration expenses were at an unchanged level of TDKK 89,837. The unchanged level reflects an increase in BEC costs and a decrease in transaction costs related to payment settlement.

Depreciation of property and fixtures and fittings was at the 2021 level, amounting to TDKK 7,320, compared to TDKK 7,014 in 2021.

Other operating expenses increased by TDKK 209 to TDKK 2,706. Other operating expenses primarily concern operation and maintenance of bank buildings, as well as contributions to guarantee and settlement assets.

The profit before value adjustments and write-downs is thereby above the 2021 level, and amounts to TDKK 152,991, compared to TDKK 149,222 in 2021.

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

DKK 1,000

	4.kvt. 2022	3.kvt. 2022	2.kvt. 2022	1.kvt. 2022	4.kvt. 2021	3.kvt. 2021	2.kvt. 2021	1.kvt. 2021
Net interest and fee income	96,307	87,370	82,061	85,747	89,871	80,914	82,053	86,095
Costs, depreciation and amortisation	59,254	48,059	48,572	49,197	51,145	46,436	49,048	49,269
Other operating income	2,025	1,514	1,414	1,635	2,244	1,762	1,040	1,139
Profit before value adjustments and write-downs	39,078	40,825	34,903	38,185	40,970	36,242	34,045	37,965
Value adjustments	6,316	-20,477	-14,528	-10,667	3,503	2,601	1,988	3,127
Write-downs on loans, etc.	1,483	928	1,394	718	-33	-761	1,409	922
Profit before tax	43,911	19,420	18,981	26,800	44,506	39,604	34,624	40,170

Considering Q4 2022 in isolation, net interest and fee income amounted to TDKK 96,307, compared to TDKK 89,871 for the same period of 2021. The development in Q4 is primarily due to increasing lending volumes, but also to the rising level of interest rates. Total costs are at a higher level than the same

period of the previous year, amounting to TDKK 59,254, compared to TDKK 51,145 in Q4 2021. Taking the aforementioned holiday pay adjustment into account, the increase amounts to TDKK 2,888. Among other things, the increase reflects that the Bank held several staff events in Q4,

which was not possible in 2021. Moreover, additional staff expenses of a one-off nature were incurred in Q4 2022, which was not the case in 2021. Write-downs and provisions are TDKK 1,483 higher than for the same period last year, which is due to the fact that the management supplement is still at a high level. The profit before tax for Q4 is thereby TDKK 43,911, compared to TDKK 44,506 for Q4 2021.

For the overall year, value adjustment of securities and currencies resulted in a loss of TDKK 39,356, compared to a gain of TDKK 11,219 in 2021. The Bank's holdings of sector shares and foreign exchange yielded a positive return, while interest rate increases and general market turmoil resulted in a capital loss of DKK 49.5 million on the Bank's bond portfolio in 2022.

Impairment of loans, etc. amounted to TDKK 4,523 in 2022, which is TDKK 2,986 higher than in 2021. This is still a modest overall level. The uncertain geopolitical situation presented problems for the supply of goods, as well as increasing inflation and consequentially rising interest rates. In the Bank's individual impairment models, economic uncertainty increased in 2022. In addition to the Bank's individual write-downs, a management supplement totalling DKK 41.8 million is allocated, which addresses, among other things, industry and creditworthiness risks, but in particular also risks associated with rising inflation and interest rates, and economic uncertainty.

The year's total write-downs were still at a modest level in 2022, amounting to 0.1% of the Bank's loans and guarantees. Write-downs and provisions on the Bank's loans and guarantees thereby reflect the continued strong credit standing of the Bank's customers in Greenland.

The profit before tax is TDKK 109,112, compared to TDKK 158,904 in 2021. The profit for the year is thereby at the October 2022 guidance level of DKK 90 to 120 million. The profit before tax gives a return on equity of 8.4%.

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 98,751 for 2022, with a return on equity of 7.6%.

### Balance sheet and equity

The BANK of Greenland's balance sheet at year-end 2022 totalled TDKK 7,949,566, with an increase of TDKK 722,578 from 2021. Deposits increased in Q4 2022, amounting to TDKK 5,942,479 at the end of 2022. Compared to 2021, this is an increase of TDKK 578,608. Deposits primarily increased in

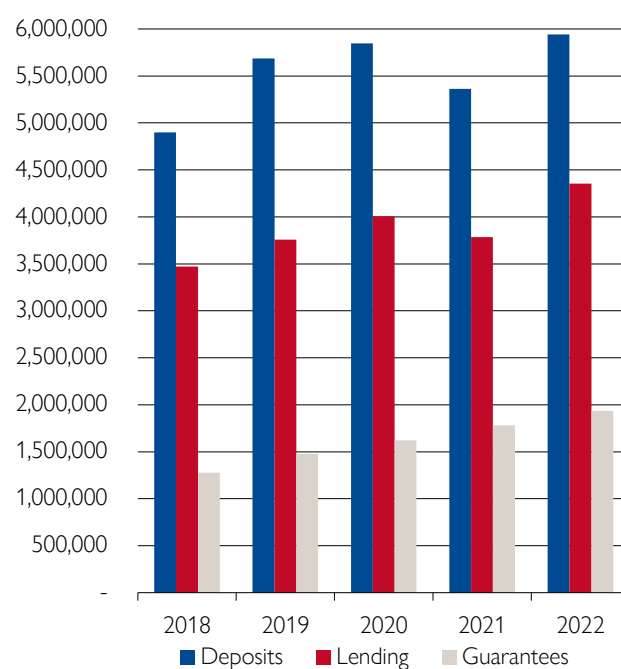
the public sector customer segment in 2022. The Bank's deposits are mainly held on demand.

Lending increased by 15.1% or TDKK 569,904 in 2022, to TDKK 4,353,585. At the start of 2022, the Bank expected lending to increase in 2022, but the growth is higher than first assumed. At the same time, the Bank's guarantees increased by TDKK 152,660 to TDKK 1,934,125. In particular, the Bank's guarantees for mortgage lending losses and work guarantees increased in 2022.

Total loans and guarantees thereby increased by TDKK 722,564 in total, to TDKK 6,287,710.

### Development in business volume.

DKK million



Land and buildings increased by TDKK 37,078 to TDKK 284,370 in 2022. Due to increasing staff numbers, the Bank acquired additional staff accommodation in 2022. In addition, the Bank's property portfolio was revalued by a total of TDKK 32,431 in 2022. In 2022, the Bank obtained external estate agent assessments of a broad selection of the Bank's properties to support the assessment of the valuation.

Despite negative returns, the pension area expressed as assets in pool schemes increased by 9.4% in 2022, to TDKK 394,576.

In accordance with the capital plan, in 2022 the Bank made an additional Senior-Non-Preferred bond issue of TDKK 25,000.

The Bank also issued supplementary capital of TDKK 25,000 in 2022.

Equity amounts to TDKK 1,318,592, compared to TDKK 1,267,911 at the end of 2021. Share capital amounts to TDKK 180,000. The Bank does not have hybrid loan capital. The capital ratio is 23.6, compared to 24.4 in 2021.

### **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 2022 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](https://www.banken.gl/media/julpif1r/2020-03-12_redegoerelse-til-hjside_dk.pdf)

The Bank has established a separate department to handle anti-money laundering and measures to prevent the financing of terrorism. The department is among other things responsible for control of new customer registrations, alarm processing and reporting to the Money Laundering Secretariat on behalf of the Bank. In addition, the department undertakes the annual reporting to the Board of Directors concerning the Bank's money laundering risks.

A separate compliance function has also been established. The compliance function is responsible for independent reporting to the Executive Management and the Board of Directors. The compliance function is responsible for assessment and control of compliance with applicable legislation, industry standards and internal regulations. In addition, it advises on how compliance risks can be reduced.

### **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. The Bank assesses that there is no need for more advanced 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 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 the end of 2020. The MREL requirement is being phased in during the period from 2022 to 2027. This means that in the course of the coming years, the Bank must fulfil the requirement by issuing capital instruments and through consolidation of equity capital.

In continuation of the established MREL requirement, the Bank made two further issues in 2022, with a view to targeted coverage of the MREL requirement. Issues of DKK 25 million Senior Non-Preferred and DKK 25 million subordinated debt were made.

Capital requirement	2022	2021
Pillar I	8.00%	8.00%
Pillar II	3.10%	2.70%
<b>Solvency requirement</b>	<b>11.1%</b>	<b>10.7%</b>
SIFI buffer requirement	1.50%	1.50%
Capital reserve buffer requirement	2.50%	2.50%
<b>Capital requirement</b>	<b>15.1%</b>	<b>14.7%</b>
MREL requirement (phased in linearly as from 1 January 2022)	2.53%	0.00%
<b>Total capital requirement</b>	<b>17.6%</b>	<b>14.7%</b>
Capital base, cf. Note 24	1,300,270	1,201,358
SNP issue	74,563	49,642
<b>MREL capital base</b>	<b>1,374,833</b>	<b>1,251,000</b>
MREL capital ratio	25.00%	25.50%
Surplus capital cover	<b>7.4%</b>	<b>10.8%</b>

The MREL requirement is being phased in as from 1 January 2022 on a linear basis over six years. This entails that the Bank must fulfil an MREL requirement of 2.53% in 2022. From 1 January 2023, the Bank must fulfil an MREL requirement of 4.9%.

#### Sound capital base

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 own funds and eligible 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.

The Bank's Board of Directors has adopted a capital objective with a CET1 target of 24%. The BANK of Greenland's core capital ratio was 23.2 at the end of 2022, and the capital ratio was 23.6. The Bank experienced significant growth in 2022, which also meant that the Bank's risk-weighted assets increased substantially, cf. Note 25. In the coming year, the Bank expects more subdued growth and higher earnings, so that the core capital ratio is also expected to be closer to the target.

Based on the aforementioned, the Bank's Board of Directors makes the recommendation to the Annual General Meeting that dividend of DKK 20 per share be paid for 2022, equivalent to 36% of the profit after tax.

As at 31 December 2022, the Bank's individual solvency requirement was compiled at 11.1%. The BANK of Greenland thereby has surplus capital cover before the buffer requirements of 12.5%. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 8.5%.

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 compiled surplus cover at 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.

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 2022. Reference is also made to the Bank's risk management report for 2022 at <https://www.banken.gl/en/investor/public-disclosure/>. The report has not been audited.

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

	2022		2021	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Pillar I requirement	440,087	8.0%	393,339	8.0%
Credit risk	119,785	2.2%	98,663	2.0%
Market risk	21,077	0.4%	21,910	0.4%
Operational risk	16,302	0.3%	10,117	0.2%
Other risk	15,323	0.2%	4,046	0.1%
<b>Capital and solvency requirement</b>	<b>612,574</b>	<b>11.1%</b>	<b>528,075</b>	<b>10.7%</b>

### 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 2022, the Bank had an LCR of 220.5% and thereby fulfilled the LCR requirement.

DKK 1,000

	2022	2021
Liquidity buffer LCR	2,450,912	2,419,360
Outflow, net	1,111,490	1,013,914
LCR	220.5%	238.6%

### The Supervisory Diamond

The BANK of Greenland has considered the benchmarks set out in the Danish FSA's Supervisory Diamond for banks. The Supervisory Diamond states five benchmarks for banking activities which the Bank aims to fulfil. At the end of 2022, the BANK of Greenland lies within all of the threshold values in the Supervisory Diamond.

As presented in the table below, the sum of the Bank's 20 largest exposures is compiled at 167.3%, which is satisfactorily below the Danish FSA's threshold of 175%. It must be noted that approximately 45 percentage points concern exposures to publicly-owned enterprises.

In accordance with the table below, the property exposure 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, the Government of Greenland 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://banken.gl/en/about-us/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 available in Danish, Greenlandic and English on our website: <https://banken.gl/en/about-us/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.

The price of the BANK of Greenland's shares decreased to a price of 590 at the end of 2022 from the end of 2021, when the price was 598. The BANK of Greenland recommends to

**Sum of large exposures**  
(maximum 175% of actual core capital)  
The BANK of Greenland 167.3 %



**Growth in lending**  
(less than 20 % per annum)  
The BANK of Greenland 15.1 %

**Property exposure**  
(less than 25% of total loans and guarantees)  
The BANK of Greenland 22.9 %



**Liquidity benchmark**  
(greater than 100 %)  
The BANK of Greenland 222.4 %

**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

the Annual General Meeting that the dividend payment for 2022 is DKK 20 per share, or a total of DKK 36 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 2022, the BANK of Greenland had 2,723 shareholders registered by name, which is slightly fewer than at 31 December 2021, when the number of shareholders registered by name was 2,789. Shareholders registered by name account for approximately 90% 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 24.

#### Dividend policy

The BANK of Greenland's objective is to continue to distribute dividend to its shareholders, according to the expected development in the Bank's operations and balance sheet, tax optimisation and regulatory solvency requirements. The dividend payment for 2022 recommended to the Annual General Meeting is DKK 20 per share, which should be viewed in conjunction with the description given under Capital. The capital ratio is 23.6 and the core capital ratio is 23.2.

#### 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 2023

It is expected that Greenland saw positive economic growth in both 2021 and 2022. Despite price increases and rising interest rates, the BANK of Greenland also expects economic growth in Greenland in 2023, as described in the "Greenland's Society and Economy" section of this report.

On this basis, lending is expected to develop positively towards the end of the year, but with significantly lower growth than in 2022. Deposits are expected to be at the end-2022 level.

The Bank will be affected negatively if inflation and cyclical trends are exacerbated or amplified to any significant degree.

Total core income is expected to increase in 2023, for which the primary reasons are the increased lending volume, interest rate trends, and the development in the Bank's investment and pension products.

Total expenses including depreciation and amortisation are expected to be higher than in 2022. A few increases are expected in the staff area. Administration expenses are also expected to increase, primarily in the IT area and for supplementary staff training.

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.

On the basis of the current level of interest rates, gains must be expected on the Bank's listed securities. Capital gains are also expected from the currency area and sector shares.

On this basis, a profit before tax at the level of DKK 130-170 million is expected, compared to DKK 109.1 million in 2022. The result is in accordance with the stock exchange announcement of 15 December 2022.

#### 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 through ongoing feedback from customers immediately after each customer meeting, we ensure that we can constantly work to improve the customers' experience of the Bank. Our customers' constructive feedback is important to us and is welcomed with great appreciation. We know that customers are also pleased that they are consulted. We use NPS (Net Promoter Score) for these surveys.

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.

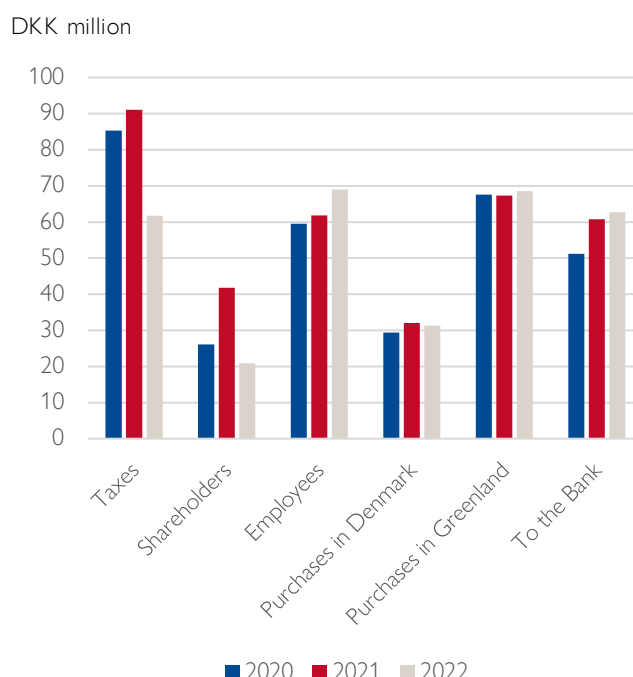
Private customers are offered a simple and flexible product range, which is used to provide individual solutions to the customer's needs. Due to the Bank's high market share, the Bank often has entire families as a customer, and the Bank therefore always seeks to provide comprehensive advice for the benefit of the customer and the family. Ongoing contact with the customer is crucial to ensuring a good customer relationship, and the Bank strives to be available for communication on the digital platforms that the customer demands. Digital solutions are generally gaining ground among the Bank's private customers. In 2022, the Bank had the major task of supporting and ensuring the transition to MitID for the Bank's customers. The vast majority of the Bank's customers switched to MitID during 2022.

**The Bank and society**

The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 314 million, compared to DKK 355 million in 2021. The income is the sum of net interest and fee income, other operating income and value adjustments, after deduction of write-downs on loans.

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

The BANK of Greenland makes a significant contribution to society as tax payments in the last three years amounting to around DKK 80 million on average per year.



**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 five financial trainees who will complete their programme in August 2024. Physically, four are located at the head office and one in Aasiaat.

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 2022, three commercial college graduates took up trainee positions at the Bank: two at the head office and one in Maniitsoq. In addition, the Bank has seven financial assistants who will continue their training in the financial economist programme, with completion expected by mid-2025.

In 2022, it was possible to fill 97.3% of the positions in the Bank.

The total number of employees was 140 at the end of 2022. The average age is just over 45 and the average length of service is 9 years and 3 months. 97 women and 43 men are employed. Of the total number of employees, 101 have financial or extended higher educational qualifications.

### **Business partners**

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

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

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

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

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

#### *Focus area: Financial understanding*

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

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

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

#### *Involvement of employees*

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

#### *Our obligations*

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

#### *What we expect of others*

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

#### *Dialogue and access*

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

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

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

## 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. As from the annual CSR Report for 2021 the Bank has added reporting of key ESG figures. 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:

<https://www.banken.gl/en/investor/social-responsibility/>

## 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

The BANK of Greenland has 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://www.banken.gl/en/investor/data-ethics>

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

The BANK of Greenland's "Policy and target level for the under-represented gender" is adjusted continuously. At the end of 2022, the gender distribution of the members of the Board of Directors of the BANK of Greenland elected by the Annual General Meeting comprised 33% women and 67% men. The Board of Directors' objective is for the ratio of the under-represented gender to be at least 33%. The target level for the under-represented gender is 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 2022, managers reporting to the CEO comprised 17% women and 83% men. For the rest of the

management team, the distribution at the end of 2022 was 53% women and 47% men. The Bank's objective is for the distribution of male and female managers to be 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 36.

## Evaluation of the Board of Directors

The Board of Directors of the BANK of Greenland undertakes an annual evaluation of the Board. This takes place every third year with the external assistance of the Danish Financial Sector's Education Centre or other external providers of this service. This evaluation is the basis for an assessment of several matters concerning the Board of Directors: the Board members' competences, working method, cooperation internally and with the Executive Management, the Chairman's planning of meetings, and the quality of the material provided to the Board of Directors. The latest evaluation was prepared internally by the BANK of Greenland in September 2022. The evaluation of the Board of Directors was at a high level, and it was concluded that the Board has a good overall combination of competences in relation to the Bank's business model. Training in new areas for the Board of Directors was organised in 2023, in order to keep the Board updated.

## 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 mandate of the Audit Committee is presented here: <https://www.banken.gl/en/about-us/board-of-directors/the-audit-committee-and-risk-committee/>

### **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 mandate of the Risk Committee is presented here: <https://www.banken.gl/en/about-us/board-of-directors/the-audit-committee-and-risk-committee/>

### **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 2022, 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: <https://www.banken.gl/en/about-us/board-of-directors/remuneration-committee/>

The mandate of the Remuneration Committee and the Remuneration Policy are presented here: <https://www.banken.gl/en/about-us/board-of-directors/remuneration-committee/>

### **Nomination Committee**

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

In 2022, 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 mandate of the Nomination Committee is presented here: <https://www.banken.gl/en/about-us/board-of-directors/nomination-committee/>

The number of meetings in 2022 and attendance of the meetings of the Board of Directors and all four committees can be seen here: <https://www.banken.gl/en/about-us/board-of-directors/>

### **General meeting**

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

votes cast and the share capital with voting rights represented at the general meeting.

The members of the Board of Directors are elected by the general meeting, with the exception of the members who are elected in accordance with the statutory regulations concerning the representation of employees on the Board of Directors.

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

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

At the end of 2022, 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 2022 for GrønlandsBANKEN, 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 as at 31 December 2022, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2022. 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.

Nuuk, 1 March 2023

## Executive Management

Martin Birkmose Kviesgaard

## Board of Directors

Gunnar í Liða

Chair

Kristian Frederik Lennert

Vice Chair

Maliina Bitsch Abelsen

Malene Meilfart Christensen

Lars Holst

Yvonne Jane Poulsen Kyed

Niels Peter Fleischer Rex

Peter Angutinguaq Wistoft

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 2022, which comprise the statement of income and the statement of comprehensive income, the balance sheet, and the statement of changes in equity and notes, including the accounting policies applied and the cash flow statement. The annual financial statements are prepared in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

It is our opinion that the annual financial statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2022, and of the result of the Bank's activities for the financial year from 1 January to 31 December 2022, in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

Our opinion is consistent with our audit report to the audit committee and Board of Directors.

## **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 2022. 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 4,354 million and guarantees to DKK 1,934 million at 31 December 2022 (lending amounted to DKK 3,784 million and guarantees to DKK 1,781 million at 31 December 2021).</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 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 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"> <li>• Identification of exposures that are credit-impaired.</li> <li>• Parameters and managerial estimates in the calculation model applied to determining the expected losses in stages 1 and 2, including the classification thereof.</li> <li>• Assessment of the consequences of events that are not already taken into account, as managerial estimates incorporated in the models, and as managerial additions.</li> </ul>	<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"> <li>• Ongoing assessment of the credit risk</li> <li>• Assessment and validation of input and assumptions applied to the calculation of write-downs on loans and the provisions for losses on guarantees in stages 1 and 2.</li> <li>• Determination of managerial estimates in addition to the model-based write-downs.</li> </ul> <p>Our audit procedures also included:</p> <ul style="list-style-type: none"> <li>• Review by random sampling of exposures to ensure correct identification of the credit impairment of loans and guarantees, etc.</li> <li>• Obtaining and evaluating an audit declaration from the Bank's data centre that comprises an assessment of the calculation model applied by the Bank to write-downs on loans and provisions for losses on guarantees, etc.</li> <li>• Challenging of the significant parameters in the calculation model applied, with special focus on objectivity and the data basis used.</li> <li>• Challenging of managerial estimates, with special focus on the management's consistency and objectivity.</li> <li>• Challenging of managerial estimates incorporated in the models, as well as managerial additions relating to the consequences of events that are not already taken into account.</li> </ul>
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### Statement concerning the Management's Review

The Management is responsible for the Management's Review.

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

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

knowledge we have obtained from the audit, or otherwise appears to contain material misstatements.

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

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

### **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 2022 financial year, with the file name "80050410-2022-12-31-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 2022 financial year, with the file name "80050410-2022-12-31-da", has been prepared in accordance with the ESEF Regulation.

Copenhagen, 1 March 2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Anders O. Gjelstrup

State-Authorised Public Accountant

MNE no. 10777

Jakob Lindberg

State-Authorised Public Accountant

MNE no. 40824

## Internal auditor's statement

### 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 2022, 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 as at 31 December 2022, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2022, in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial enterprises.

Our opinion is consistent with our audit report to the audit committee and Board of Directors.

##### 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, 1 March 2023

Christoffer Max Jensen  
Audit Manager

“ Sisoraarfimmi, GrønlandsBANKEN pingaarnertut aningaasaliisoralugu iluaqaaq. Aningaaseriviup sumiiffimmini tapersersuinera ukkatarivaa, tamannalu uagutsinut nalissaqanngilaq. ”

“ Det er rart at have GrønlandsBANKEN som hovedsponsor for Sisoraarfiit. Banken har fokus på at støtte lokalt, og det er uvurderligt for os. ”

*Bruno Heilmann*

Sisoraarfimmi ingerlatsinermi aqutsisoq  
Driftsleder i Sisoraarfiit

17 SULEQATIGIINNIKKUT  
ANGUNIAGAQRNEQ



*GrønlandsBANKEN*

Nunanni inuiaqatigiinnut ilaavugut

Vi er en del af dit lokalsamfund



## Statement of Income

DKK 1,000

<b>Notes</b>		<b>2022</b>	<b>2021</b>
3	Interest income	227,093	223,790
4	Negative interest income	-1,824	-13,033
5	Interest expenses	3,040	1,019
6	Positive interest expenses	-20,995	-24,383
	<b>Net interest income</b>	<b>243,224</b>	<b>234,121</b>
	Share dividend, etc.	1,822	913
7	Fees and commission income	106,796	104,794
	Fees paid and commission expenses	357	895
	<b>Net interest and fee income</b>	<b>351,485</b>	<b>338,933</b>
8	Value adjustments	-39,356	11,219
	Other operating income	6,588	6,185
9, 10	Staff and administration expenses	195,056	186,385
	Depreciation and impairment of tangible assets	7,320	7,014
	Other operating expenses	2,706	2,497
13	Write-downs on loans and receivables, etc.	4,523	1,537
	<b>Profit before tax</b>	<b>109,112</b>	<b>158,904</b>
11	Tax	10,361	26,072
	<b>Profit for the year</b>	<b>98,751</b>	<b>132,832</b>
	PROPOSED ALLOCATION OF PROFIT		
	Profit for the year	98,751	132,832
	<b>In total available for allocation</b>	<b>98,751</b>	<b>132,832</b>
	Proposed dividend	36,000	72,000
	Retained profit	62,751	60,832
	<b>Total allocation</b>	<b>98,751</b>	<b>132,832</b>

## Statement of Comprehensive Income

DKK 1,000

	2022	2021
Profit for the year	98,751	132,832
Other comprehensive income:		
Value adjustment of properties	32,030	4,346
Value adjustment of defined-benefit severance/pension scheme	-93	-32
Tax on value adjustment of properties	-8,007	-1,152
<b>Other comprehensive income after tax</b>	<b>23,930</b>	<b>3,162</b>
<b>Comprehensive income for the year</b>	<b>122,681</b>	<b>135,994</b>

## Balance Sheet

(year-end)

DKK 1,000

Notes	2022	2021
Cash balance and demand deposits with central banks	1,396,401	1,434,027
12 Receivables from credit institutions and central banks	118,619	57,293
13 Loans and other receivables at amortised cost	4,353,585	3,783,681
14 Bonds at fair value	1,156,821	1,100,975
15 Shares, etc.	120,063	138,902
18 Assets connected to pool schemes	394,576	360,537
Land and buildings in total	284,370	247,292
16 - Domicile properties	284,370	247,292
17 Other tangible assets	6,007	6,652
Other assets	115,145	93,798
Accruals and deferred income	3,979	3,831
<b>Total assets</b>	<b>7,949,566</b>	<b>7,226,988</b>
19 Liabilities to credit institutions and central banks	22,598	13,145
20 Deposits and other liabilities	5,942,479	5,363,871
Deposits in pool schemes	394,576	360,537
21 Issued bonds at amortised cost	74,563	49,642
Current tax liabilities	18,861	22,615
Other liabilities	58,527	53,911
Prepayments and deferred expenses	7,535	7,499
<b>Total debt</b>	<b>6,519,139</b>	<b>5,871,220</b>
Provisions for pensions and similar obligations	2,097	1,705
22 Provisions for deferred tax	67,126	68,326
13 Provisions for losses on guarantees	8,036	7,673
Other provisions	5,047	5,351
13 Provisions for losses on non-utilised credit facilities	4,821	4,802
<b>Total provisions</b>	<b>87,127</b>	<b>87,857</b>
23 Subordinated debt	24,708	0
<b>Total subordinated debt</b>	<b>24,708</b>	<b>0</b>
Equity		
24 Share capital	180,000	180,000
Revaluation reserves	61,651	37,628
Retained earnings	1,040,941	978,283
Proposed dividend	36,000	72,000
<b>Total equity</b>	<b>1,318,592</b>	<b>1,267,911</b>
<b>Total liabilities</b>	<b>7,949,566</b>	<b>7,226,988</b>

1 Accounting policies applied

2 Financial risks and policies

25-36 Other Notes

## Statement of Changes in Equity

DKK 1,000

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Total equity
<b>Equity, 1 January 2021</b>	<b>180,000</b>	<b>34,749</b>	<b>917,168</b>	<b>45,000</b>	<b>1,176,917</b>
Dividend paid	0	0	0	-45,000	<b>-45,000</b>
Other comprehensive income	0	2,879	283	0	<b>3,162</b>
Profit for the period	0	0	60,832	72,000	<b>132,832</b>
<b>Equity, 31 December 2021</b>	<b>180,000</b>	<b>37,628</b>	<b>978,283</b>	<b>72,000</b>	<b>1,267,911</b>
<b>Equity, 1 January 2022</b>	<b>180,000</b>	<b>37,628</b>	<b>978,283</b>	<b>72,000</b>	<b>1,267,911</b>
Dividend paid	0	0	0	-72,000	<b>-72,000</b>
Other comprehensive income	0	24,023	-93	0	<b>23,930</b>
Profit for the year	0	0	62,751	36,000	<b>98,751</b>
<b>Equity, 31 December 2022</b>	<b>180,000</b>	<b>61,651</b>	<b>1,040,941</b>	<b>36,000</b>	<b>1,318,592</b>

## Cash Flow Statement

DKK 1,000

	<b>2022</b>	<b>2021</b>
Profit for the year	98,751	132,832
Write-downs on loans	4,523	1,537
Depreciation and impairment of tangible assets	7,320	7,014
Recognised profit on sale of tangible assets	-275	-727
Accruals and deferred expenses, net	-112	2,344
<b>Profit for the year after adjustment for non-cash operating items</b>	<b>110,207</b>	<b>143,000</b>
Liabilities to credit institutions and central banks	9,453	-3,895
Deposits	612,647	-344,953
Issued bonds	93	0
Lending	-574,427	221,030
Other working capital	-61,669	-162,020
Other liabilities	-7,968	-5,726
<b>Change in working capital</b>	<b>-21,871</b>	<b>-295,564</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>88,336</b>	<b>-152,564</b>
Sale of tangible assets	325	3,614
Purchase, etc. of tangible assets	-11,773	-22,993
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>-11,448</b>	<b>-19,379</b>
Dividend paid	-72,000	-45,000
Bond issue, including amortisation effect	24,828	49,642
Subordinated debt issue, including amortisation effect	24,708	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-22,464</b>	<b>4,642</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>54,424</b>	<b>-167,301</b>
Cash and cash equivalents, beginning of year	2,567,417	2,734,718
<b>Cash and cash equivalents, end of year</b>	<b>2,621,841</b>	<b>2,567,417</b>
Cash balance and demand deposits with central banks	1,396,401	1,434,027
Fully secured and liquid cash and cash equivalents in credit institutions, cf. Note 12	118,619	57,293
Non-mortgaged securities	1,106,821	1,076,097
<b>Cash and cash equivalents, end of year</b>	<b>2,621,841</b>	<b>2,567,417</b>



21.30 Kuvastelu- ja keskustelu  
Kari Lehto, Business, Analytics & others,  
Head Customer Rpt

21.30 Keskustelu- ja keskustelu  
Kari Lehto, Business, Analytics, Director

21.40 Keskustelu - Tulevaisuus  
Kari Lehto, Business, Analytics, Director  
Kari Lehto@NALIK



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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 2021.

### 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 2022, 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 31.
- For provisions, there are significant estimates related to the determination of the future employee turnover rate, as well as determining the interest obligation for tax-free savings accounts.
- The measurement of the fair value of head office properties is likewise subject to significant estimates and assessments, including expectations of the properties' future returns and the rates of return fixed. The Bank's principal property is the head office property in Nuuk. A change in the percentage yield of e.g. 0.5% would change the valuation by DKK 8 million for this property. On the valuation of the Bank's head office property in Nuuk, different prices per square metre are used in relation to market rent and potential use.

In 2022, the Bank obtained external estate agent valuations for a broad selection of the Bank's properties, to support the assessment of the valuation, which is the primary reason for the revaluation of the property portfolio by a total of TDKK 32,431.

### 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.

### Share dividend

Share dividend is recognised in the income statement when the Bank is entitled to receive dividend. This will normally be when

the dividend has been adopted at the company's general meeting.

### Value adjustments

Value adjustments comprise realised and unrealised value adjustments of assets and liabilities measured at fair value. Exchange rate adjustments and the effect of value adjustments of hedge accounting are also included in the value adjustment.

### Staff and administration expenses

Staff expenses 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 total**

#### **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.

#### **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.

#### **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 (most recently in 2022), an independent assessment is obtained of the market value of the Bank's head office property in Nuuk. Every three years (most recently in 2022), an independent assessment is obtained of the market value of a large proportion of the Bank's staff accommodation. 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.

**Prepayments and deferred expenses**

Accruals and deferred income recognised under assets comprise defrayed costs concerning subsequent financial years. Prepayments 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 at amortised cost**

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.

**Subordinated debt**

Subordinated debt is measured at amortised 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	2022	2021
<b>Maximum credit exposure</b>		
Cash balances and demand deposits at central banks	1,396,401	1,434,027
Receivables from credit institutions and central banks	118,619	57,293
Loans and other receivables at amortised cost	4,353,585	3,783,681
Bonds at fair value	1,156,821	1,100,975
Shares, etc.	120,063	138,902
Other assets, including derivative financial instruments	115,145	93,798
Off-balance-sheet items		
Guarantees	1,934,125	1,781,465
Drawn facilities	2,490,902	2,022,428
<b>Exposure specification</b>		
Lending, cf. Note 13	4,353,585	3,783,681
Guarantees, cf. Note 25	1,934,125	1,781,465
Write-downs and provisions on guarantees, cf. Note 13	188,045	182,042
Other adjustments	-26,767	-31,993
Gross exposure, cf. below	6,448,988	5,715,195

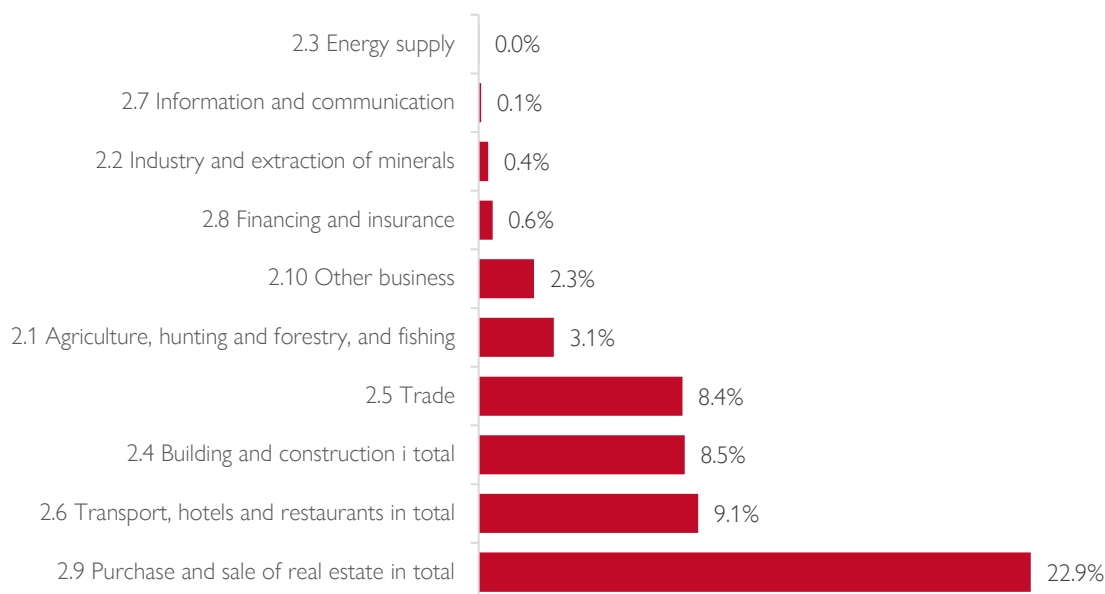
- As a general rule, loans, etc. to private customers are only granted to customers resident in Greenland, or to customers formerly resident in Greenland; and
- Loans, etc. to both private and business customers are solely to customers with satisfactory creditworthiness. Credit granting to customers 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 preferred, with the exception of "Real estate" and "Completion of construction projects", to which the overall exposure may amount to up to 25%.

**Figure 2**  
**Lending and guarantee debtors by industries under business**

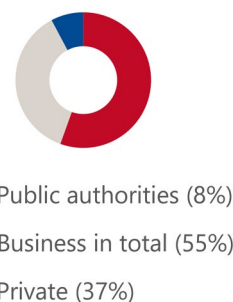


*Standard terms*

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.

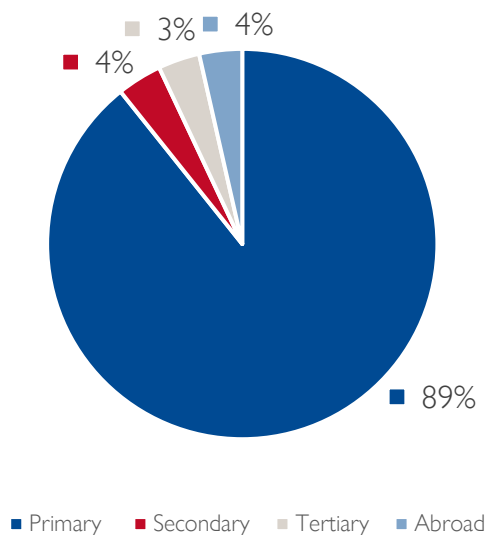
**Figure 1**  
**Lending and guarantee debtors by sectors**



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 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
- Mortgages on shares in the companies to which credit has been granted

As a general rule, the valuation of the collateral security is 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 and 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 were no changes in significant assumptions and assessment methods applied to the compilation in connection with the transition to the changed 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 term to maturity of 100%, or an increase in 12 months' PD of 0.5% point, when 12 months' PD on initial recognition was below 1% and the current 12 months' PD is 5% or higher. An increase in PD for the expected remaining term to maturity of 100%, or an increase in 12 months' PD of 2.0% 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 makes an individual loss risk statement for exposures in stage 3, where the risk mitigating collateral value amounts to more than DKK 100,000, while other exposures are modelled. When calculating stage 3 write-downs, the Bank does not use payment series, so that write-downs are subject to prudent assessment.

### 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. The Danish forecasts are currently perceived to be applicable to conditions in Greenland, which is, however, subject to some uncertainty – see also the section on managerial estimates.

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

Both IFRS 9 and the Danish Executive Order on Financial Statements state that the future outlook must be included in the calculation of total write-downs. On each balance sheet date the Bank therefore 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, and reflects the management’s assessment of a potentially greater risk on the Bank’s exposures than is justified by the historical write-downs.

In both 2020 and 2021, the risk scenario was primarily linked to the consequences of the Covid-19 pandemic and the resulting uncertainties regarding the economic climate.

At the end of 2022, the managerial estimate is based primarily 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 inflation, interest rate increases and cyclical uncertainty, the BANK of Greenland has made a risk assessment at industry level, where a general change in creditworthiness at portfolio level, and the derived increased impairment write-downs, are estimated. On this basis, the Bank has allocated a managerial estimate of DKK 41.8 million,

compared to a supplement of DKK 38.4 million in 2021. This also includes a method risk supplement.

### Write-downs in stage 3:

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

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

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

### Write-offs

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

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

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

After write-off has taken place, the debt collection process will continue. In the case of companies, typically until the borrower has completed bankruptcy proceedings, composition with creditors, etc. For private individuals, continued attempts are made to establish voluntary payment schemes and possible legal collection.

**Exposure and write-downs by sector**

	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000		DKK 1,000	
<b>2022</b>				
<b>Public</b>	500,230	8	1,157	1
Business:				
Agriculture and fisheries	200,690	3	6,484	4
Industry and extraction of minerals	25,860	0	1,253	1
Energy supply	1,610	0	324	0
Construction and civil engineering	550,646	9	32,758	17
Trade	544,901	8	15,708	8
Transport, restaurants and hotels	586,635	9	13,848	7
Information and communication	6,719	0	558	0
Financing and insurance	37,392	1	253	0
Real estate	1,476,718	23	27,351	14
Other business	147,725	2	17,267	9
<b>Business in total</b>	<b>3,578,896</b>	<b>55</b>	<b>115,804</b>	<b>60</b>
<b>Private</b>	2,369,862	37	75,905	39
<b>In total</b>	<b>6,448,988</b>	<b>100</b>	<b>192,866</b>	<b>100</b>
	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000		DKK 1,000	
<b>2021</b>				
<b>Public</b>	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
<b>Business in total</b>	<b>3,086,573</b>	<b>54</b>	<b>107,858</b>	<b>58</b>
<b>Private</b>	2,273,098	40	77,070	41
<b>In total</b>	<b>5,715,195</b>	<b>100</b>	<b>186,843</b>	<b>100</b>

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

Classification	Classification Danish Financial Supervisory Authority	Stage 1 TDKK	Stage 2 TDKK	Stage 2SVAG TDKK	Stage 3 TDKK	In total TDKK
Rating 1 – 3	3/2A	3,601,621	66,939	0	60	3,668,620
Rating 4 – 8	2B	1,638,259	435,055	278,494	132	2,351,940
Rating 9 – 10	2C	0	0	223,120	0	223,120
Rating 11	1	0	789	3,896	200,623	205,308
<b>In total</b>		<b>5,239,880</b>	<b>502,783</b>	<b>505,510</b>	<b>200,815</b>	<b>6,448,988</b>

#### Classification BANK of Greenland

- Ratings 1-3 correspond to the Danish FSA's creditworthiness scale 3/2A – Customers with undoubtedly good creditworthiness and customers with normal creditworthiness.
- Ratings 4-8 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 Customers with significant signs of weakness, but without OIK occurring. The customer's debt servicing ability is less satisfactory and the customer is economically vulnerable/has weak key indicators.
- 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 an increased risk of losses.

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

	Stage 1 TDKK	Stage 2 TDKK	Stage 2SVAG TDKK	Stage 3 TDKK	In total TDKK
Public	496,782	3,448	0	0	500,230
Business:					
Agriculture and fisheries	168,019	12,969	11,250	8,452	200,690
Industry and extraction of minerals	18,867	3,206	2,870	916	25,859
Energy supply	478	735	0	397	1,610
Construction and civil engineering	396,548	59,440	59,150	35,508	550,646
Trade	448,897	27,965	55,741	12,298	544,901
Transport, restaurants and hotels	457,812	44,405	79,833	4,585	586,635
Information and communication	4,497	1,488	702	32	6,719
Financing and insurance	36,790	603	0	0	37,393
Real estate	1,195,158	122,632	157,182	1,746	1,476,718
Other business	82,833	11,414	17,532	35,946	147,725
Business in total	2,809,899	284,857	384,260	99,880	3,578,896
Private	1,933,199	214,478	121,250	100,935	2,369,862
<b>In total</b>	<b>5,239,880</b>	<b>502,783</b>	<b>505,510</b>	<b>200,815</b>	<b>6,448,988</b>



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

	Credit exposures before write- downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
<b>2022</b>					
Bankruptcy	198	198	0	0	0
Collection	19,645	15,599	4,046	3,631	415
Financial difficulties	180,972	76,452	104,520	88,115	16,405
<b>In total</b>	<b>200,815</b>	<b>92,249</b>	<b>108,566</b>	<b>91,746</b>	<b>16,820</b>
<b>2021</b>					
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
<b>In total</b>	<b>162,270</b>	<b>89,962</b>	<b>72,308</b>	<b>55,218</b>	<b>17,090</b>

### Credit quality of exposures in general

Arrears or overdrafts > DKK 1,000

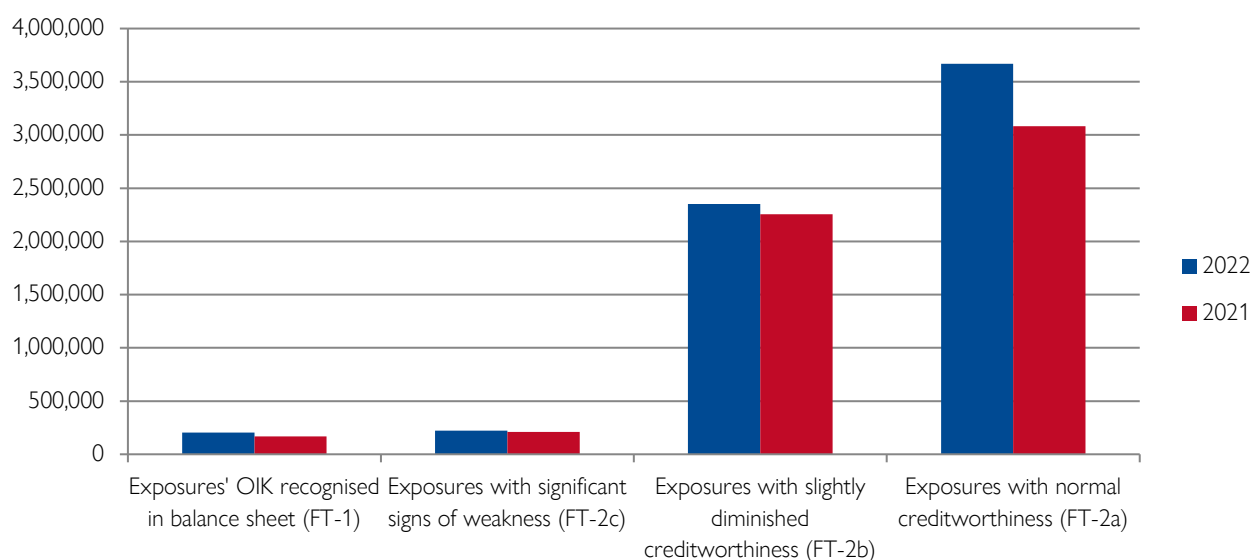
In DKK 1,000	2022	2021
0-30 days	794	1,284
31-60 days	408	743
61-90 days	210	203
> 90 days	475	229
<b>In total</b>	<b>1,887</b>	<b>2,459</b>

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

### Credit 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 reports on a random day of the month, which are reported to the Executive Management.

#### *Interest rate risk*

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

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

The BANK of Greenland has outsourced the portfolio management of the Bank’s bond holdings to an external portfolio manager. The portfolio manager is subject to the aforementioned risk framework and works on the basis of a duration of 1.25-1.75 years. The Bank has entered into interest rate swaps for a total of DKK 10 million to partly cover the interest rate risk on the Bank’s bond holdings. Reference is made to Notes 29 and 31.

#### *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 Bank currently does not hold listed shares. 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 had no significant currency exposures at the end of 2022. Reference is made to Note 28 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 220.5% as at the end of 2022. Reference is also made to key figures for LCR, as well as the key figures for lending as a ratio of deposits in Note 34.

### **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	2022	2021
<b>3. Interest income</b>		
Receivables from credit institutions and central banks	1,150	0
Lending and other receivables	218,531	220,044
Bonds	7,412	3,746
<b>Total interest income</b>	<b>227,093</b>	<b>223,790</b>
<b>4. Negative interest income</b>		
Receivables from credit institutions and central banks	-1,074	-11,008
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-750	-2,025
<b>Total negative interest</b>	<b>-1,824</b>	<b>-13,033</b>
<b>5. Interest expenses</b>		
Credit institutions and central banks	0	6
Deposits and other liabilities	3,040	988
Issued bonds	0	25
<b>Total interest expenses</b>	<b>3,040</b>	<b>1,019</b>
<b>6. Positive interest expenses</b>		
Credit institutions and central banks	-11	0
Deposits and other liabilities	-20,984	-24,383
<b>Total positive interest expenses</b>	<b>-20,995</b>	<b>-24,383</b>
<b>7. Fees and commission income</b>		
Securities and securities accounts	8,629	6,359
Payment settlement	38,042	39,654
Loan transaction fees	5,589	5,817
Guarantee commission	32,228	30,718
Other fees and commission	22,308	22,246
<b>Total fee and commission income</b>	<b>106,796</b>	<b>104,794</b>
<b>8. Value adjustments</b>		
Lending at fair value	-7,577	-6,670
Bonds	-49,488	-6,473
Shares	4,486	12,922
Currency	5,473	4,519
Foreign exchange, interest rate, equities, commodities and other contracts, as well as derivative financial instruments	7,750	6,921
Assets connected to pool schemes	-46,125	40,126
Deposits in pool schemes	46,125	-40,126
<b>Total value adjustments</b>	<b>-39,356</b>	<b>11,219</b>

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	2022	2021
<b>9. Staff and administration expenses</b>		
Staff expenses		
Salaries	91,485	83,188
Other staff expenses	2,271	2,302
Pensions	10,979	10,535
Social security expenses	484	535
<b>In total</b>	<b>105,219</b>	<b>96,560</b>
Other administration expenses	89,837	89,825
The average number of employees in the financial year, converted to full-time employees	137.4	137.7
Of which salaries and remuneration to the Board of Directors and the Executive Management	5,788	5,583
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	5,449	4,982
Pension	675	621
<b>10. Audit fees</b>		
Statutory audit of the annual financial statements	677	650
Other declarations with assurance	114	87
Tax advisory services	21	20
Other services	30	0
<b>Total fees to the auditors elected by the Annual General Meeting, who perform the statutory audit</b>	<b>842</b>	<b>757</b>
Non-auditing services are provided by Deloitte, Statsautoriseret Revisionspartnerselskab and comprise fees for mandatory declarations and general tax advisory.		
<b>11. Tax on the profit for the year</b>		
Tax on the profit for the year is calculated as follows:		
Current tax	19,569	23,026
Deferred tax	-9,760	7,145
Change in deferred tax as a consequence of a change in the corporate tax supplement	-528	-4,099
Adjustment to deferred tax prior year	1,080	0
<b>In total</b>	<b>10,361</b>	<b>26,072</b>
Tax on the profit for the year is broken down as follows:		
Calculated 26.5% tax on the profit for the year	28,915	42,109
Change in deferred tax as a consequence of a change in the corporate tax supplement	-528	-4,099
Adjustment to deferred tax prior year	1,080	0
Other adjustments	-26	-13
Tax value of dividend deduction	-19,080	-11,925
<b>In total</b>	<b>10,361</b>	<b>26,072</b>
Effective tax rate	9.5%	16.4%
Corporate tax paid in 2021 amounts to TDKK 22,804		

DKK 1,000	2022	2021
<b>12. Receivables from credit institutions and central banks</b>		
On demand	60,619	51,864
Up to and including 3 months	0	5,429
Over 3 months and up to and including 1 year	40,000	0
Over 1 year and up to and including 5 years	18,000	0
<b>In total</b>	<b>118,619</b>	<b>57,293</b>
Receivables from credit institutions	118,619	57,293
<b>In total</b>	<b>118,619</b>	<b>57,293</b>

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

New write-downs concerning new facilities during the year	20,471	29,455
Reversal of write-downs concerning redeemed facilities	-17,415	-25,917
Net write-downs during the year as a consequence of changes in the credit risk	3,146	-723
Losses without preceding write-downs	593	647
Received for claims previously written off	-2,272	-1,925
<b>Recognised in the statement of income</b>	<b>4,523</b>	<b>1,537</b>
Lending at amortised cost	4,353,585	3,783,681
Total lending by remaining term to maturity:		
On demand	1,273,564	868,437
Up to and including 3 months	150,106	173,599
Over 3 months and up to and including 1 year	589,010	611,889
Over 1 year and up to and including 5 years	1,317,266	1,286,814
Over 5 years	1,023,639	842,942
<b>In total</b>	<b>4,353,585</b>	<b>3,783,681</b>

DKK 1,000	Stage 1	Stage 2	Stage 3	Total
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Fejl! Henvisningskilde ikke fundet.

Lending Fejl! Henvisningskilde ikke fundet. - continued

**Write-downs on loans****31.12.2022**

Start of the period	21,314	67,951	85,104	174,369
New write-downs concerning new facilities during the year	4,545	9,913	4,518	18,976
Reversal of write-downs concerning redeemed facilities	-1,757	-3,774	-11,039	-16,570
Change in write-downs at the beginning of the year – transfer to stage 1	17,776	-14,283	-3,493	0
Change in write-downs at the beginning of the year – transfer to stage 2	-1,072	6,416	-5,344	0
Change in write-downs at the beginning of the year – transfer to stage 3	-54	-4,530	4,584	0
Net write-downs as a consequence of changes in the credit risk	-11,926	3,013	12,326	3,413
Previously written down, now finally lost			-3,445	-3,445
Interest on written-down facilities			3,266	3,266
<b>Write-downs in total</b>	<b>28,826</b>	<b>64,706</b>	<b>86,477</b>	<b>180,009</b>

DKK 1,000	Stage 1	Stage 2	Stage 3	Total
<b>Write-downs on guarantees</b>				
<b>31.12.2022</b>				
Start of the period	744	2,071	4,858	7,673
New write-downs concerning new facilities during the year	507	547	252	1,306
Reversal of write-downs concerning redeemed facilities	-2	-36	-179	-217
Change in write-downs at the beginning of the year – transfer to stage 1	1,505	-1,370	-135	0
Change in write-downs at the beginning of the year – transfer to stage 2	-68	1,036	-968	0
Change in write-downs at the beginning of the year – transfer to stage 3	-3	-86	89	0
Net write-downs as a consequence of changes in the credit risk	-1,444	-1,137	1,855	-726
<b>Write-downs in total</b>	<b>1,239</b>	<b>1,025</b>	<b>5,772</b>	<b>8,036</b>
<b>Write-downs on non-utilised drawing rights</b>				
<b>31.12.2022</b>				
Start of the period	1,203	1,037	2,561	4,801
New write-downs concerning new facilities during the year	25	80	84	189
Reversal of write-downs concerning redeemed facilities	-231	-166	-231	-628
Change in write-downs at the beginning of the year – transfer to stage 1	557	-555	-2	0
Change in write-downs at the beginning of the year – transfer to stage 2	-41	724	-683	0
Change in write-downs at the beginning of the year – transfer to stage 3	-1	0	1	0
Net write-downs as a consequence of changes in the credit risk	-1,014	-573	2,046	459
<b>Write-downs in total</b>	<b>498</b>	<b>547</b>	<b>3,776</b>	<b>4,821</b>
<b>Write-downs on loans</b>				
<b>31.12.2021</b>				
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
<b>Write-downs in total</b>	<b>21,314</b>	<b>67,951</b>	<b>85,104</b>	<b>174,369</b>

DKK 1,000	Stage 1	Stage 2	Stage 3	Total
<b>Write-downs on guarantees</b>				
<b>31.12.2021</b>				
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
<b>Write-downs in total</b>	<b>744</b>	<b>2,071</b>	<b>4,858</b>	<b>7,673</b>

**Write-downs on non-utilised drawing rights**

<b>31.12.2021</b>				
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
<b>Write-downs in total</b>	<b>1,203</b>	<b>1,037</b>	<b>2,561</b>	<b>4,801</b>

DKK 1,000

**2022****2021****14. Bonds at fair value**

Mortgage-credit bonds	1,156,821	1,100,975
<b>In total</b>	<b>1,156,821</b>	<b>1,100,975</b>
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	0	25,123
Unlisted shares included at fair value	120,063	113,779
<b>Reassessed value, year-end</b>	<b>120,063</b>	<b>138,902</b>



DKK 1,000	2022	2021
<b>16. Head office properties</b>		
Reassessed value, beginning of year	247,292	229,650
Additions during the year, including improvements	9,703	20,533
Disposals during the year	0	-2,771
Write-offs	-5,056	-4,885
Value changes recognised in other comprehensive income	32,030	4,346
Value changes recognised in the statement of income	401	419
<b>Reassessed value, year-end</b>	<b>284,370</b>	<b>247,292</b>

There is no public property valuation in Greenland.

In 2022, to support the assessment of the valuation, an independent expert assessment of the market value of the Bank's domicile property and multiple staff accommodation in Nuuk was obtained. The total change in value amounts to TDKK 32,431.

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

### 17. Other tangible assets

Cost, beginning of year	56,637	54,578
Additions during the year, including improvements	2,070	2,460
Disposals during the year	-27,306	-401
<b>Cost, year-end</b>	<b>31,401</b>	<b>56,637</b>
Depreciation and write-downs, beginning of year	49,985	47,722
Depreciation for the year	2,664	2,548
Reversal of depreciation concerning disposals	-27,255	-285
<b>Depreciation and write-downs, year-end</b>	<b>25,394</b>	<b>49,985</b>
<b>Accounting value, year-end</b>	<b>6,007</b>	<b>6,652</b>

Of disposals TDKK 26,850 are outphased assets.

### 18. Assets connected to pool schemes

Investment associations	394,308	359,866
Non-invested funds	268	671
<b>In total</b>	<b>394,576</b>	<b>360,537</b>

### 19. Debt to credit institutions and central banks

On demand	22,598	13,145
<b>In total</b>	<b>22,598</b>	<b>13,145</b>
Debt to central banks	19,475	13,145
Debt to credit institutions	3,123	0
<b>In total</b>	<b>22,598</b>	<b>13,145</b>

DKK 1,000

**2022****2021****20. Deposits and other liabilities**

On demand	5,241,972	4,826,448
Over 3 months and up to and including 1 year	266,021	127,916
Over 1 year and up to and including 5 years	18,000	0
Over 5 years	416,486	409,507
<b>In total</b>	<b>5,942,479</b>	<b>5,363,871</b>
On demand	5,241,972	4,826,448
On terms of notice	442,216	294,802
Special deposit conditions	258,291	242,621
<b>In total</b>	<b>5,942,479</b>	<b>5,363,871</b>

**21. Issued bonds at amortised cost**

Bond issue	74,563	49,642
<b>In total</b>	<b>74,563</b>	<b>49,642</b>
Distribution in remaining duration		
Over 1 year and up to and including 5 years	74,563	49,642
<b>In total</b>	<b>74,563</b>	<b>49,642</b>
Loan raised as Senior Non-Preferred, nominally	50,000	50,000
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.		
Loan raised as Senior Non-Preferred, nominally	25,000	
The loan was raised as Senior Non-Preferred on 2 September 2022 and falls due for full redemption on 2 September 2027. The Bank has the option of early redemption as from 2 September 2026.		

**22. Provisions for deferred tax**

The year's changes in deferred tax can be summarised as follows:		
Deferred tax, beginning of year	68,326	64,128
The year's deferred tax recognised in the statement of income for the year	-9,760	7,145
Adjustment of deferred tax concerning equity items	8,008	1,152
Adjustment to deferred tax prior year	1,080	0
Change in deferred tax as a consequence of a change in the corporate tax supplement	-528	-4,099
<b>In total</b>	<b>67,126</b>	<b>68,326</b>
Deferred tax concerns:		
Head office properties	57,614	49,693
Operating equipment	512	633
Proposed dividend for the financial year	9,000	18,000
<b>In total</b>	<b>67,126</b>	<b>68,326</b>

DKK 1,000

**2022****2021****23. Subordinated debt**

Capital certificate as below	24,708	0
<b>In total</b>	<b>24,708</b>	<b>0</b>

Subordinated debt included in the capital base according to CRR	24,708	0
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Loan raised as subordinated debt, nominally	25,000	
Interest rate, fixed rate	6.197%	

The loan was raised on 2 September 2022 and falls due for full redemption on 2 September 2032. The Bank has the option of early redemption as from 2 September 2027.

**24. 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:**

NALIK Ventures 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%

**25. Capital statement**

Credit risk	4,619,420	4,070,758
CVA risk	13,892	1,720
Market risk	238,978	204,615
Operational risk	628,793	639,644
<b>Total risk exposure</b>	<b>5,501,083</b>	<b>4,916,737</b>
Equity	1,318,592	1,267,911
Proposed dividend, accounting effect	-27,000	-52,920
Framework for ratio of own shares	-10,620	-10,764
Deductions for prudent valuation	-1,568	-1,490
Deductions for Non-Performing Exposures	-3,842	-1,379
<b>Actual core capital</b>	<b>1,275,562</b>	<b>1,201,358</b>
Supplementary capital	24,708	0
<b>Capital base</b>	<b>1,300,270</b>	<b>1,201,358</b>
Actual core capital ratio	23.2	24.4
Capital ratio	23.6	24.4
Statutory requirement of actual core capital ratio (excluding capital reserve buffer)	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

DKK 1,000

**2022****2021****26. Contingent liabilities**

Mortgage finance guarantees	989,198	942,401
Registration and remortgaging guarantees	300,180	306,503
Other guarantees	644,747	532,561
<b>In total</b>	<b>1,934,125</b>	<b>1,781,465</b>

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 amounting to TDKK 289,617 t.kr. (2021: TDKK 259,876).

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

**27. Legal cases**

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

**28. Currency exposure**

Assets in foreign currency, in total	47,633	41,737
Liabilities in foreign currency, in total	41,874	32,540
Exchange-rate indicator 1	5,759	9,799
Exchange-rate indicator 1 as a ratio of core capital	0.4	0.8
Exchange-rate indicator 2	113	83

**29. Interest risk rate**

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

Interest rate risk for debt instruments, etc.	15,030	14,511
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**30. 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	5,867	4,391
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	2,906	2,192

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, there are no engagements with settled rates.

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
Board of Directors - Yvonne Jane Poulsen Kyed	10	10
Board of Directors - Peter Angutinnguaq Wistoft	81	81
Executive Management - Martin Birkmose Kviesgaard	1,455	1,455

DKK 1,000

2022

2021

### 31. 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	79,642	92,488
Accounting value	79,577	105,741

#### Covered with interest rate swap

Synthetic principal/nominal value	66,048	80,631
Accounting value	5,902	1,675

#### Lending at fixed interest rates without cover

Amortised/nominal value	16,132	19,487
Accounting value	16,217	21,719

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
<b>2022</b>				
<b>Interest rate contracts</b>				
Swaps	76,049	6,002	-116	5,886
Forwards/Futures, purchase	-6,869		-93	-93
Forwards/Futures, sale	6,869	90		90
<b>In total</b>	<b>76,049</b>	<b>6,092</b>	<b>-209</b>	<b>5,883</b>
<b>Share contracts</b>				
Spot, purchase	4	4	-1	3
Spot, sale	4	1	-4	-3
<b>In total</b>	<b>8</b>	<b>5</b>	<b>-5</b>	<b>0</b>
<b>In total</b>	<b>76,057</b>	<b>6,097</b>	<b>-214</b>	<b>5,883</b>
<b>2021</b>				
<b>Currency contracts</b>				
Spot	602	0	0	0
<b>Interest rate contracts</b>				
Swaps	90,631	262	-2,468	-2,206
<b>Share contracts</b>				
Spot, purchase	3	10	-3	7
Spot, sale	3	3	-10	-7
<b>In total</b>	<b>6</b>	<b>13</b>	<b>-13</b>	<b>0</b>
<b>In total</b>	<b>91,239</b>	<b>275</b>	<b>-2,481</b>	<b>-2,206</b>



### 32. 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
<b>2022</b>				
<b>FINANCIAL ASSETS</b>				
Bonds	1,156,821	0	0	1,156,821
Shares	0	0	120,063	120,063
Head office properties	0	0	284,370	284,370
Positive market value of derivative financial instruments	0	6,097	0	6,097
<b>In total</b>	<b>1,156,821</b>	<b>6,097</b>	<b>404,433</b>	<b>1,567,351</b>
<b>FINANCIAL LIABILITIES:</b>				
Negative market value of derivative financial instruments	0	215	0	215
<b>In total</b>	<b>0</b>	<b>215</b>	<b>0</b>	<b>215</b>

DKK 1,000	Listed prices Level 1	Observable prices Level 2	Non-observable prices Level 3	In total
<b>2021</b>				
<b>FINANCIAL ASSETS</b>				
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
<b>In total</b>	<b>1,126,098</b>	<b>275</b>	<b>361,071</b>	<b>1,487,445</b>
<b>FINANCIAL LIABILITIES:</b>				
Negative market value of derivative financial instruments	0	2,481	0	2,482
<b>In total</b>	<b>0</b>	<b>2,481</b>	<b>0</b>	<b>2,482</b>

DKK 1,000	2022	2021	2022	2021
Financial instruments recognised at amortised cost:	Amort. cost.	Fair value	Amort. cost.	Fair value
Receivables from credit institutions and central banks	118,619	118,616	57,293	57,225
Lending and other receivables	4,353,585	4,386,436	3,783,681	3,810,803
Liabilities to credit institutions and central banks	22,598	22,598	13,145	13,145
Deposits and other liabilities	5,942,479	5,941,824	5,363,871	5,363,183
Derivative financial instruments:				
Interest rate swaps (net)	0	5,886	0	-2,206



### 33. Sensitivity calculations

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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 2022 had been 100 basis points higher, all other things being equal, the profit for the year before tax would be TDKK 15,030 lower (2021: TDKK 14,511 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 2022, 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 144 lower (2021: TDKK 245 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 2022 had been 10% lower, all other things being equal, the profit for the year before tax would be TDKK 12,006 lower (2021: TDKK 13,890 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 2022 had been 10% lower, the negative value adjustment of properties, all other things being equal, would be TDKK 28,437 before tax (2021: TDKK 24,729 lower).

**34. Five-Year Financial Highlights and Key Figures**

	2022	2021	2020	2019	2018
Net interest and fee income	351,485	338,933	326,513	323,507	316,647
Value adjustments	-39,356	11,219	136	9,585	-1,546
Other operating income	6,588	6,185	5,369	5,722	5,385
Staff and administration expenses	195,056	186,385	178,734	170,895	160,457
Depreciation and impairment of tangible assets	7,320	7,014	6,948	6,672	6,765
Other operating expenses	2,706	2,497	2,610	2,788	2,011
Write-downs on loans and receivables, etc.	4,523	1,537	12,828	7,959	10,938
<b>Profit before tax</b>	<b>109,112</b>	<b>158,904</b>	<b>130,898</b>	<b>150,500</b>	<b>140,315</b>
Tax	10,361	26,072	34,671	20,582	27,423
<b>Profit for the year</b>	<b>98,751</b>	<b>132,832</b>	<b>96,227</b>	<b>129,918</b>	<b>112,892</b>
SELECTED BALANCE SHEET ITEMS					
Lending	4,353,585	3,783,681	4,006,248	3,758,736	3,472,174
Deposits	5,942,479	5,363,871	5,847,772	5,687,451	4,899,044
Equity	1,318,592	1,267,911	1,176,917	1,077,676	999,159
Total assets	7,949,566	7,226,988	7,438,325	7,089,915	6,164,536
Contingent liabilities	1,934,125	1,781,465	1,621,831	1,479,537	1,277,604
OFFICIAL KEY FIGURES:					
Solvency ratio	23.6	24.4	23.5	23.4	22.7
Core capital ratio	23.2	24.4	23.5	23.4	22.7
Return on equity before tax	8.4	13.0	11.6	14.5	14.3
Return on equity after tax	7.6	10.9	8.5	12.5	11.5
Rate of return	1.2	1.8	1.3	1.8	1.8
Income per cost krone	1.5	1.8	1.7	1.8	1.8
Interest rate risk	1.2	1.2	1.1	2.1	2.0
Foreign exchange position	0.5	0.8	0.6	0.9	0.5
Lending plus write-downs as a ratio of deposits	71.5	69.1	68.8	67.2	73.1
Lending as a ratio of equity	3.3	3.0	3.4	3.5	3.5
Growth in lending during the year	15.1	-5.6	6.6	8.3	5.0
Liquidity Coverage Ratio	220.5	238.6	241.0	238.8	282.1
Sum of large exposures	167.3	156.7	162.6	163.5	160.4
Ratio of receivables at reduced interest rates	0.4	0.5	0.8	0.8	0.9
Write-down ratio for the year	0.1	0.0	0.2	0.1	0.2
Accumulated write-down ratio	3.0	3.2	3.2	3.3	3.5
Profit for the year per share	54.9	73.8	53.5	72.2	62.7
Net book value per share	732.6	704.0	653.8	599.0	555.0
Dividend per share	20.0	40.0	25.0	0.0	30.0
Listed price/profit for the year per share (PE)	10.8	8.1	11.0	7.6	8.7
Stock exchange quotation/net book value per share	0.8	0.8	0.9	0.9	1.0

### 35. Definition of key ratios

<p><i>Solvency ratio</i> Capital base as a percentage of risk exposure.</p>	<p><i>Lending as a ratio of deposits</i> Lending + write-downs as a ratio of deposits.</p>
<p><i>Core capital ratio</i> Core capital after percentage deduction of risk exposure.</p>	<p><i>Lending as a ratio of equity</i> Lending/equity.</p>
<p><i>Return on equity before tax</i> 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.</p>	<p><i>Growth in lending during the year</i> Percentage growth in lending from the beginning to the end of the year.</p>
<p><i>Return on equity after tax</i> 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.</p>	<p><i>Liquidity coverage ratio</i> Liquidity buffer/payment obligations within 30 days.</p>
<p><i>Rate of return</i> Profit for the year as a ratio of total assets.</p>	<p><i>Sum of large exposures</i> Sum of large exposures as a ratio of the capital base.</p>
<p><i>Income per cost krone</i> 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.</p>	<p><i>Ratio of receivables at reduced interest rates</i> Receivables at reduced interest rates as a ratio of lending + guarantees + write-downs.</p>
<p><i>Interest rate risk</i> Interest rate risk as a percentage of core capital after deductions.</p>	<p><i>Write-down ratio for the year</i> Write-downs for the year as a ratio of lending + guarantees + write-downs.</p>
<p><i>Currency position (currency indicator 1)</i> 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.</p>	<p><i>Accumulated write-down ratio</i> Total write-downs as a ratio of lending + guarantees + write-downs.</p>
	<p><i>Profit for the year per share</i> 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.</p>
	<p><i>Net book value per share</i> Equity/number of shares, excluding own shares.</p>
	<p><i>Dividend per share</i> Proposed dividend/number of shares.</p>
	<p><i>Listed price as a ratio of the profit for the year per share</i> Listed price/profit for the year per share.</p>
	<p><i>Stock exchange quotation as a ratio of net book value</i> Stock exchange quotation/net book value per share.</p>

### 36. Management posts

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

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

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



#### Former CEO Gunnar í Liða

Born on 13 April 1960 (male)

Joined the Board of Directors on 6 April 2005. Last re-elected in 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 Boards 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 2022. Current term expires in 2024.

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

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

#### Member of the Boards of Directors of:

- INUPLAN A/S (Chairman)

#### Director of:

- Ejendomsselskabet Issortarfik ApS
- Attavik-Udlejning

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



**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 2022. Current term expires in 2024.

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

Member of the Audit Committee and member of the Risk Committee

**Owner of**

- Pikiála

**Co-owner of:**

- Yogarta I/S

**Member of the Boards of Directors of:**

- Royal Greenland A/S (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
- Arbejdernes Landsbank A/S
- Arbejdernes Landsbanks Fond
- AG Gruppen A/S
- AG Construction A/S
- AG Development A/S
- AG Invest A/S

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 also been a member of the mortgage-credit sector's Greenland Committee (2004-2014), and the Danish Bankers Association's Credit Committee (2010-2014) and Vækstfonden (2015-2022).



**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 2 October 1981 (male)

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

Member of the Audit Committee and member of the Risk Committee

**Member of the Boards of Directors of:**

- Elite Sport Greenland

- NuQI – Greenland's Dance Centre (chair)
- Nuuk International Free School (NIF)



**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 2022. Current term expires in 2024.

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 Boards of Directors of:**

- Usisaat ApS

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

Peter Wistoft is Head of Finance and Administration of Trinity Hotel og Conference Center A/S, and former CEO of Kalaallit Airports Holding A/S. He is a state-authorised public accountant and a former partner in firm of accountants and consultants Deloitte. Peter Wistoft also holds strategic management qualifications from INSEAD.

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 5 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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Fax no.: +299 34 77 20  
[www.banken.gl](http://www.banken.gl)  
[banken@banken.gl](mailto:banken@banken.gl)

## Board of Directors

Former CEO Gunnar í Liða, 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

\*) Elected by the employees

## 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 2023

Annual Report 2022	1 March
Annual General Meeting in Nuuk	28 March
Interim report, First Quarter 2023	9 May
Interim report, First Half 2023	16 August
Interim Report, First Nine Months 2023	1 November

## Notifications to the stock exchange in 2022

19 January	Upward adjustment of expectations for 2021 and announcement of expectations for 2022
2 March	Annual Report 2021
2 March	Notice convening the 2022 Annual General Meeting
15 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
17 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
22 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
24 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
29 March	Minutes of the 2022 Annual General Meeting
29 March	Articles of Association
10 May	Quarterly Report, Q1 2022
17 August	Interim Report, First Half 2022
22 August	Examination of the possibility of issuing Tier 2 capital and Senior Non-Preferred
25 August	The BANK of Greenland issues DKK 25 million Senior-Non-Preferred
25 August	Financial Calendar 2023
26 August	The BANK of Greenland issues DKK 25 million in Tier 2 capital
19 October	Downward adjustment of expectations for 2022
2 November	Quarterly Report, Q3 2022
15 December	Outlook for 2023