

Annual Report

2023

Contents

Management's Review	2
Annual Report in Headlines	2
Greenland's Society and Economy	5
About the BANK of Greenland in Brief	21
Summary of Financial Highlights	22
Management's Review for 2023	23
Management Statement	35
Audit Statement	36
Statement of Income	41
Statement of Comprehensive Income	42
Balance Sheet	43
Statement of Changes in Equity	44
Cash Flow Statement	45
Overview of Notes	47
Notes to the Annual Report, including Accounting policies applied	48
Board and Management	82
Information about the BANK of Greenland	86
Financial Calendar and Stock Exchange Notifications	87

Management's Review

Annual Report in Headlines

Growth in business volume and record result

2023 was a year characterised by rising interest rates and rising inflation, yet Greenland's economy proved to be robust, with sound growth expected in 2023. The financial markets' performance and Greenland's robustness are both reflected in the Bank's Annual Report for 2023. Growth in several of the Bank's significant business areas, a higher interest rate level, low write-downs and positive value adjustments resulted in record earnings for the Bank in 2023.

In 2023, the BANK of Greenland achieved a profit before tax of DKK 244.6 million, compared to DKK 109.1 million in 2022. The result is at the level of the revised guidance in January 2024 for a result at the level of DKK 244 million, but significantly above the expectations at the start of the year of a result of DKK 130–170 million.

Core operations at an improved level

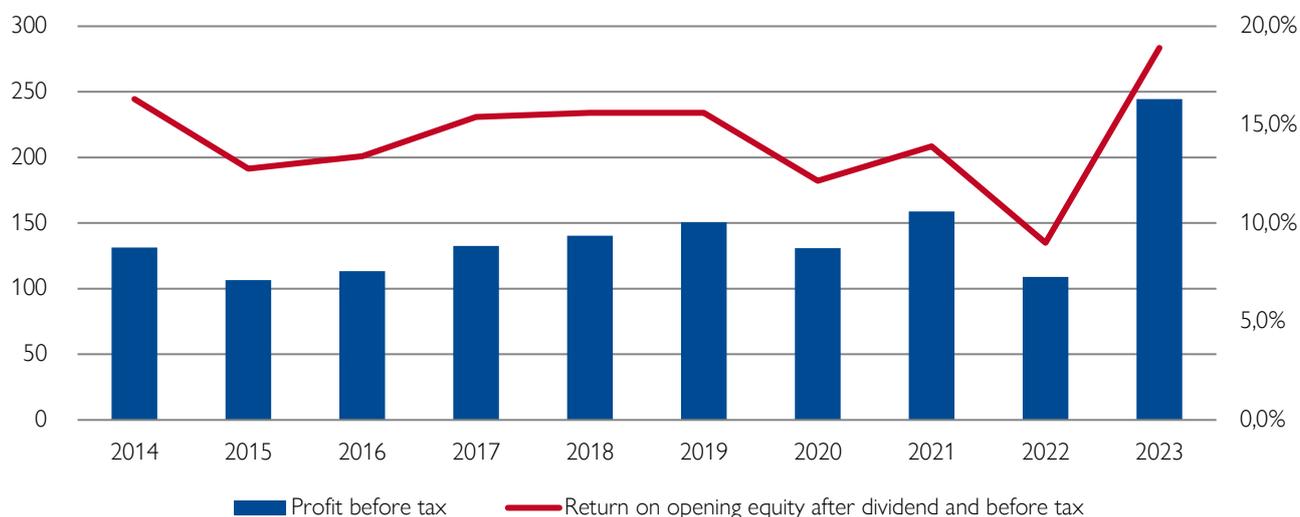
The Bank's core operations improved significantly from DKK 153.0 million in 2022 to DKK 218.7 million in 2023.

After record-high lending in 2022, lending grew further in 2023. Lending increased by DKK 459 million to DKK 4,813 million at the end of 2023, representing the highest level in the history of the Bank. The increase in lending is a consequence of the Bank's favourable market position and Greenland's continued favourable economic performance and the business community's great propensity to invest in 2023. In two years, lending has thus increased by over DKK 1 billion. This testifies to the fact that there has been good activity in the Greenlandic business community in particular, but also to the fact that the BANK of Greenland supports the development of society to a considerable extent and, not least, that we are competitively strong.

Net interest income increased by DKK 86.5 million or 36% to DKK 329.7 million in 2023. The increase is significant and among other things reflects that throughout 2023 lending has been at a high level. At the same time, interest rate increases have pushed up interest income from both bonds and lending. Bonds and Money market interest rates also improved the return on the Bank's surplus liquidity.

High conversion activity at the end of 2022 and slightly lower activity in the private housing market in 2023 contributed to a

DKK million



decrease in guarantees in 2023. At the end of 2023, guarantees totalled DKK 1,774 million, compared to DKK 1,934 million in 2022.

Deposit interest rates also increased significantly in 2023, when the Bank, like most other banks, offered new deposit products with better returns for the Bank's customers.

Fee and commission income decreased in 2023, compared to the previous year. Key drivers of this decrease included the declining guarantee volume and the insurance area.

Costs also rose in 2023. Staff expenses increased and the total number of full-time employees increased by six, just as the pay increase under collective agreements also caused this item to increase. Administration expenses also increased in 2023. These include an increase in BEC costs, and in the card area, as well as further training for the Bank's employees.

Limited losses and write-downs

Write-downs and provisions amounted to a modest DKK 14.2 million in 2023, compared to DKK 4.5 million in 2022. Despite the increase, the total level of write-downs is still low and reflects a significant management reserve now amounting to approximately DKK 45.6 million, including amounts for the derived economic effect of rising inflation and interest rates. The economy and our customers have thereby once again demonstrated considerable economic robustness.

Significant capital gain

The Bank's liquidity is placed in the money market, in bonds and, to a certain extent, in sector shares. The interest rate trend has resulted in higher price gains on the Bank's bond holdings. However, the Bank's sector shares and the currency area also made a positive contribution. Value adjustments show a gain of DKK 40.1 million in 2023, compared to a loss of DKK 39.4 million in 2022.

Growth in the Bank

The Bank again experienced significant growth in 2023. Lending increased by 10.6%, reaching the highest level in the Bank's history, while the pension area is also expanding. Based on ongoing private and public investments, the Bank still expects continued growth in 2024, but at a lower level than in 2023.

Balance sheet, capital and dividend

The BANK of Greenland's capital-intensive activities, and lending and guarantees in particular, grew in 2023, 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 view of the continued phasing in of the MREL requirement the Bank has 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 55 per share compared to DKK 20 per share in 2022 is proposed. The dividend is equivalent to 51% of the profit for the year, after which the Bank has a solvency ratio of 26.0 compared to 23.6 in 2022. The solvency requirement is unchanged at 11.1%.

Outlook for 2024

Greenland is affected by rising inflation, although not at the same level as in other countries, and even though some increase in inflation in 2024 is expected, we still expect favourable development in the banking business.

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 2024 are assessed to be covered by the current level of impairment write-downs.

The Bank's expected profit before tax for the year 2024 is DKK 180-230 million. This expectation corresponds to the advice in the stock exchange announcement of 14 December 2023.

Nuuk, 27 February 2024

Martin Birkmose Kviesgaard, Managing Director





Greenland's Society and Economy

During several years of global uncertainty, Greenland has successfully maintained significant economic growth. This is primarily due to high catch volumes sold at high prices in the fisheries sector, and a sustained high level of investment in the construction and civil engineering sector. Overall, this has exerted pressure on the labour market, which in real terms is utilised to full capacity. There is also a considerable public maintenance backlog, as well as significant growth opportunities in the expansion and establishment of hydroelectric power stations and infrastructure.

Even though Greenland is still enjoying high activity and low unemployment, the current fiscal policy is unsustainable. This is due, among other things, to an increasing dependency ratio, growing demand for better public services and a lack of qualified manpower.

With the "Sustainability and Growth Plan II", published in November, steps are being taken towards socioeconomic sustainability. Specifically, increasing the level of education and expertise, diversifying the economy, budgetary restrictions on public expenditure and reforms of the tax, duty and pension system must ensure that long-term expenditure does not exceed revenue. Actual adoption and implementation of these steps can prove difficult in practice, however.

In this year's Annual Report, we consider these topics as four overall themes. The first theme concerns the overall economic development, the second theme deals with business trends and potential, the third theme addresses the structural challenges that Greenland faces, while the fourth and last theme concerns whether Greenland is resilient towards the new challenges going forward.

Overall economic development

Economic growth

Despite the global crises in recent years, Greenland's economy has once again shown its strength in the past year. Preliminary figures indicate that GDP increased by 2.1% in 2022 and is expected to increase by 2% in 2023 **Figure 1**. The steadily expanding economic activity is driven particularly by construction and civil engineering activities, dominated by the Greenland Government's continued gross investments in airport construction in Nuuk, Ilulissat and Qaqortoq.

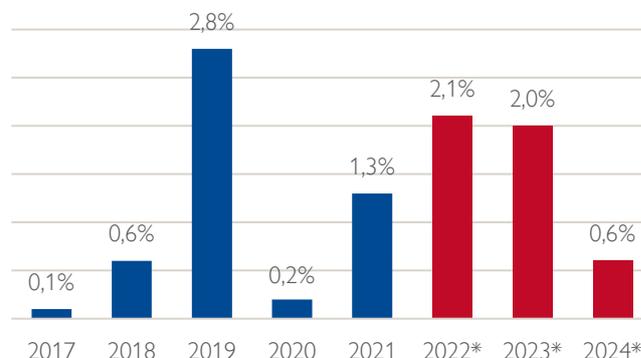
It will be natural to expect GDP to fluctuate, and perhaps even decline, in the coming years, as a consequence of the major construction and civil engineering activities in recent years – including airport construction – which are now entering a final phase. In addition, the general interest rate increases will have a

detrimental effect on investments, including in the housing sector, which may dampen economic growth in coming years.

On the other hand, there was continued activity in the housing sector in 2023, and there is still a great need for investments in housing, ports, infrastructure and utilities. The BANK of Greenland assesses that growth at a rather lower level in 2024 than in recent years must be expected, and perhaps with some brief stagnation.

Figure 1
Economic development

Real GDP growth



Note: 2017-2019 are final figures, while 2020-2021 are provisional figures. 2022-2024 are preliminary forecasts. The figure shows real GDP growth, compiled in 2010 prices.*

Sources: Statistics Greenland and Greenland's Economic Council.

Growth continued in 2023, driven by fisheries exports, among other things. This is due to both high catches and favourable price development for part of the year, and in several segments. Growth in the medium term will depend to a great extent on the development in fisheries, and whether the activity in the construction and civil engineering sector will continue. The investments in the airports in Nuuk, Ilulissat and Qaqortoq will be completed within the next few years, expected to be followed by major hydroelectric power investments. Moreover, the completion of the airports is expected to promote tourism-generated growth.

In the longer term, Greenland's continued economic progress will depend to a great extent on the general structural conditions. In this connection, the investments in airports will create opportunities for greater diversification of the economy.

However, a more diversified economy is not enough to ensure sustainable growth in the longer term. Greenland faces a number of challenges that exert pressure on public finances. Greenland's population is ageing, the workforce is close to being fully utilised, and there are also challenges in the area of children and young people in particular. Without reforms, this would in time

result in government expenditure exceeding Treasury revenue. This would reduce the fiscal policy leeway and impede the possibility of dampening cyclical fluctuations and being able to finance profitable economic investments to ensure future growth.

Debt accumulation

The Greenland Government had net assets of DKK 1.1 billion in 2022. The gross debt of the Greenland Government, the municipalities and government-owned companies, on the other hand, totalled DKK 7.3 billion. This corresponds to 35.5% of GDP, which is an increase of 8.1 percentage points compared to 2021. This debt has increased in recent years as a result of investments in airports in Nuuk, Ilulissat and Qaqortoq, among other things. From an international perspective, this is still a very low level of debt. In 2022, for example, gross debt in the EU was 84% of GDP, see **Figure 2**. Except for the year 2023, when Naalakkersuisut (the Greenland Government) expects the debt level to be reduced by DKK 373 million, the level can be expected to increase in the coming years. This is to a great extent due to the expected borrowing for the hydroelectric power station projects, which are expected to start up in 2025. Including these, the 2024 debt level will increase and end at DKK 9.2 billion in 2026. Greenland will thereby increase its risk exposure considerably within just a few years, as a consequence of this increase in indebtedness. It should also be emphasised that the planned debt accumulation does not correspond to the real investment requirement, as there is a maintenance backlog in publicly owned housing and infrastructure. Investments of the same magnitude as the current infrastructure investments will

be required to make up for this backlog.¹ The current debt level cannot therefore be compared one-to-one with other economies that have maintained their fixed assets on an ongoing basis.

Increased indebtedness generally exposes Greenland to greater risks. It is therefore crucial that borrowing only takes place to finance economically profitable investments. There must also be balance in public finances. To ensure this, since 2021 the Budget Act has stipulated that the Greenland Government's OI balance must be in balance, as a minimum, and that the total appropriations for operations, subsidies and investment may not exceed real growth of 1% over one year and 2% over four years. In practice, this serves as a spending ceiling that controls growth in public sector expenditure. As Table 1 shows, the Finance Act shows a considerable total surplus on the OI balance of DKK 1,270.3 million for the 2024-2027 period.

Table 1
The Greenland Government's OI balance

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2019-2022	2024-2027
Budgeted OI balance, Finance Bill, 2024						+91.4	+172.6	+233.0	+211.2		+708.2
Budgeted OI balance, Finance Act	+7.2	+49.6	-76.2	+7.6	+6.1	+284.4	+317.1	+349.1	+319.7	-11.8	+1,270.3
Actual OI result	+136.1	-134.8	-150.0	+113.2						114.5	
Difference	+128.9	-184.4	-73.8	+105.4						123.4	

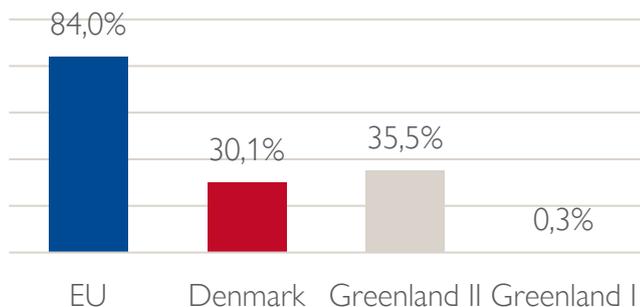
Note: A minus indicates a deficit. The figures for 2019-2022 are actual figures, while the figures for 2023-2024 are those adopted for the year. The figures for 2025-2027 are budget estimates. The total calculated for 2019-2022 is subject to the assumption that the actual result for 2022 is as adopted.

Sources: Finance Acts for 2019, 2020, 2021, 2022, 2023 and 2024 and the Finance Bill for 2024.

¹ Analysis no. 13, The Greenlandic Economy, Danmarks Nationalbank; Report on country planning 2023 – the necessary maintenance

Figure 2
Gross public interest-bearing debt in Greenland, Denmark and the EU in 2022

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 Act for 2023, Statistics Greenland and Eurostat.

The table also shows that the Treasury ended 2022 with a surplus of DKK 113 million. This significantly exceeds the modest surplus budgeted in the 2022 Finance Act. The significant deviation is primarily due to the absence of the economic downturn for which income taxes and duties were budgeted during the Covid-19 pandemic. After two deficit years, the Treasury thus showed a surplus, due to higher revenue than expected in 2022. Based on the economic activity in 2023, it is realistic to expect even better Treasury accounts in 2023. The deviation in 2023 is again estimated to be due to increased income from taxes and duties, including higher adjustment of the block grant as a consequence of the high wage and price development in Denmark.²

It may be tempting to use the considerable budget surplus over the next four-year period to increase public consumption. However, Greenland's current economic and structural challenges speak against certain types of investment. The current economic upswing, for example, is already putting pressure on the labour market. Using the economic leeway to ease fiscal policy risks overheating the economy. This should be avoided since, as a general rule, fiscal policy is a tool to be used to stabilise the macroeconomy by dampening the effects of cyclical fluctuations, rather than the opposite. At the same time, Greenland's economy has a structurally unresolved sustainability problem. Based on these arguments, the aim should be for the new economic leeway to only be used to make new economically viable public investments that can address structural problems and/or mitigate negative effects of economic setbacks, and

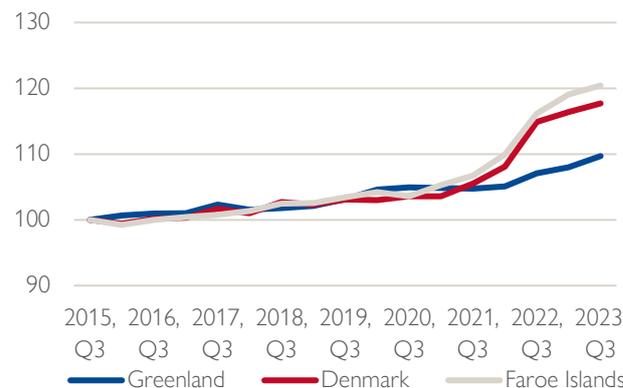
that these investments are made gradually over a number of years.

Price trends

After the past year's interest rate hikes on a global level, the significant inflation the world has experienced in recent years is being braked. After the ECB and Denmark's Nationalbank raised interest rates, Denmark's inflation rate of almost 9% in 2022 has been replaced by consumer prices in the third quarter of 2023 that are only 1.3% higher than last year. This is a general trend across country borders. As Figure 3 shows, in the first instance Greenland has only been directly exposed to the inflation crisis to a minor extent. In other countries, this crisis was primarily driven by price increases for gas and oil products. This is due to Greenland's use of its energy supply from hydroelectric power, as well as KNI's fixed price agreement for oil, which has shielded consumers from major energy price increases.

Figure 3
Development in inflation

Index (2015=100)



Note: Development in the consumer price index from 2015 to 2023, with 2015 as index 100. The figure is calculated at six-monthly intervals. Q3 is the third quarter.

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

However, the future prospects for inflation and growth are subject to uncertainty, among other things because the existing price hedging agreement with KNI for oil and diesel products expires at the end of 2023. However, the extent to which the expected increase in energy prices will be reflected in inflation for 2024 will depend on the specific content of a new fixed price agreement. In addition, the general international inflation trend will also be decisive for price developments in Greenland. This is because a relatively large proportion of Greenland's private consumption is imported.

Based on the falling oil price and declining international inflation, in their report for the first half of 2024, Greenland's Economic

² Greenland's Economic Council's report, second half of 2023.

Council estimates that inflation for the 2023-2024 period will be around 7%. Together with inflation, the current shortage of labour in both Greenland and the countries from which labour is imported must be expected to exert some wage pressure in Greenland. How real wages will develop in the coming years is therefore uncertain.

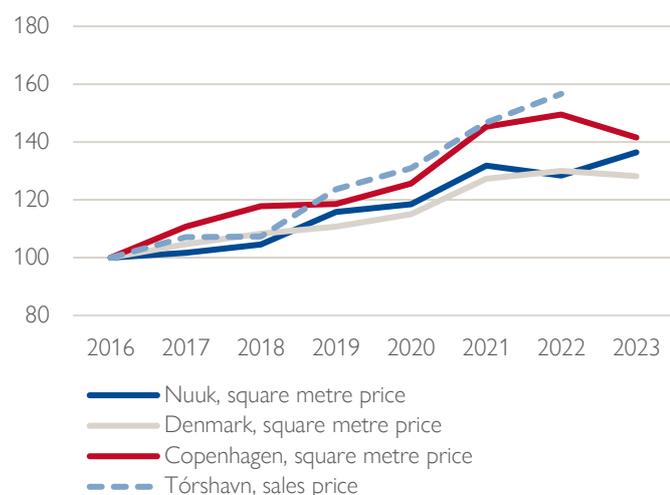
In addition to the direct impact on consumer prices, higher oil prices will also more indirectly raise the price level due to rising costs, including in the retail sector. The BANK of Greenland currently assesses that the risk of any such shift in inflation expectations is limited. One reason is that the ECB's tight monetary policy must be expected to firm up inflation expectations.

Housing market

In Nuuk's housing market, there has been stable growth in prices per square metre over an extended period, see **Figure 4**. Over seven years, up to June 2023, prices thus rose by 36%, calculated in current prices, in the face of rising interest rates, which have dampened the housing market in Denmark, for example, see **Figure 4**. The BANK of Greenland assesses that downward price pressure is as expected, as a consequence of interest rate increases and expected energy price increases. On the other hand, the sustained economic growth and the fact that many people are moving to Nuuk have a positive effect.

Figure 4
Development in housing prices

Housing prices in Nuuk, Denmark, Copenhagen and Thorshavn, index (2016=100)



Note: 2016=100. Price trends in Nuuk (Greenland), Denmark and Copenhagen are compiled in DKK per square metre for detached and terrace houses, as well as owner-occupied flats, while for Thorshavn (the Faroe Islands) the prices are compiled on the basis of sales prices. The prices are not adjusted by the consumer price index and therefore reflect the nominal development in housing prices. Data for the Faroe Islands is only until 2022, due to missing data. Data for Nuuk in 2023 only includes the first half-year.

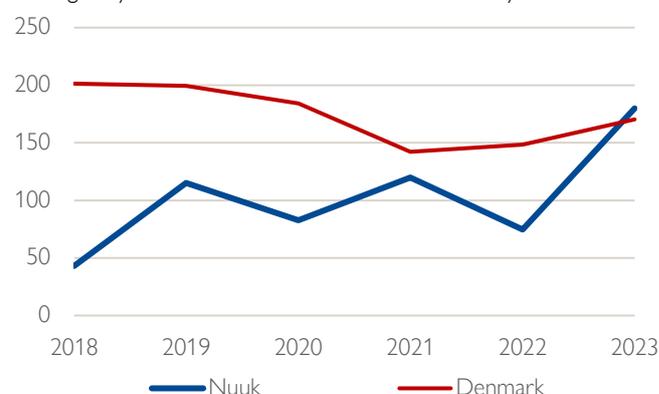
Sources: Finance Denmark, BANK of Greenland and Statistics Faroe Islands.

The high demand for housing in Nuuk is also clearly apparent from the average number of days on market. From 2018 to 2022, days on market in Nuuk were considerably lower than in Denmark, see **Figure 5**. From 2022 to 2023, however, the average days on market increased from 75 to 180. The average days on market are subject to reservation, however, as many homes are sold without involving a real estate agent, although this does indicate some downward pressure on house prices.

In the BANK of Greenland's assessment, the housing market in Nuuk and the largest towns in Greenland has been positively affected by urbanisation and economic growth in these towns. Outside the main municipal centres, it is difficult to assess the housing market on the basis of a limited number of private transactions. At the same time, homeowners in the towns of Greenland are favoured by the fact that mortgage financing is always at fixed interest rates and repayments, so that interest rate fluctuations do not directly affect homeowners.

Figure 5
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.

Business conditions

For many decades, a large part of Greenland's economy has been tied to fisheries. In the private sector, this is the industry that employs the most people. In addition, 98% of total goods exports comprise fish and fish products. This is not a problem for as long as fisheries are doing well. Conversely, this is a vulnerable situation as it affects the entire Greenlandic economy and terms of trade, see above. It is therefore advantageous to

diversify the economy to include more industries – including tourism and mining.

Fisheries

After a decline in the export value of fish and shellfish during the coronavirus pandemic in 2020 and 2021, the industry came back on a firm growth track in 2022. The value of exports increased by almost 22% from 2021, to DKK 5.8 billion, see **Figure 6**. This record-high level can be attributed to historically high export prices and also large catch volumes. For example, the average price per kilo for prawns and Greenland halibut increased by 10% and 15%, respectively, during 2022. However, there is no expectation of the same value added for fisheries in 2023, as the post-pandemic effect has died out. Based on preliminary data, the BANK of Greenland estimates that the value of exports will maintain its high level in 2023, but will fall by DKK 236 million in 2024, due to declining quotas, see **Figure 6**. Since it is yet to be known precisely how the expected oil price increases will affect coastal fishing, it is uncertain whether higher oil costs could be outweighed by higher export prices for fish products. Another risk factor for 2024 is the uncertainty in the cod market, with declining world market prices in 2023.

To maintain a high export value in the longer term, fisheries must be both efficient and sustainable. This is not the case, however, for some areas of the industry, see the Fisheries Commission's report from 2021. The fishing quotas for inshore Greenland halibut and cod are above the recommended sustainable quantities. This may reflect that other socioeconomic factors are taken into consideration. In the longer term, however, this is not a viable strategy, as excessive fisheries pressure reduces fish stocks and thereby the future catch potential. It is therefore necessary to adhere to the biological recommendations. Naalakkersuisut has taken the first steps with a proposal for a new fisheries act, which is currently subject to consultation. With this legislative proposal, Naalakkersuisut presents a framework for how fisheries can become more biologically sustainable without undermining economic and social sustainability. Naalakkersuisut points out that social considerations in particular mean that it is not possible to fully adhere to all of the Fisheries Commission's recommendations.³

The main challenge is that too many people are employed in the fisheries industry to be able to maintain economically sustainable fisheries. With a cap on catch volumes and the current shortage of labour in other industries, it is important to investigate the possibility of moving some of the workforce to other, more prosperous, industries. This transition would alleviate the

manpower shortage in the other industries and increase productivity in the fisheries sector.

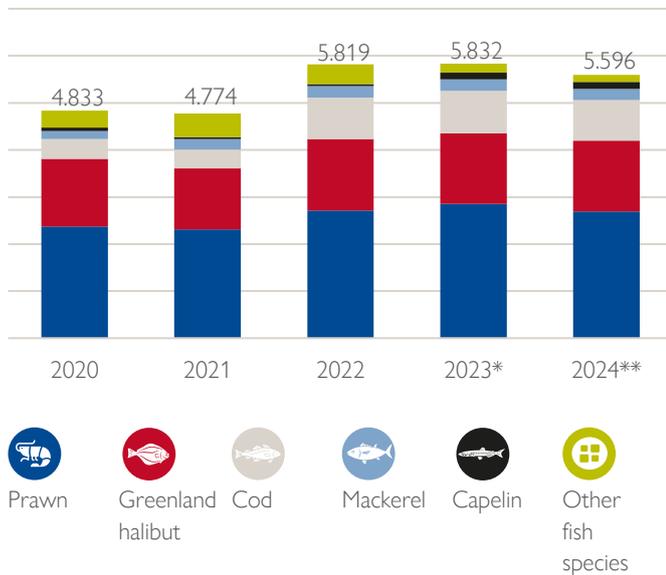
One factor that will have an impact on fisheries in 2024 and 2025 is the reduction of the prawn quota. For 2024, the Greenland Institute of Natural Resources has recommended that prawn catches off West Greenland be reduced by 15,000 tonnes compared to 2023, which corresponds to just under 15%. In the course of further political consideration and in accordance with MSC certification, the reduction has been set at 7,500 tonnes. This will have socioeconomic implications in the form of lower GDP and reduced Treasury revenue.

The Ministry of Finance and Taxation estimates that the reduction will cost the Treasury DKK 19.6 million.⁴ Since there are a number of unused prawn quotas from 2023 that can be transferred to 2024, however, it is expected that fisheries will be at almost the same level as in 2023, so that the immediate negative economic effects will be deferred.

³ Source: https://naalakkersuisut.gl/Hoeringer/2023/11/2911_fiskeri?sc_lang=da

⁴ <https://sermitsiaq.ag/node/247980>

Figure 6
Annual value of exports of fish and shellfish
DKK million



Note: 2023* are estimates, where prawn, Greenland halibut and cod are projected on the basis of data for the first 10 months of 2023, while mackerel, capelin and other fish species are projected on the basis of the first three quarters' exports, due to data availability. The projections are calculated on the basis of seasonal trends from the previous years' catches at fish type level. 2024** are projections, where prices are on average assumed to be identical to 2023, while volumes are assumed to change equivalently to quota changes. The prices are not adjusted in relation to the consumer price index and are therefore nominal/current prices.

Sources: Statistics Greenland, Naalakkersuisut (the Government of Greenland) and own estimates.

Tourism and aviation

Fisheries were not the only industry to be severely affected by the coronavirus pandemic. The same applied to tourism, although this industry was already back on track in 2022. The number of foreign-visitor overnight stays was no less than 32% higher than before the pandemic (see **Figure 7**), while the number of foreign airline passengers increased by 8% (see **Figure 8**). Similarly, the number of cruise tourists returned to the previous level. This general boom in tourism in 2022 was not unique to Greenland. Several countries saw a similar increase. From an economic perspective, this is naturally positive. International studies show, for example, that international adventure tourism is expected to grow by 50% up to 2027.⁵ It is particularly tourists in this category who visit Greenland. Based on data up to the third quarter of 2023, this indicates a sustained trend. The uncertainty generated by the global crises in recent years does

not yet appear to have reduce the demand for travel to Greenland.

Figure 7
Increase in foreign-visitor overnight hotel stays
Number of foreign-visitor overnight hotel stays, acc. annually



Note: The figure shows the number of foreign-visitor overnight hotel stays for 2019 to 2023. Foreign refers to all countries that are not Greenland, i.e. including Denmark. The number of overnight hotel stays is accumulated for each year. This means that the last month represents the total annual number: For 2023, the first nine months are included due to data availability.

Source: Statistics Greenland.

The major event in 2024 is that Nuuk Airport is expected to be completed by November, while Ilulissat Airport is expected to be completed in the course of 2025. This entails that international aircraft will be able to land as direct flights. Kalaallit Airports (KAIR) expects the number of airline passengers to increase by 9% annually up to 2029, emphasising that this growth can to a high degree be attributed to the new airport structure, whereby passengers can fly directly to Nuuk and Ilulissat.⁶ However, the potential can only be realised if the other parts of the tourism sector follow suit. Hotel capacity and the range of experiences offered must therefore be expanded over a number of years. According to Greenland Business Association's market analysis, hotels, restaurants and tourism, together with the construction industry, are among the industries that have faced the greatest challenges in recruiting manpower.⁷ These challenges need to be resolved, to ensure sustained growth in tourism and a more diversified business sector.

Tourism, together with the development of other industries, can contribute to making Greenland's economy more sustainable. However, it is essential that tourism is also developed sustainably from an environmental, social and cultural perspective.

⁵ <https://www.technavio.com/report/adventure-tourism-market-industry-size-analysis>

⁶ Report on business economic strategies with a special focus on sustainable fisheries, tourism, energy and green transition, increased self-sufficiency and minerals.

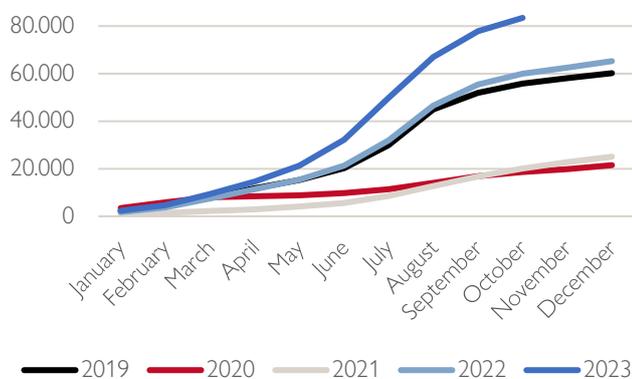
⁷ Greenland Business Association, Market Analysis – December 2022 "Manpower shortage".

From a social perspective, tourism must, for example, not be developed at the expense of the local population. Among other things, this will require tourists to be distributed across the country and not only centred around the new airports.

Other international tourist attractions have experienced how excessive concentrations of tourists in a small geographical area can have a detrimental effect.

Figure 8
Development in the number of airline passengers

Number of airline passengers, accumulated annually



Note: The figure shows the number of foreign departing airline passengers for 2019 to 2023. Foreign refers to all countries that are not Greenland. The number of departing airline passengers is accumulated for each year. This means that the last month represents the total annual number. For 2023, as from May nationality data has not been compiled. The number of passengers from May up to and including October is therefore estimated according to the average proportion of foreign and Greenlandic passengers, respectively, in 2019 and 2022.

Source: Statistics Greenland.

This risk can be reduced by the more even geographical distribution of tourists, as the growth is better diversified across more geographical areas. This can increase local support for tourism, but for this diversification to be successful, it is also necessary to invest in tourism in places other than the major destinations.

From an environmental and climate perspective, tourism must not degrade nature. This reveals a paradox, however, as travel to Greenland, whether by plane or cruise ship, weighs heavily in the greenhouse gas accounts. Even though this cannot be resolved from one day to the next, various methods can be used to mitigate the negative effects. Several countries and cities have begun to charge a climate tax on air travel, so that the ticket price more closely reflects the actual impact of travel on climate change. A similar tax could in principle be implemented in Greenland. The tax proceeds could then be used for projects aimed at protecting the climate. As travel to Greenland is already expensive, there is a risk that fewer tourists will visit Greenland, however. Alternatively, climate compensation can

take the form of a tourism tax. The reasoning would be that tourists pay less attention to prices once they are in the country, so that the number of tourists would not decrease as much. How the tools can be used in Greenland will naturally require a more in-depth analysis. Yet it is essential that politicians consider the role tourism plays in relation to the climate and seek to reduce tourism's climate footprint, since in view of the massive international focus on the climate crisis in recent years, this has a major impact on consumers' travel patterns. In this way, the tourism sector can take both social and climate responsibility. From the BANK of Greenland's perspective, it is essential that the development of tourism takes place with active use of regulation in relation to sustainability. In a future where hotels, attractions and destinations are expected to take sustainability issues into account, there is both development potential for Greenland and also a threat if these matters are not addressed. A new hotel that will exist for several decades will most likely be less attractive if, for example, it is not built and operated according to an environmental standard that future customers and investors expect. This gives a significant financial incentive for the industry and the country to embrace the sustainability agenda. Even though tourism is a logical opportunity to develop Greenland's economy, it is still to a certain extent a seasonal activity. The move towards a more multidisciplinary economy can therefore be further facilitated by realising the potential of other sectors.

Mineral extraction and mining

Mining activity remains low and currently employs less than 100 people. Yet several projects are either in the pre-licensing process or the subsequent process where they have a licence, but lack final funding.

For the projects that have been granted an exploitation licence, the biggest barrier remains that it is difficult to attract investors to Greenland. Even though the annual investments in mineral exploration after the pandemic have been increasing, the projects must be profitable. Mineral extraction is highly dependent on commodities prices, and the estimated need for the resource going forward. In this context, some of the potential lies in the extraction of rare earth metals from Greenland's subsoil. These metals are used to produce powerful magnets that are used as components in wind turbines and electric cars, among other applications. However, extraction is expensive and difficult and requires the right skills and capacity. So even though the rare earth metals are undoubtedly important in several industries, the costs associated with their extraction may be too high for investors to see their extraction in Greenland as a good investment opportunity. It is an important task to make Greenland as attractive as possible by creating the best possible framework conditions for mining operations. It will also be

important to change investors' perception that it is not profitable to invest in Greenland's underground. Key factors in this regard are stability, attractiveness and predictability, including with regard to legislation and the administrative practice affecting the area.

Naalakkersuisut is aware of this opportunity and with the Minerals Strategy from 2020 already sought to improve the conditions for investors. With the new Raw Materials Act, adopted in the spring of 2023, Naalakkersuisut has sought to take another step in this direction. Unlike the previous act the regulation of the raw materials area is now divided into several separate acts that specifically regulate the individual areas. This should make the framework more transparent and predictable by facilitating licence applications and their processing. The work towards becoming a competitive raw materials economy will require additional measures in the coming years.

Hydroelectric power

Energy from hydroelectric power stations is by far the largest renewable energy source in Greenland, and the use of hydroelectric power has been subject to extensive development. However, fossil fuels still account for more than 80% of Greenland's total energy consumption. This is primarily due to fossil fuels in the transport sector, but also to a lack of incentive structure and opportunities to switch energy sources. The BANK of Greenland's 2022 Annual Report made it clear that Greenland uses green taxes to a significantly lesser extent than the other Nordic countries. Green initiatives are essential if Greenland is to succeed in reducing its climate impact and consumption of resources.

Expansion of Greenland's hydroelectric power capacity would be able to replace some fossil-fuel based energy consumption. It is positive that Buksefjorden is planned to be connected to a transfer tunnel and another lake, which can increase the annual energy production from the current maximum of 255 GWh to potentially as much as 660 GWh. On the other hand, it is vital that the individual projects are economically viable. If elements of the expansion are not economically viable, Greenland's economic robustness will be undermined. This will be particularly challenging in step with Greenland's generally increased public debt and after the significant rise in interest rates in 2022 and 2023.

In 2023, prequalification was initiated to find investors for the establishment of hydroelectric power stations at Tasersiaq and Tarsartuup Tasersua, which will be put out to tender in spring 2024. It is calculated that the hydroelectric power stations will

have a capacity of 800 MW. This will require major foreign investment, as it is estimated that the projects will cost more than DKK 20 billion, which will make them the largest ever construction project in Greenland.⁸ An investment of this magnitude requires a competitive, long-term framework. When both hydroelectric power stations have been established, Greenland will be an exporter of renewable energy. However, this export potential is not without impediments. Exporting energy requires that it can be transported. Unlike fossil fuels, this is a complex and relatively new process. 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 without a significant waste of energy. This technology is expected to play an important role in achieving carbon neutrality by 2050.

Structural challenges

Greenland is still facing major structural challenges. A steadily declining number of people of working age must finance core welfare in a society that not only has a maintenance backlog in the housing and infrastructure areas, but is also characterised by a labour market that lacks skilled manpower. This is in a single-track economy that, in addition to the block grant, relies heavily on how the fisheries industry is faring. There is thus still a great need for reforms.

With the presentation of Sustainability and Growth Plan II in autumn 2023, Naalakkersuisut is focused on the structural challenges. The plan aims to reduce public expenditure and diversify the business structure to make it less vulnerable to external factors. This will be achieved through a number of reform tracks linked to increasing the level of education and skills, and achieving sustainable growth and the transition to a multi-track economy, future-proofing of the public sector and, finally, reforms of the tax system, welfare services, and the housing and elderly care sector. This a comprehensive reform agenda.

Maintenance backlog

One of the structural challenges is that over many years, a considerable maintenance backlog has been built up in housing, ports, facilities, energy supply, educational institutions and the healthcare system. The Finance Act in 2022 had a focus on this backlog, which is estimated to amount to almost DKK 8 billion.⁹ The parties agreed, among other things, to allocate more funds to renovation and ongoing maintenance of the publicly owned assets, and as of 1 February 2023, to increase the rent for municipal rented housing to more closely reflect the actual costs

⁸ Sermitsiaq, <https://sermitsiaq.ag/node/237184>

⁹ Report on country planning 2023 – the necessary maintenance.

associated with the renovation and maintenance of these properties.

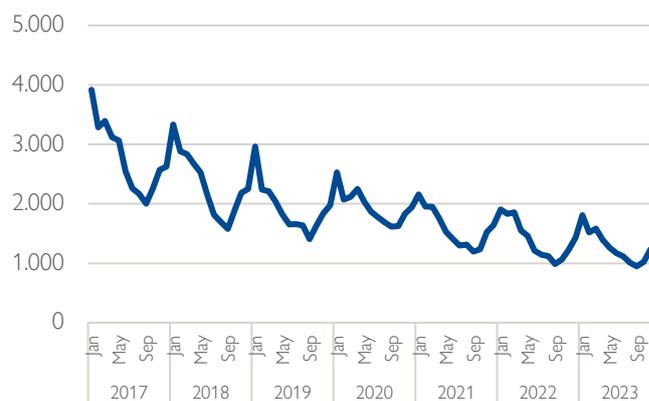
Greenland's Economic Council assesses that these measures have all been necessary, although they by no means cover the actual need. In order to ensure sustainable public finances, the continuous implementation of reforms is vitally necessary. The alternative is that the backlog becomes large and unmanageable, and impossible for future generations to eliminate. This would also result in further indebtedness and a deterioration in the government budget balance. As a consequence, the debt and the government budget balance would give a far more accurate picture of Greenland's economy.

Labour market

The boom in recent years is also reflected in the labour market. Unemployment is still at a historically low level. In September, for example, there were only 948 registered jobseekers, see **Figure 9**. Unemployment has never been lower and the economy is close to full employment. This is favourable for public finances, as income tax revenues are high while costs for people receiving public benefits are low. However, the challenge is that it is difficult to develop the economy further when unemployment is so low, as the demand for labour exceeds supply. This is not an unfamiliar problem – on the contrary. Greenland has faced structural challenges in the labour market for several decades. This has normally been resolved by recruiting foreign manpower. During the last five years, for example, around 1,000 people of working age have moved to Greenland, which has increased the workforce by 3.5%. In 2023, there was a change in the nature of this immigration, as the recruited manpower is now more likely to be unskilled and to come from Asia. This reflects that the countries normally recruited from, including Denmark, also have high employment rates.¹⁰ There is thus keen competition to obtain the necessary manpower.

Figure 9
Development in the number of job seekers

Number of registered job seekers



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

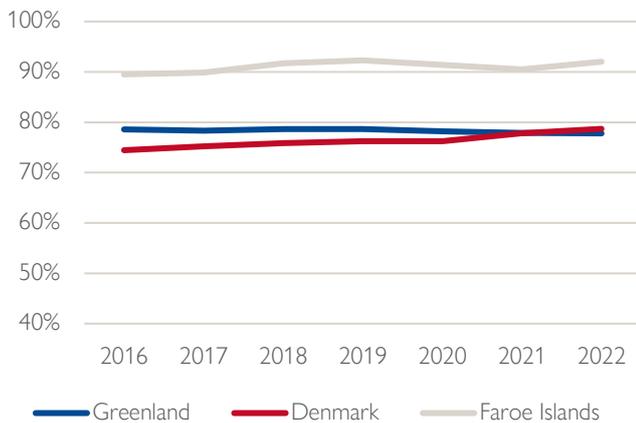
Sources: Statistics Greenland.

To avoid the economy's growth opportunities being limited by a shortage of labour, it is crucial that Greenland solves some of the underlying structural problems. As **Figure 10** shows, Greenland's workforce as a percentage of the population has been relatively constant at just under 80% in recent years. This is marginally higher than in e.g. Denmark, but with a shorter average life expectancy and fewer years of retirement, the ratio for Greenland should also be higher. For example, in 2022, 92% of the Faroese population of working age was part of the workforce. If Greenland can increase its 78% from 2022 to the same percentage share as the Faroe Islands, this alone would increase the labour supply in Greenland by more than 4,500 people, equivalent to an increase of 16%. Work should therefore continue to increase the ratio of the population included in the workforce. This makes it positive that Sustainability and Growth Plan II focuses on creating a more cohesive labour market. The aim is to increase the supply, professionalism and mobility of the workforce, which should move 10% away from public benefits and early retirement allowance and into employment.

¹⁰ Finance Bill 2024

Figure 10
Workforce as a ratio of the population

Workforce as a ratio of the population of working age



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: 16-64 year-olds in Denmark, 15-64 year-olds in the Faroe Islands and 18-retirement age in Greenland). Reservation is therefore made for comparability.

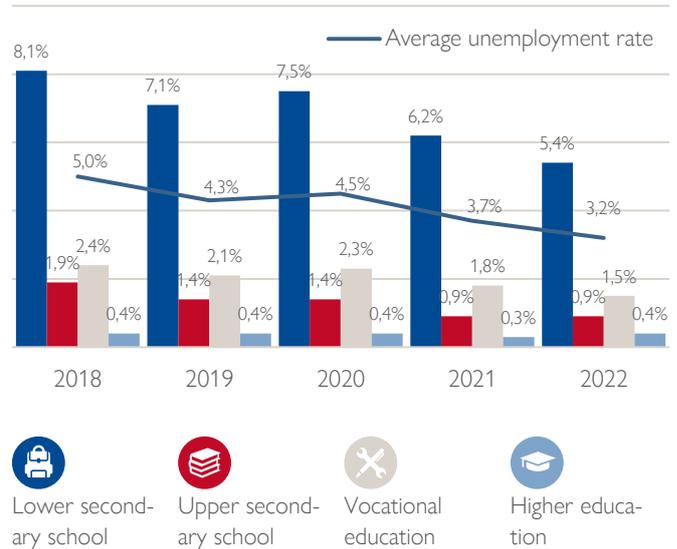
Sources: Statistics Denmark, Statistics Greenland and Statistics Faroe Islands.

However, increasing the supply of labour is not enough. A well-functioning labour market requires employees' skills to match those required by employers. This is already a problem at this stage. Companies have major difficulties in attracting qualified manpower, especially those looking for skilled labour. This is also evident from the unemployment figures compiled on the basis of the jobseekers' educational background. As **Figure 11** shows, unemployment among those who only have lower secondary school education remains consistently higher than among those with a higher level of education.

In this way, the current economic situation clearly reveals how the underlying mismatch and incentive problems that have characterised Greenland's labour market for decades can act as an obstacle to economic growth. This has far-reaching consequences. One example is the challenges faced by the healthcare sector due to the shortage of manpower. In the Health Commission's report from the spring, it was emphasised that the healthcare system is under unprecedented pressure. This pressure has only grown with the current labour market, making it even more difficult to recruit and retain healthcare professionals. If this is not resolved, it will be difficult going forward to maintain a healthcare system that can provide the people of Greenland with adequate healthcare.

Figure 11
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 from 2016 to 2022.

Sources: Statistics Greenland.

This makes it positive that Sustainability and Growth Plan II proposes a new education strategy aimed to boost lower secondary education, eliminate bottlenecks in the education system and reduce the proportion of young people who do not start upper secondary education. However, there is a need for a major shift in the education trend. In view of the previous unsuccessful attempts, there is a need for extensive, radical measures, which makes it important that sufficient resources are allocated to this task.

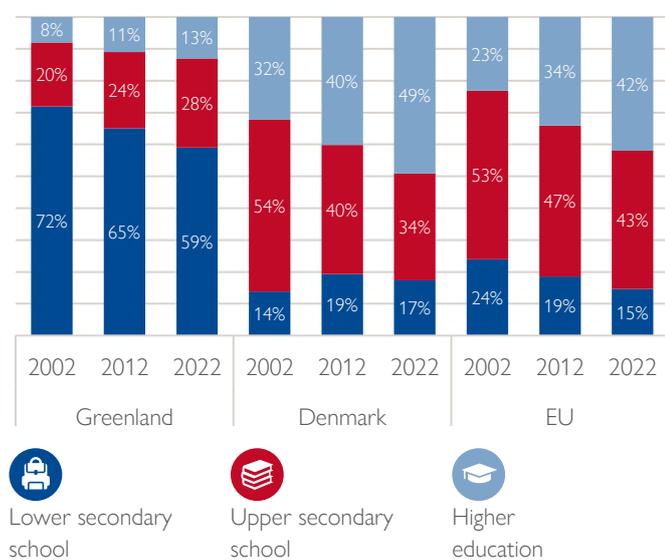
Education

Despite the low unemployment rate, there is a clear correlation between unemployment and level of education in Greenland. Yet this relationship is not unique to Greenland, as the same correlation can be seen in both Denmark and the other OECD countries.¹¹ This underpins the fact that if employment is to be increased in the future, it will be crucial that Greenland raises its general level of education. As long as a large proportion of the population has only achieved lower secondary education, the average unemployment rate will remain higher. This is also apparent from **Figure 11**, which shows that unemployment is significantly higher among those with lower secondary education as their highest educational qualification. **Figure 12** shows that in 2022, 59% of the population had lower secondary education as their highest level of education. This is a clear

¹¹ OECD statistics.

improvement from the ratios of 72% and 65%, respectively, in 2002 and 2012. Projections show that the ratio will be reduced to just below 42% by 2040.¹² Progress is thus being made, but not quickly enough to actually support a robust economy in the future.¹³

Figure 12
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 2022.
Sources: Statistics Greenland, Eurostat and Statistics Denmark.

On comparison of the education level with the education levels in Denmark and the EU, it is particularly concerning that the statistics do not indicate that Greenland is eliminating this backlog. This would require the new young generation to be better educated than previous generations. But this is not the case. The new young generation's level of education has been by and large constant over the last 20 years. People aged 25-29 have the same level of education as in 2002, and the level of education for those aged 30-34 has only improved marginally since 2012.¹⁴ If this backlog is to be eliminated, the stagnation has to be stopped, and the development reversed.

From a socioeconomic perspective, however, it is not enough for a larger share of the population to achieve a higher level of education. To be able to contribute to Greenland's economy,

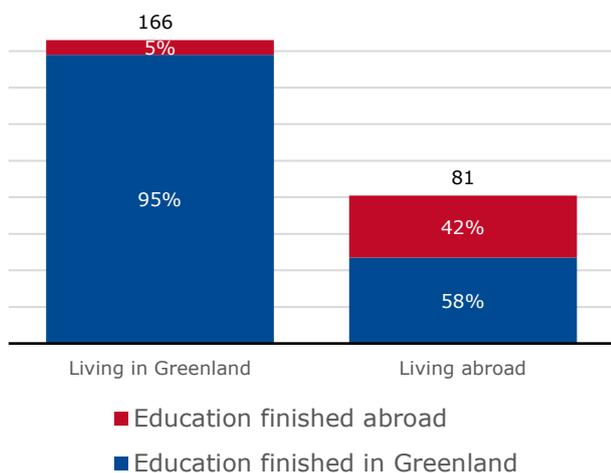
these people's skills must match the skills needed in the economy. The range of higher education programmes in particular is naturally limited in Greenland, so that in practice young people apply abroad if they wish to take a long-cycle higher education programme. This in itself is not problematic for as long as they return to Greenland after graduating. **Figure 13** shows, however, that this is not the case for a considerable proportion of those taking long-cycle higher education programmes. Of the 247 Greenlanders who completed a long-cycle higher education programme in 2020, 81 lived abroad in 2023 – equivalent to one in three. Of these 81 people, 42% studied abroad. At the same time, only 20% of those who completed their education abroad have returned to Greenland after three years with new knowledge and acquired skills. This brain drain is not a new phenomenon. Back in 2013, Greenland's Economic Council pointed out, for example, that the proportion of people who had emigrated back to Greenland after ten years in Denmark was only 40%. In comparison, this was the case for 80% of Icelanders and 60% of Faroe Islanders. If Greenland could achieve similar levels, the annual taxable income base from personal income taxes, for example, would increase by just over DKK 13.5 million.¹⁵ In addition, there would be the added value that the individuals would be able to contribute through their work. In this light, it would be worthwhile to work to increase the incentive for young people who travel abroad in pursuit of long-cycle higher education to return to Greenland, so that they can contribute positively to the country's further development.

As previously indicated, the labour market also lacks skilled manpower. **Figure 14** shows that the types of vocational education completed by fewest people within the last five years, such as agriculture, fisheries and art, are also the areas with the highest relative unemployment rates in 2023.

¹² Greenland's Economic Council, 2018.
¹³ Greenland's Economic Council, 2018.
¹⁴ Statistics Greenland.

¹⁵ Calculations are based on the average annual taxable income of persons with long-cycle higher educational qualifications.

Figure 13
Residence three years after completion of long-cycle higher education



Note: The bars show the country of residence in 2023 of Greenlanders who completed long-cycle higher education in Greenland (blue) or abroad (red) three years ago. Abroad refers to all countries outside Greenland.

Sources: Statistics Greenland.

Excluding the highest unemployment rate of 4% for agriculture and fisheries, however, the unemployment rate fluctuates between only 1-2% for the other vocational education programmes. This emphasises that, in the current economic situation, the economy is close to full employment, where in practice a job is guaranteed for every type of education.

Demographic issues

The proportion of Greenland's population aged over 60 has been steadily increasing over the past decades and now accounts for just over 15% of the population (see Figure 15). Even though this is positive, as it reflects increasing life expectancy, there are also a number of challenges associated with this development. The increasing number of elderly people will raise public expenditure on pensions, healthcare and elderly care. In addition, the population – including the elderly – will generally expect an improvement in the quality of welfare services in line with increased prosperity. This will further increase public spending.

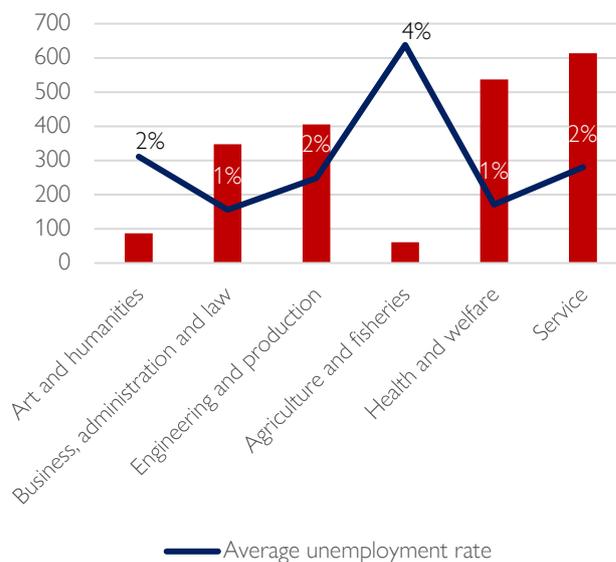
The pressure on public finances is only increasing as fewer children are born. Since 1990, Greenland's fertility rate has fallen by almost 26%.¹⁶ As a consequence, the dependency ratio has increased, which means that fewer people of working age have

¹⁶ Statistics Greenland.

to finance the welfare of a relatively larger number of elderly people.

Figure 14
Distribution of vocational education programmes compared to the average unemployment rate

Number of people who completed a vocational education programme in 2018-2022 and unemployment rates calculated for the different types of vocational education programmes.



Note: The bars show the number of people who completed a vocational education programme in each of the six different categories in 2018-2022. The blue graph shows the average monthly unemployment rate for each of the categories.

Sources: Statistics Greenland.

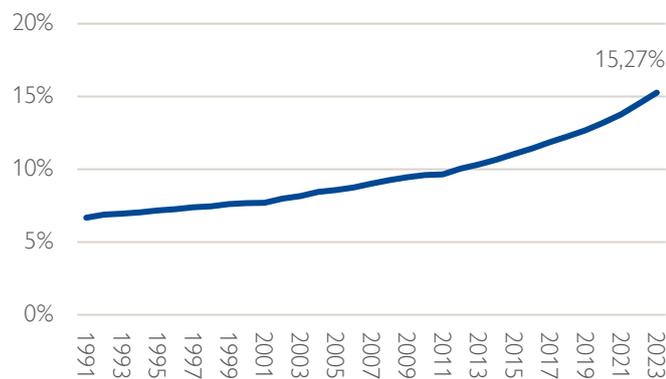
This means that not only public expenditure will increase as a consequence of this demographic transition, since public revenue is also expected to fall, due to lower tax revenue. Once again, this is not a structural challenge faced by Greenland alone. Many Western countries face the same challenge. In Greenland's case, the challenge is exacerbated by the fact that the Treasury's revenue besides income taxes mainly comprises the block grant. Since the block grant is adjusted in line with wage and price development in Denmark, the block grant will tend to constitute a smaller share of GDP. This reduces the Treasury's revenue and puts further pressure on government finances.

The consequence of declining revenue and increased expenditure is that the government budget will not balance in the long term. This would require the present value of the Treasury's revenue and assets to exceed the present value of the expenditure. Since this is not the case, the current fiscal policy is not

sustainable. An annual financing deficit of DKK 1.3 billion in the long term is estimated. Calculated in GDP terms, the sustainability problem constitutes -6.6% of GDP.¹⁷ The dimension of this underlines the need for reforms.

Figure 15
Development in proportion of the population over 60 years of age

Proportion of the population over 60 years of age



Note: Proportion of the population aged over 60 from 1990 to 2023.

Sources: Statistics Greenland.

Inatsisartut has already raised the retirement age in two instances. First, from 65 to 66 years, and then to the current 67 years. If politicians wish to maintain the current pension system, which is only to a minimal extent based on private pension savings, it is necessary to raise the retirement age further in order to create a self-sustaining economy. Naalakersuisut's strategy for the elderly from 2021 is based on the retirement age matching the development in life expectancy. In this context, however, it should also be mentioned that the expected retirement period in Greenland is relatively short. This is because life expectancy is a good ten years shorter than in Denmark, for example, which has the same retirement age. Nonetheless, calculations show that a reform of the retirement age, whereby the number of years in retirement is maintained at the current level, would reduce the sustainability problem by almost 1.8% of GDP.¹⁸ This makes this reform a very important initiative. Moreover, a reform could ease the pressure on the labour market, as more elderly people would remain part of the workforce for longer.

Another way of retaining the elderly in the labour market is to increase the incentive for people to stay in the labour market even though they have reached the official retirement age. The latest report from Greenland's Economic Council documents this potential, as the employment rate for elderly people who

have just reached retirement age is lower in Greenland compared to other countries. It is assessed that the abolition of the mutual dependency obligation for pensioners will help to remedy this. Until now, the pension level for certain income ranges has depended on the spouse's income. In practice, this has meant that the marginal tax rate has been particularly high for this target group. However, it is clear that a reform of this nature will not be sufficient to resolve the sustainability problem. The need for reform to future-proof the necessary long-term sustainability and growth is far more extensive.

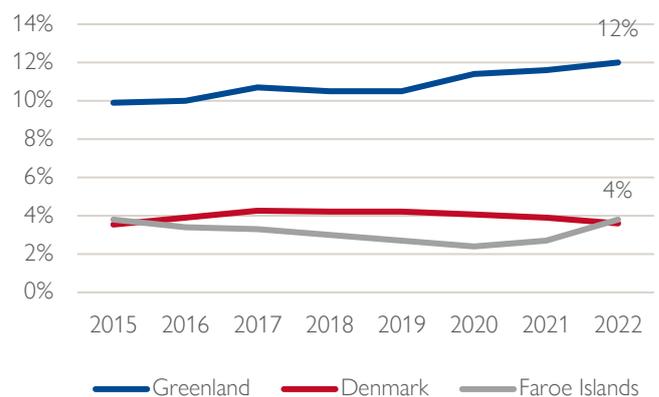
Inequality

Greenland continues to face major challenges with social inequality. This is problematic, as it is well-known that social cohesion can be challenged if social inequality becomes too great.

As Figure 16 shows, in 2022 approximately 12% of Greenland's population lived in relative poverty. Relative poverty is defined as a person having less than half of the median income in the country, taking due account of family size and structure. Furthermore, the ratio in Greenland has been increasing slightly in recent years. A growing proportion of Greenland's population is thus lagging behind economically.

Figure 16
Inequality in Greenland compared to Denmark and the Faroe Islands

Proportion of the population living in relative poverty



Note: The proportion of the population aged over 14 years 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 the 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.

When inequality is examined in a broader international context, the gini coefficient is often used as an indicator. If this is 0, everyone in the country has the same income basis. On the other

¹⁷ Greenland's Economic Council.

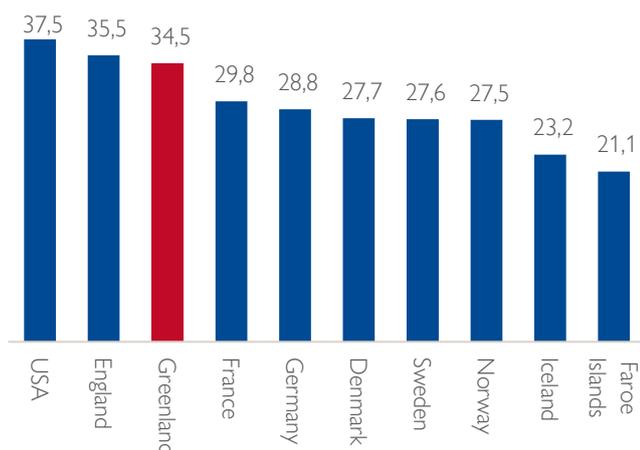
¹⁸ Report on the Danish Commonwealth 2023.

hand, it will be 100 in a country where there is one person who earns everything. In Greenland, the gini coefficient has been relatively stable at around 34 (see **Figure 17**).

Even though the low education level is one important reason, to some extent the current tax system contributes to increasing this – in a Nordic perspective – relative disparity in income distribution. At present, the basic tax-free deduction, for example, constitutes a fixed amount that is not adjusted in line with price development. In practice, the deduction will therefore be eroded over time, which will particularly affect smaller incomes. In addition, earned income is subject to relatively high taxation, while capital income is taxed more leniently.

Figure 17
Gini coefficients in selected countries

Gini index for relevant comparable countries



Note: 2022 figures: Greenland, Denmark, Germany, France, Sweden, Norway and the Faroe Islands, 2020 figures: UK, 2018 figures: Iceland

Sources: Statistics Greenland, Statistics Denmark, Eurostat and OECD Data.

Naalakkersuisut is aware of the potential negative effects of the tax system's impact on inequality. Sustainability and Growth Plan II therefore proposes that tax and duty reforms be implemented in order to make the system more progressive. At the same time, there is also a focus on not reducing the incentive to work. Among other things, the reform proposes reducing tax on earned income and increasing the obligation of recipients of public benefits and labour market allowances to make themselves available to work. This will help to maintain the incentive to work without at the same time increasing social inequality. In this context, increasing the level of education and labour market participation is vitally important. Yet it is important that taxation of high-value jobs does not result in the relocation of these jobs, which would erode the tax base and fiscal policy

sustainability, even though relative inequality would be eliminated.

Health

Greenland's healthcare system is facing urgent challenges in the face of demographic changes and society's increasing expectations. A number of key health figures reveal that the average life expectancy in Greenland is significantly lower than in Denmark, and infant mortality is higher, while the total healthcare costs as a ratio of GDP are lower (8.8% of GDP in Greenland and 10.8% of GDP in Denmark)¹⁹.

In spring 2023, the Health Commission published its report. The report reveals a 'burning platform' of acute problems such as staff shortages, a high proportion of short-term staff and an ageing population, driving demand for healthcare services. Added to the other investment and reform requirements, these problems are particularly acute. Greenland faces the paradox of a growing need for specialised healthcare coupled with a critical lack of resources to meet these demands.

More than one hundred recommendations in the report point to the need for both short-term and long-term measures. These recommendations are not 'nice to have' additions, but rather essential steps to relieve the massive pressure on the healthcare system. This situation is not just a health challenge, but also an important economic and social factor that requires resources to achieve the sustainable development of Greenland's society, with a reduction rather than an increase in health inequality.

Ready for the future?

We live in a complex and changing world. Among other things, this has put the environment and climate change at the top of the geopolitical agenda, with ambitious emission reduction targets as a result. In Greenland, we will increasingly be required to manoeuvre in an ever more globalised world, where climate change, war and geopolitics have a direct impact on our society and economy. At the same time, digital threats and threats to critical infrastructure are some of the trends that Greenland has also had to deal with in recent years, in the face of increasing expectations of what society must be able to deliver. All of these elements exert upward pressure on public spending, while there are few obvious opportunities to increase public revenue. With a structurally low level of education, a shortage of qualified manpower and a one-stringed, vulnerable economy, we can ask what it will take to prepare Greenland for a future that seems more and more uncertain?

¹⁹ <https://www.altinget.dk/sundhed/artikel/faa-overblikket-fem-noegletal-om-sundhedsvaesenet-i-groenland-og-danmark>

A sustainable society fundamentally requires equal economic opportunities and equal access to political participation for all of its members. This includes that every person must have access to education, healthcare and employment. Greenland's geographical conditions make this particularly difficult to achieve, as healthcare and further education may lie beyond the reach of people living in Greenland's smaller towns and settlements. As in other countries, this means that more and more people are moving to the larger towns, but it is still important not to forget those who choose to stay behind.

Education and health are therefore two core areas in which improvements are imperative in coming years. Improved human and health capital will increase not only well-being, but also the value creation contributed by the population, while also reducing the pressure on public budgets. This makes it imperative for fiscal policy sustainability that more people gain education and fewer end up in the youth target group. This shift would have the potential to augment the supply of qualified labour, increase the tax base, and reduce inequality and differences between towns and settlements. It requires dedicated, long-term investment in the education sector, and an understanding that the return on this investment can only be realised several years into the future. An improved healthcare system is also vitally necessary, since economic growth requires a healthy society, and also because continued support for the welfare state depends on equal access to good public services. Without satisfactory public services, this support will slowly diminish. This might take the form of the relocation away from Greenland of a well-educated workforce, which could ultimately lead to an inability to deliver core welfare services, resulting in greater inequality.

Almost just as fundamental for a sustainable and robust economic model is resilience and a readiness to adapt to unpredictable external influences. In simple terms, this can be seen as a question of diversifying the economy – and whether parts of the economy can support other elements in the event of unforeseen challenges. In Greenland, the economy is relatively one-stringed. If fisheries fare badly – due to either low catch volumes or low prices – the economic situation will also be adversely affected. This makes Greenland's economy extremely vulnerable. To make Greenland's economy more resilient, greater business diversification is required. Measures to promote sustainable business development should therefore be addressed and prioritised.



About the BANK of Greenland in Brief

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

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

The BANK of Greenland's mission

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

The BANK of Greenland's values

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

The BANK of Greenland's strategy, vision and objectives

"Strategy 2024" supports the vision and objective to be "Greenland's best company – for the benefit of Greenland". The strategy determines the Bank's key development areas for the coming years, as well as setting out an overall action plan. The Bank seeks to involve all employees in supporting the Bank in achieving the specific goal of being "Greenland's best company – for the benefit of Greenland".

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

Greenland's best customer experience, best at employee development, best at business development, and we create growth in Greenland. On an annual basis, the main areas are included in objectives which are continuously adjusted to the long-term strategy and vision for 2024.

The BANK of Greenland will thereby ensure that we continue to give value to society and are the preferred bank for customers, shareholders and employees, and that we thereby fulfil the vision to be "Greenland's best company – for the benefit of Greenland".

The Bank's vision for 2024

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



Figure 18
The Bank's vision for 2024 - Greenland's best company - for the benefit of Greenland.

Summary of Financial Highlights

	2023	2022	2021	2020	2019
SELECTED OPERATING ITEMS:					
Net interest and fee income	435,012	351,485	338,933	326,513	323,507
Value adjustments	40,058	-39,356	11,219	136	9,585
Other operating income	5,803	6,588	6,185	5,369	5,722
Staff and administration expenses	211,166	195,056	186,385	178,734	170,895
Depreciation and impairment of tangible assets	8,158	7,320	7,014	6,948	6,672
Other operating expenses	2,815	2,706	2,497	2,610	2,788
Write-downs on loans and receivables, etc.	14,160	4,523	1,537	12,828	7,959
Profit before tax	244,574	109,112	158,904	130,898	150,500
Tax	52,179	10,361	26,072	34,671	20,582
Profit for the year	192,395	98,751	132,832	96,227	129,918
SELECTED BALANCE SHEET ITEMS:					
Lending	4,812,975	4,353,585	3,783,681	4,006,248	3,758,736
Deposits	6,413,469	5,942,479	5,363,871	5,847,772	5,687,451
Equity	1,479,123	1,318,592	1,267,911	1,176,917	1,077,676
Total assets	8,840,981	7,949,566	7,226,988	7,438,325	7,089,915
Contingent liabilities	1,774,426	1,934,125	1,781,465	1,621,831	1,479,537
KEY FIGURES FOR THE BANK (IN PER CENT)					
Return on opening equity before tax and dividend	18.9	9.0	13.9	12.1	15.6
Return on opening equity after tax and dividend	14.9	8.1	11.6	8.9	13.5
Capital ratio	26.0	23.6	24.4	23.5	23.4
Individual solvency requirement	11.1	11.1	10.7	11.2	11.9
KEY RATIOS PER SHARE IN DKK					
Profit for the year per share, before tax	135.9	60.6	88.2	72.7	83.6
Profit for the year per share, after tax	106.9	54.9	73.8	53.5	72.2
Net book value per share	822	733	704	654	599
Dividend per share	55	20	40	25	0
Closing share price	625	590	598	590	545

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 2023

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 product range that is adapted to Greenland's society and customers' requirements, combined with professional advisory services.

Statement of income

Net interest income increased by TDKK 86,470 compared to 2022. Continued favourable economic development has laid the course for expansion of lending throughout 2023. Together with sharply rising interest rates, this has affected lending rates positively. The increase in market interest rates in 2023 also had a positive impact on the return on the Bank's surplus liquidity, both as direct investments placed in Danmarks Nationalbank and as interest on bonds.

Dividend on the Bank's shareholdings amounts to TDKK 2,155, compared to TDKK 1,822 in 2022.

Fee and commission income decreased by TDKK 2,864 from 2022 to 2023. The declining guarantee volume and lower insurance commission during the year affected this item particularly negatively. Other fee and commission income developed positively in 2023. Net interest and fee income increased by TDKK 83,527 in total, to TDKK 435,012.

Other operating income, primarily external rental income on the Bank's residential properties, amounted to TDKK 5,803,

compared to TDKK 6,588 in 2022. In 2023, the Bank re-assigned a floor of the Bank's head office building for its own operations, resulting in a decrease in external rental income.

Staff and administration expenses increased by TDKK 16,110 to TDKK 211,166. Staff expenses increased as a consequence of pay increases under collective agreements and several staff increases. The average number of full-time employees increased by around six people in 2023. Administration expenses are at a higher level of TDKK 102,054, compared to TDKK 89,837 in 2022. The higher level reflects an increase in BEC costs, card costs and elective further training for the Bank's employees.

Depreciation of properties and fixtures and fittings increased to TDKK 8,158 compared to TDKK 7,320 in 2022. Revaluations of the Bank's properties in 2022 increased depreciation in 2023.

Other operating expenses increased by TDKK 109 to TDKK 2,815. 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 significantly higher than in 2022 and amounts to TDKK 218,677, compared to TDKK 152,991 in 2022.

Selected Highlights and Key Figures (not audited)

DKK 1,000

	4.Q 2023	3.Q 2023	2.Q 2023	1.Q 2023	4.Q 2022	3.Q 2022	2.Q 2022	1.Q 2022
Net interest and fee income	119,981	111,043	99,933	104,056	96,307	87,370	82,061	85,747
Costs, depreciation and amortisation	61,918	51,492	51,814	56,914	59,254	48,059	48,572	49,197
Other operating income	1,346	1,451	1,613	1,392	2,025	1,514	1,414	1,635
Profit before value adjustments and write-downs	59,409	61,002	49,732	48,534	39,078	40,825	34,903	38,185
Value adjustments	20,248	8,817	3,085	7,907	6,316	-20,477	-14,528	-10,667
Write-downs on loans, etc.	5,907	1,974	-713	6,992	1,483	928	1,394	718
Profit before tax	73,750	67,845	53,530	49,449	43,911	19,420	18,981	26,800

Considering Q4 2023 in isolation, net interest and fee income amounted to TDKK 119,871 compared to TDKK 96,307 for the same period of 2022. 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 for the same period of the previous year, amounting to TDKK 61,918, compared to TDKK 59,254 in Q4 2022. The increase particularly reflects the aforementioned increase in staff numbers. Moreover, additional staff expenses of a one-off nature were incurred in Q4 2023, which was not the case in 2022. Depreciation and provisions at TDKK 5,907 are higher than the same period of the previous year, but still at a low level. The profit before tax in Q4 is thereby TDKK 73,750, compared to TDKK 43,911 for the same quarter of 2022.

For the full year, value adjustment of securities and currencies resulted in a gain of TDKK 40,048, compared to a loss of TDKK 39,356 in 2022. The Bank's holdings of sector equities and the currency area performed favourably. At the same time, the favourable market development has resulted in a capital gain on the Bank's bond portfolio of DKK 23.7 million in 2023, compared with a loss of DKK 49.5 million in 2022.

Impairment of loans, etc. amounted to TDKK 14,160, which is TDKK 9,637 higher than for 2022. This is still a modest overall level. The total impairment amounts to 0.3% of the Bank's loans and guarantees. The Bank continues to see a generally strong credit quality in the lending portfolio.

In addition to the Bank's individual impairment models, a management supplement is allocated, which at the end of 2023 totalled DKK 45.6 million. The supplement addresses industry and credit risk, but in particular also risks associated with rising inflation and interest rates, as well as cyclical uncertainties.

Profit before tax amounts to TDKK 244,574, compared to TDKK 109,112 in 2022. Profit for the year is thus at the level of DKK 244 million announced in January 2024. The profit before tax gives a return on equity of 17.5%.

Tax is calculated at 25% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses. Greenlandic legislation has introduced the option of payment of on-account tax in 2023, which the Bank has made use of. The profit after tax is TDKK 192,395 for 2023, giving a return on equity of 13.8%.

Balance sheet and equity

The BANK of Greenland's balance sheet at year-end 2023 totals TDKK 8,840,981, which is an increase of TDKK 891,415 from 2022. Deposits increased in Q4 2023, amounting to

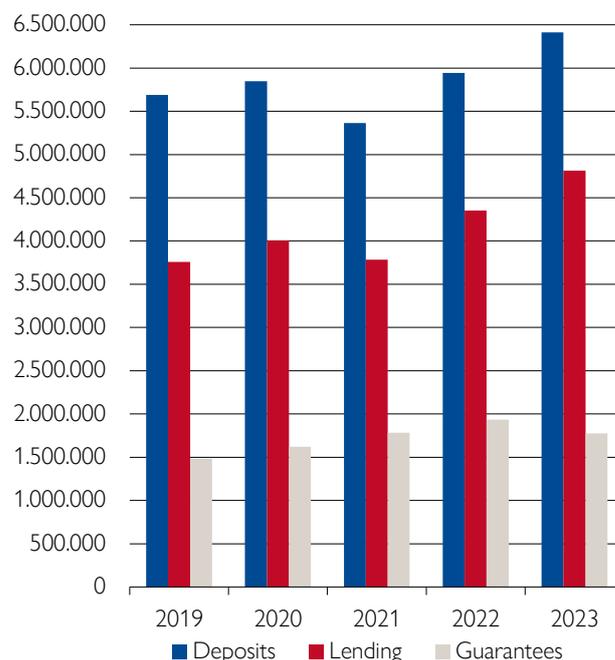
TDKK 6,413,469 at the end of 2023. Compared to 2022, this is an increase of TDKK 470,990. Deposits primarily increased in the public sector customer segment and from business customers in 2023. The Bank's deposits are mainly held on demand. In 2023, however, the Bank introduced fixed-term savings products on a wider scale.

In 2023, lending grew by 10.6% or TDKK 459,390, to TDKK 4,812,975. At the start of 2023, the Bank expected lending to increase in 2023, but the growth is higher than first assumed. At the same time, the Bank's guarantees fell by TDKK 159,699 to TDKK 1,774,426. Title registration and conversion guarantees declined particularly in 2023, while mortgage credit loss guarantees were at the same level as last year.

Total loans and guarantees thereby increased by a total of TDKK 299,691 to TDKK 6,587,401.

Development in business volume

TDKK



The Bank's bond holdings increased by TDKK 146,299 to TDKK 1,303,130. The Bank increased the portfolio in 2023, while value adjustments also increased the portfolio.

Land and buildings increased by TDKK 13,772 to TDKK 298,142 in 2023. Due to increasing staff numbers, the Bank acquired additional staff accommodation in 2023.

Including returns, the pension area, expressed as assets in pool schemes, increased by 30.2% in 2023, to TDKK 513,822.

In accordance with the capital plan, in 2023 the Bank made an additional Senior-Non-Preferred bond issue of TDKK 100,000.

The Bank also issued supplementary capital of TDKK 40,000 in 2023.

Equity amounts to TDKK 1,479,123, compared to TDKK 1,318,592 at the end of 2022. Share capital amounts to TDKK 180,000. The Bank does not have hybrid loan capital. The capital ratio is 26.0, compared to 23.6 in 2022.

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 2023 is at a responsible level and is unchanged from the previous year.

On 29 November 2023, the Danish Financial Supervisory Authority published the memorandum "Loss levels on exposures secured by mortgages in real estate", in which the Authority assesses whether there is a well-developed and well-established real estate market in Denmark, the Faroe Islands and Greenland.

Particularly with regard to the Faroe Islands and Greenland, according to the memorandum it was not possible for the Danish FSA, on the basis of the established criteria, to assess whether there is a well-developed and well-established market for residential and commercial properties on the Faroe Islands and in Greenland. The assessment has an impact on the capital burden of exposures secured by mortgages on real estate.

The Danish FSA therefore subsequently sent the memorandum for consultation and contacted the North Atlantic banks, including the BANK of Greenland, as well as mortgage credit institutes with North Atlantic property exposures, for further investigation of the real estate market in Greenland.

On this basis, the BANK of Greenland provided the Danish FSA with a supplementary basis of experience based on local knowledge of Greenland's real estate market, in order to support an assessment of whether a well-developed and well-established real estate market exists in Greenland.

The status of the real estate market in Greenland is not expected to be clarified until the first half of 2024.

Compliance and anti-money laundering

The Danish FSA conducted an ordinary inspection visit in May 2023, with a concluding report on 28 September 2023. The

mandatory orders received after the inspection are described on the Bank's website under the following link:

[20231005-redegørelse-om-inspektion-eng.pdf \(banken.gl\)](#)

In general, the Bank considers the inspection process to be constructive and satisfactory, and mandatory orders were issued for areas of which the Bank is aware and is now in the process of correcting.

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. In order for the Bank to comply with the statutory obligation to act in the event of suspected money laundering, in 2023 the Bank implemented a new transaction monitoring system, which facilitates more detailed monitoring by the Bank.

A separate compliance function was also 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 6 December 2022, a revised MREL requirement was determined for the BANK of Greenland, at 29.4% of the Bank's risk-weighted assets at the end of 2021. The MREL requirement is being phased in up to 2027. This means that in the course of the coming years, the Bank must fulfil the requirement by issuing capital instruments and consolidation of equity capital.

In continuation of the established MREL requirement, the Bank made two further issues in 2023, with a view to targeted coverage of the MREL requirement. A total of DKK 100 million was issued in Senior Non-Preferred and DKK 40 million in subordinated debt.

Capital requirement	2023	2022
Pillar I	8.00%	8.00%
Pillar II	3.10%	3.10%
Solvency requirement	11.1%	11.1%
SIFI buffer requirement	1.50%	1.50%
Capital reserve buffer requirement	2.50%	2.50%
Capital requirement	15.1%	15.1%
MREL requirement (phased in linearly as from 1 January 2022)	4.90%	2.53%
Total capital requirement	20.0%	17.6%
Capital base, cf. Note 24	1,450,158	1,300,270
SNP issue	173,969	74,563
MREL capital base	1,624,127	1,374,833
MREL capital ratio	29.10%	25.00%
Surplus capital cover	9.1%	7.4%

The MREL requirement is being phased in as from 1 January 2022 on a linear basis over 6 years. This entails that the Bank must fulfil an MREL requirement of 4.9% in 2023. From 1 January 2024, the Bank must fulfil an MREL requirement of 7.55% on the basis of a revised MREL requirement of 30.2% notified on 30 November 2023.

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 risk-weighted assets did not grow at the same pace as loans and guarantees in 2023, which is due to two factors. As of On 1 July 2023, CRR II was introduced into Greenlandic legislation, which entails increased SME reduction, and is also part of the growth in lending in 2023 with a lower risk weighting.

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 24.9 at the end of 2023, and the capital ratio was 26.0. Taking into account the uncertainties described above concerning exposures secured by mortgages in real estate, the Bank considers it essential that the core capital ratio is at a level that can accommodate these uncertainties.

Based on the aforementioned, the Bank's Board of Directors makes the recommendation to the Annual General Meeting that dividend of DKK 55 per share be paid for 2023, equivalent to 51% of the profit after tax.

As at 31 December 2023, 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 14.9%. After deductions for the capital reserve buffer requirement of 2.5% and the SIFI buffer requirement of 1.5%, the surplus cover is 10.9%.

The individual solvency requirement is compiled on the basis of the Order on the calculation of risk exposures, capital base and solvency requirements, as well as the Danish FSA's guideline in this respect. On the basis of the calculated capital requirement, the Bank has calculated immediate surplus cover of TDKK 833,948, 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's capital plan 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 2023. Reference is also made to the Bank's risk management report for 2023 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

	2023		2022	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Pillar I requirement	445,843	8.0%	440,087	8.0%
Credit risk	120,061	2.2%	119,785	2.2%
Market risk	22,404	0.4%	21,077	0.4%
Operational risk	15,646	0.3%	16,302	0.3%
Other risk	12,256	0.2%	15,323	0.2%
Capital and solvency requirement	616,210	11.1%	612,574	11.1%

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 2023, the Bank had an LCR of 259.0% and thereby fulfilled the LCR requirement

DKK 1,000	2023	2022
Liquidity buffer LCR	2,735,104	2,450,912
Outflow, net	1,055,997	1,111,490
LCR	259.0%	220.5%

The Supervisory Diamond for banks

The BANK of Greenland has considered the benchmarks set out in the Danish FSA's Supervisory Diamond for banks. The Supervisory Diamond states four benchmarks for banking activities which the Bank aims to fulfil. At the end of 2023, 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 150.0%, which is satisfactorily below the Danish FSA's threshold of 175%. It must be noted that approximately 37 percentage points concern exposures to publicly-owned enterprises.

Sum of large exposures (maximum 175% of actual core capital)
The BANK of Greenland 150.0%

Property exposure (less than 25% of total loans and guarantees)
The BANK of Greenland 22.1%



Growth in lending (less than 20% per year)
The BANK of Greenland 10.6 %

Liquidity benchmark
(greater than 100%)
The BANK of Greenland 259.0%

In accordance with the table above, the property exposure amounts to 22.1%. 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. The Bank expects the property exposure to be reduced in 2024.

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. In 2023, the BANK of Greenland entered into a collaboration with HC Andersen Capital, which includes quarterly online investor presentations.

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.

At a price of 625 at the end of 2023, the price of the BANK of Greenland's share has increased since the end of 2022, when the price was 590. The BANK of Greenland will propose to the annual general meeting that the dividend payment for 2023 be DKK 55 per share, or a total of DKK 99 million. It should be noted that in Greenland dividend is tax deductible for the dividend paying company.

Shareholders

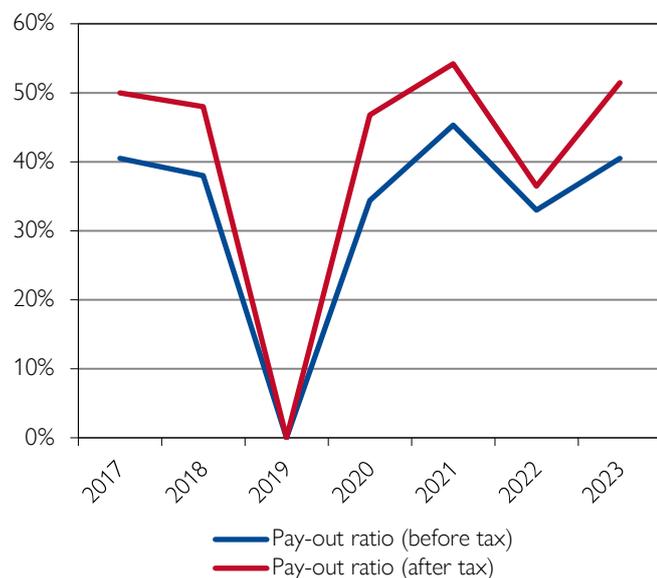
The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders.

At 31 December 2023, the BANK of Greenland had 2,539 shareholders registered by name, which is slightly fewer than at 31 December 2022, when the number of shareholders registered by name was 2,723. Shareholders registered by name account for approximately 93% 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. For 2023, the recommendation will be made to the annual general meeting to pay dividend of DKK 55 per share, which should be viewed in conjunction with the description given under Capital. The capital ratio is 26.0 and the core capital ratio is 24.9.

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 2024

It is expected that Greenland saw positive economic growth in both 2022 and 2023. Despite inflation and rising interest rates, the BANK of Greenland also expects moderate economic growth in Greenland in 2024, 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 and 2023. Deposits are expected to be at the level of the end of 2023.

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 slightly in 2024, for which the primary reasons are the increased lending volume and the development in interest rates.

Total expenses including depreciation and amortisation are expected to be higher than in 2023. A few staff increases and the full effect of staff increases are expected in 2023. 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.

Based on these factors, a profit before tax at the level of DKK 180-230 million for 2024 is expected, compared to DKK 244.6 million in 2023. The result is in accordance with the stock exchange announcement of 14 December 2023.

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.

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.

The Bank's role as a powerhouse is clearly apparent in current years, with major investments being made in infrastructure. To generate the greatest possible benefit for Greenland, the Bank, together with KAIR, Grønlands Erhverv, Grønlandsbankens

Erhvervsfond and a number of other good partners, has facilitated a number of customer events. The headlines have included "Female Entrepreneurship", "Business Angels in Greenland", "Local Business Development", "After-work meeting with the Governor of Danmarks Nationalbank", "Sustainability – a good business case?", Investment events, "Hacker attacks – Where are we now?" and a number of networking events.

Private customers are offered a simple and flexible product range, to which more green products were added in 2023. These are used to provide each customer with an individual solution, matched 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 seeks to be available both in person and on the digital platforms required by the customer. In 2023, the Bank had the major task of supporting and ensuring the transition to NemKonto for the Bank's customers. The vast majority of the Bank's customers registered for NemKonto during 2023.

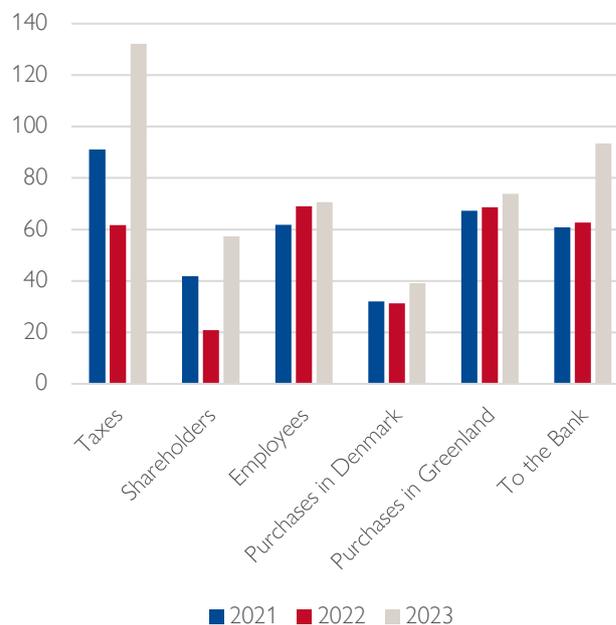
The Bank and society

The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 467 million, compared to DKK 314 million in 2022. The income is the sum of net interest and fee income, other operating income and value adjustments, after deduction of write-downs on loans.

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

The BANK of Greenland makes a significant contribution to society via tax payments that, for the last three years, have averaged DKK 95 million per year.

DKK mill.



Employees

Our employees are the Bank's DNA and our most important resource, and it is our employees who create and maintain trusting relationships with our customers on a day-to-day basis.

The BANK of Greenland has a strong focus on competence development via trainee programmes, trainee courses, supplementary training, leadership development (HD, MBA and other leadership programmes) and "on the job training". In 2023, a leadership compass was also prepared to support and help the Bank's managers navigate in the same direction. The leadership compass is based on the Bank's values.

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. At the same time, six advisers/finance assistants are taking the financial academy training programme, which they are expected to complete by mid-2025.

In 2023, the Bank launched two significant new employee programmes in collaboration with the Danish Financial Sector's Education Centre. The first deals with a learning culture

programme for everyone at the Bank. The purpose is to develop the Bank's learning culture, so that the Bank's employees promote open, curious, secure and solution-oriented behaviour, and experience psychological security in the workplace, while the Bank learns and develops in step with the employees. This takes place, among other things, by working with knowledge about learning, feedback culture, prioritisation and planning, as well as knowledge sharing.

In addition, in 2023, a one-year training programme was launched for 16 of the Bank's private advisers, where they focus on training in customer interviews, customer types, personal planning and efficiency. This programme will be completed in 2024.

In 2023, it was possible to fill 97.9% of the positions available in the Bank.

The total number of employees was 150 at the end of 2023. The average age is 43.9 and the average length of service is 8 years and 2 months. The employees comprise 105 women and 45 men.

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.

Employee involvement

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

Our obligations

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

What we expect of others

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

Dialogue and access

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

CSR on an everyday 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/>

In 2026, the BANK of Greenland will use data from 2025 to report ESG points in the annual report in accordance with the EU's Corporate Sustainability Reporting Directive (CSRD).

CSRD expands the scope of non-financial reporting with new reporting requirements. As part of CSRD, it is mandatory to prepare a double materiality analysis. Double materiality, as defined in the new directive, CSRD includes impact materiality and financial materiality. Impact materiality refers to the company's impact on the environment and society. Financial materiality concerns the risks and opportunities faced by the company in relation to the environment and society. A sustainability issue is considered to be material for a company if it fulfils the requirements for impact materiality, financial materiality, or both.

In the autumn, the BANK of Greenland prepared the first double materiality analysis. This work took place with the help of the entire Bank's value chain, including employees. The double materiality analysis will be an annual recurring analysis that will give visibility to the Bank's most material ESG impacts. ESG stands for Environment, Social and Governance and covers environmental, climate, social and governance issues.

In 2024, the Bank must ensure that reporting data for ESG reporting is available and as valid as possible for when the Bank is to disclose the ESG points for the 2025 annual report.

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: <https://www.banken.gl/en/investor/corporate-governance/>

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 2023, 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 2023, managers reporting to the CEO comprised 14% women and 86% men. For the rest of the management team, the distribution at the end of 2023 was 53% women and 47% men (including deputy managers). 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

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

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. Reference is made to pages 82-85.

Evaluation of the Board of Directors

The Board of Directors of the BANK of Greenland undertakes an annual evaluation of the Board. This takes place every third year with the external assistance of the Danish Financial Sector's Education Centre or other external providers of this service. This evaluation is the basis for an assessment of several matters concerning the Board of Directors: the Board members' competences, working method, cooperation internally and with the Executive Management, the Chairman's planning of meetings, and the quality of the material provided to the Board of Directors. The most recent evaluation was prepared by the Danish Financial Sector's Education Centre in October 2023. 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 2024, 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 remit 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 remit 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 2023, 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 remit 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 2023, the Nomination Committee was among other things engaged in the following:

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

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

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

The number of meetings in 2023 and attendance of the meetings of the Board of Directors and all four committees can be seen here: <https://www.banken.gl/en/about-us/board-of-directors/>

The general meeting

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

The members of the Board of Directors are elected by the general meeting, with the exception of the members who are elected in accordance with the statutory regulations concerning the representation of employees on the Board of Directors. The members of the Board of Directors elected by the general meeting comprise at least five and at most ten members. Each year, the three members of the Board of Directors elected by the general meeting who have served longest, calculated from

the last election of the members concerned, will resign. If several members have served equally long, their resignation will be decided by drawing lots. The resigning members may be re-elected.

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

At the end of 2023, 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 three 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 reviewed and approved the Annual Report for the financial year from 1 January to 31 December 2023 for Grønlands-BANKEN, aktieselskab.

The Annual Report is presented in compliance with the legal requirements, including the Danish Financial Activities Act and the Executive Order on Financial Statements for Credit Institutions and Investment Firms, etc. 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 2023, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2023.

Nuuk, 27 February 2024

Executive Management

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða

Chair

Lars Holst

Niels Peter Fleischer Rex

Kristian Frederik Lennert

Vice Chair

Pilunnguaq F. Johansen Kristiansen

Peter Angutinguaq Wistoft

Maliina Bitsch Abelsen

Tulliaq Angutimmarik Olsen

Ellen Dalsgaard Zdravkovic

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.

In our opinion, the Annual Report for the financial year 1 January to 31 December 2023 with the file name "80050410-2023-12-31-da" has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

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 2023, 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 2023 and of the result of the Bank's activities for the financial year 1 January – 31 December 2023 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.

We were appointed auditors of GrønlandsBANKEN A/S for the first time on 1 July 1967 for the financial year 1967. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 57 years up to and including the financial year 2023.

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 2023. 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 4,813 million and guarantees to DKK 1,774 million at 31 December 2023 (lending amounted to DKK 4,354 million and guarantees to DKK 1,934 million at 31 December 2022).</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"> • Identification of exposures that are credit-impaired. • Parameters and managerial estimates in the calculation model applied to determining the expected losses in stages 1 and 2, including the classification thereof. • Assessment of the consequences of events that are not already taken into account, as managerial estimates incorporated in the models, and as managerial additions to the models. 	<p>The matter was considered as follows during the audit</p> <p>On the basis of our risk assessment, the audit has included a review of the Bank's relevant procedures for write-downs on loans and provisions for losses on guarantees, etc., the testing of relevant controls, and the examination of exposures on the basis of random sampling.</p> <p>Our audit procedures included testing of relevant controls concerning:</p> <ul style="list-style-type: none"> • Ongoing assessment of the credit risk • Assessment and validation of input and assumptions applied to the calculation of write-downs on loans and the provisions for losses on guarantees in stages 1 and 2. • Determination of managerial estimates in addition to the model-based write-downs. <p>Our audit procedures also included:</p> <ul style="list-style-type: none"> • Review by random sampling of exposures to ensure correct identification of the credit impairment of loans and guarantees, etc. • Obtaining and evaluating an audit declaration from the Bank's data centre that comprises an assessment of the calculation model applied by the Bank to write-downs on loans and provisions for losses on guarantees, etc. • Challenging of the significant parameters in the calculation model applied, with special focus on objectivity and the data basis used. • Challenging of managerial estimates, with special focus on the management's consistency and objectivity. • 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.
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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 disclosure requirements for listed financial companies in Denmark. 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 applicable in Denmark 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 replicable in Denmark, 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.

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 those charged with government 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 put in place to and measures taken to eliminate threats.

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 01 January – 31 December 2023, with the file name "80050410-2023-12-31-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.

Copenhagen, 27 February 2024
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Anders O. Gjelstrup

State-Authorised Public Accountant

MNE no. mne10777

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 01 January – 31 December 2023, with the file name "80050410-2023-12-31-da", has been prepared in accordance with the ESEF Regulation.



Statement of Income

DKK 1,000

Notes		2023	2022
3	Interest income	417,162	227,093
4	Negative interest income	0	-1,824
5	Interest expenses	87,468	3,040
6	Positive interest expenses	0	-20,995
	Net interest income	329,694	243,224
	Share dividend, etc.	2,155	1,822
7	Fees and commission income	103,933	106,796
	Fees paid and commission expenses	769	357
	Net interest and fee income	435,013	351,485
8	Value adjustments	40,057	-39,356
	Other operating income	5,803	6,588
9, 10	Staff and administration expenses	211,166	195,056
	Depreciation and impairment of tangible assets	8,158	7,320
	Other operating expenses	2,815	2,706
13	Write-downs on loans and receivables, etc.	14,160	4,523
	Profit before tax	244,574	109,112
11	Tax	52,179	10,361
	Profit for the year	192,395	98,751
	PROPOSED ALLOCATION OF PROFIT		
	Profit for the year	192,395	98,751
	In total available for allocation	192,395	98,751
	Proposed dividend	99,000	36,000
	Retained profit	93,395	62,751
	Total allocation	192,395	98,751

Statement of Comprehensive Income

DKK 1,000

	2023	2022
Profit for the year	192,395	98,751
Other comprehensive income:		
Value adjustment of properties	5,643	32,030
Value adjustment of defined-benefit severance/pension scheme	-96	-93
Tax on value adjustment of properties	-1,411	-8,007
Other comprehensive income after tax	4,136	23,930
Comprehensive income for the year	196,531	122,681

Balance Sheet

(year-end)

DKK 1,000

Notes	2023	2022
Cash balance and demand deposits with central banks	1,552,747	1,396,401
12 Receivables from credit institutions and central banks	120,150	118,619
13 Loans and other receivables at amortised cost	4,812,975	4,353,585
14 Bonds at fair value	1,303,120	1,156,821
15 Shares, etc.	135,614	120,063
18 Assets connected to pool schemes	513,822	394,576
Land and buildings in total	298,142	284,370
16 - Domicile properties	298,142	284,370
17 Other tangible assets	6,781	6,007
Other assets	93,202	115,145
Accruals and deferred income	4,428	3,979
Total assets	8,840,981	7,949,566
19 Liabilities to credit institutions and central banks	22,105	22,598
20 Deposits and other liabilities	6,413,469	5,942,479
Deposits in pool schemes	513,822	394,576
21 Issued bonds at amortised cost	173,969	74,563
Current tax liabilities	11	18,861
Other liabilities	63,274	58,527
Prepayments and deferred expenses	5,451	7,535
Total debt	7,192,101	6,519,139
Provisions for pensions and similar obligations	2,506	2,097
22 Provisions for deferred tax	84,762	67,126
13 Provisions for losses on guarantees	9,733	8,036
Other provisions	8,427	9,868
Total provisions	105,428	87,127
23 Subordinated debt	64,329	24,708
Total subordinated debt	64,329	24,708
Equity		
24 Share capital	180,000	180,000
Revaluation reserves	65,883	61,651
Retained earnings	1,134,240	1,040,941
Proposed dividend	99,000	36,000
Total equity	1,479,123	1,318,592
Total liabilities	8,840,981	7,949,566

1 Accounting policies applied

2 Financial risks and policies

25-35 Other Notes

Statement of Changes in Equity

DKK 1,000

	Share capital	Revaluation reserves	Retained earnings	Proposed dividend, net	Total equity
Equity, 1 January 2022	180,000	37,628	978,283	72,000	1,267,911
Dividend paid	0	0	0	-72,000	-72,000
Other comprehensive income	0	24,023	-93	0	23,930
Profit for the period	0	0	62,751	36,000	98,751
Equity, 31 December 2022	180,000	61,651	1,040,941	36,000	1,318,592
Equity, 1 January 2023	180,000	61,651	1,040,941	36,000	1,318,592
Dividend paid	0	0	0	-36,000	-36,000
Other comprehensive income	0	4,232	-96	0	4,136
Profit for the year	0	0	93,395	99,000	192,395
Equity, 31 December 2023	180,000	65,883	1,134,240	99,000	1,479,123

Cash Flow Statement

DKK 1,000

	2023	2022
Profit for the year	192,395	98,751
Write-downs on loans	14,160	4,523
Depreciation and impairment of tangible assets	8,158	7,320
Recognised profit on sale of tangible assets	-360	-275
Accruals and deferred expenses, net	-2,533	-112
Profit for the year after adjustment for non-cash operating items	211,820	110,207
Liabilities to credit institutions and central banks	-493	9,453
Deposits	590,236	612,647
Issued bonds	141	93
Subordinated debt	63	0
Lending	-473,550	-574,427
Other working capital	-112,854	-61,669
Other liabilities	2,692	-7,968
Change in working capital	6,235	-21,871
CASH FLOWS FROM OPERATING ACTIVITIES	218,055	88,336
Sale of tangible assets	904	325
Purchase, etc. of tangible assets	-17,606	-11,773
CASH FLOWS FROM INVESTMENT ACTIVITIES	-16,702	-11,448
Dividend paid	-36,000	-72,000
Bond issue, including amortisation effect	99,265	24,828
Subordinated debt issue, including amortisation effect	39,558	24,708
CASH FLOWS FROM FINANCING ACTIVITIES	102,823	-22,464
CHANGE IN CASH AND CASH EQUIVALENTS	304,176	54,424
Cash and cash equivalents, beginning of year	2,621,841	2,567,417
Cash and cash equivalents, end of year	2,926,017	2,621,841
Cash balance and demand deposits with central banks	1,552,747	1,396,401
Fully secured and liquid cash and cash equivalents in credit institutions, cf. Note 12	120,150	118,619
Non-mortgaged securities	1,253,120	1,106,821
Cash and cash equivalents, end of year	2,926,017	2,621,841



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Overview of Notes

1.	Accounting policies applied	48
2.	Financial risks and policies and targets for management of financial risks	53
3.	Interest income	64
4.	Negative interest income	64
5.	Interest expenses	64
6.	Positive interest expenses	64
7.	Fees and commission income	64
8.	Value adjustments	64
9.	Staff and administration expenses	65
10.	Audit fees	65
11.	Tax on the profit for the year	66
12.	Receivables from credit institutions and central banks	66
13.	Lending	66
14.	Bonds at fair value	69
15.	Shares, etc.	69
16.	Head office properties	69
17.	Other tangible assets	69
18.	Assets connected to pool schemes	69
19.	Debt to credit institutions and central banks	70
20.	Deposits and other liabilities	70
21.	Issued bonds at amortised cost	70
22.	Provisions for deferred tax	71
23.	Subordinated debt	71
24.	Share capital	71
25.	Capital statement	72
26.	Contingent liabilities	72
27.	Legal cases	72
28.	Currency exposure	73
29.	Interest risk rate	73
30.	Related parties	73
31.	Derivative financial instruments	74
32.	Fair value of financial instruments	76
33.	Sensitivity calculations	78
34.	Five-Year Financial Highlights and Key Figures	79
35.	Definition of key ratios	80

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 2022.

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 re-classification 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 2023, 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 of this property by DKK 8 million. On the valuation of the Bank's head office property in Nuuk, different prices per square metre are used in relation to market rent and potential use.

In 2022, the Bank obtained external broker assessments of a wide selection of the Bank's properties, to support the valuation.

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 costs comprise salaries and social security expenses, pensions, staff accommodation, etc. Costs of services and benefits

to employees, including anniversary bonuses, are recognised in step with the employees' performance of the work which entitles them to the services and benefits in question. Costs of incentive programmes are recognised in the statement of income in the financial year to which the cost can be attributed.

Administration expenses include IT expenses, marketing, insurance, etc.

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.

When calculating the taxable income, Greenland is entitled to deduct dividends.

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

Balance sheet**Cash balance and demand deposits with 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. Accruals and deferred income are measured at cost.

Deposits and other liabilities

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

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

Issued bonds 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 so far assessed that the Bank's size, simple structure and uncomplicated activities do not justify a separate risk management function. The risk management function is therefore anchored in the Executive Management. On the basis of the Bank's development, a risk director was appointed in 2023, who is expected to be appointed as responsible for risk 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	2023	2022
Maximum credit exposure		
Cash balances and demand deposits at central banks	1,552,747	1,396,401
Receivables from credit institutions and central banks	120,150	118,619
Loans and other receivables at amortised cost	4,812,975	4,353,585
Bonds at fair value	1,303,120	1,156,821
Shares, etc.	135,614	120,063
Other assets, including derivative financial instruments	93,202	115,145
Off-balance-sheet items		
Guarantees	1,774,426	1,934,125
Unutilised facilities	1,983,304	2,490,902
Exposure specification		
Lending, cf. Note 13	4,812,975	4,353,585
Guarantees, cf. Note 25	1,774,426	1,934,125
Write-downs and provisions on guarantees, cf. Note 13	205,599	188,045
Other adjustments	-20,398	-26,767
Gross exposure, cf. below	6,772,602	6,448,988

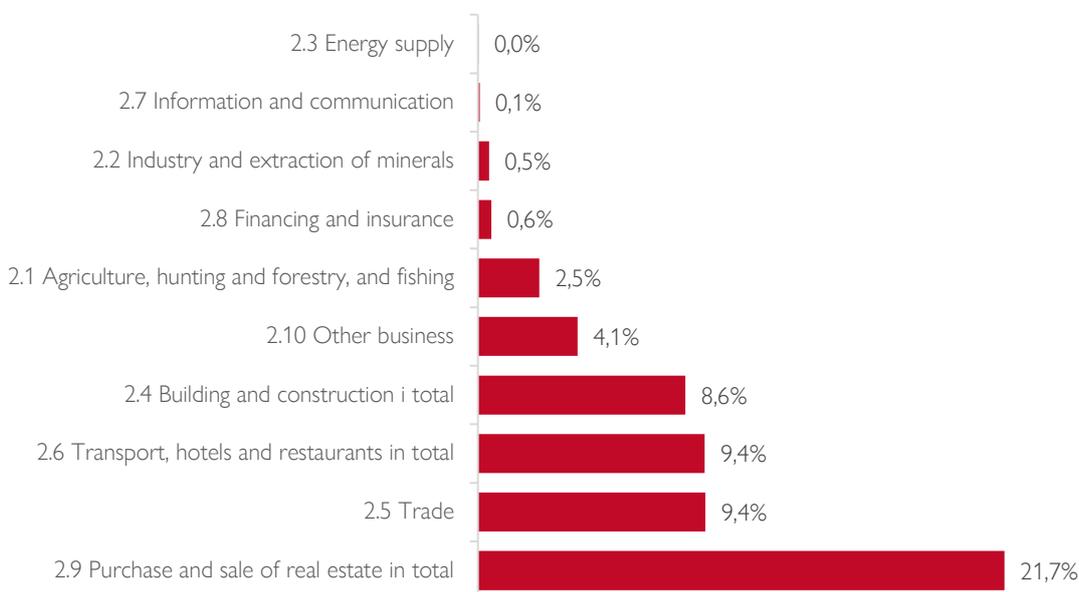
- As a general rule, loans, etc. to private customers are only granted to customers resident in Greenland, or to customers formerly resident in Greenland; and
- Loans, etc. to both private and business customers are solely to customers with satisfactory creditworthiness. Credit granting to customers 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

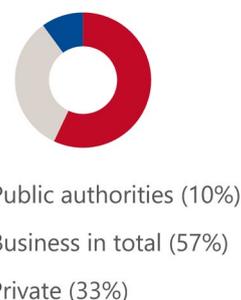


Standard terms

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.

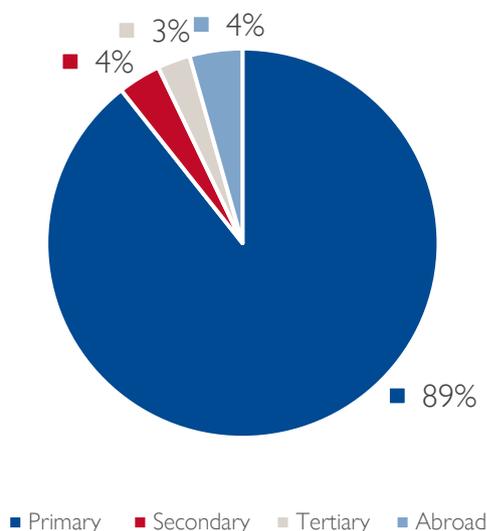
Private customers: The typical term of notice from the Bank is two months. Financial information is normally required for new loans, and changes to existing loans.

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
- Charges on units/shares in the companies to which credit facilities have 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.

There have been no changes in significant assumptions and valuation methods during the financial period.

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 calculation for exposures in stage 3, where the risk mitigating collateral value amounts to more than DKK 100,000, while other exposures are subject to model calculation. 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 additions.

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 additions

Both IFRS 9 and the Danish Executive Order on Financial Statements state that the future outlook must be included in the

Managerial additions broken down by stages

	Stage 1 TDKK	Stage 2 and 2SVAG TDKK	Managerial additions total TDKK
Business	5,698	21,709	27,407
Private	5,172	12,990	18,162
I alt	10,870	34,699	45,569

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.

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 2022 and 2023, the managerial additions is based primarily on uncertainties concerning the model calculations, risk assessment at sector level and the macroeconomic influences.

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 management additions of DKK 45.6 million against a supplement of DKK 41.8 million in 2022. This also includes a method risk supplement.

Write-offs

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

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

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

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

Exposure and write-downs by sector

	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000	%	DKK 1,000	%
2023				
Public	689,217	10	695	0
Business:				
Agriculture and fisheries	171,614	3	6,172	3
Industry and extraction of minerals	31,217	0	1,544	1
Energy supply	1,658	0	319	0
Construction and civil engineering	579,503	9	34,693	17
Trade	635,101	9	17,376	8
Transport, restaurants and hotels	633,847	9	14,975	7
Information and communication	4,760	0	162	0
Financing and insurance	37,447	1	668	0
Real estate	1,470,912	22	40,979	20
Other business	278,304	4	19,183	9
Business in total	3,844,363	57	136,071	66
Private	2,239,021	33	71,541	34
In total	6,772,601	100	208,307	100
	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000	%	DKK 1,000	%
2022				
Public	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
Business in total	3,578,896	55	115,804	60
Private	2,369,862	37	75,905	39
In total	6,448,988	100	192,866	100

Credit exposure distributed on classification, creditworthiness and stages

Classification The Bank of Greenland	Classification Danish Financial Supervisory Authority	Stage 1 TDKK	Stage 2 TDKK	Stage 2SVAG TDKK	Stage 3 TDKK	In total TDKK
Rating 1 – 3	3/2A	3,445,291	74,057	0	0	3,519,348
Rating 4 – 8	2B	1,858,722	509,413	479,879	0	2,848,014
Rating 9 – 10	2C	0	0	199,949	0	199,949
Rating 11	1	0	0	0	205,290	205,290
In total		5,304,013	583,470	679,828	205,290	6,772,601

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	689,205	12	0	0	689,217
Business:					
Agriculture and fisheries	139,169	12,688	11,619	8,138	171,614
Industry and extraction of minerals	25,361	3,425	1,498	933	31,217
Energy supply	1,197	0	72	389	1,658
Construction and civil engineering	386,754	38,081	129,095	25,574	579,504
Trade	519,569	35,119	72,592	7,821	635,101
Transport, restaurants and hotels	522,432	23,031	81,004	7,381	633,848
Information and communication	4,566	6	188	0	4,760
Financing and insurance	30,685	4,746	2,016	0	37,447
Real estate	1,153,826	65,885	212,191	39,010	1,470,912
Other business	153,634	63,076	25,405	36,189	278,304
Business in total	2,937,193	246,055	535,681	125,434	3,844,363
Private	1,677,615	337,403	144,147	79,856	2,239,021
In total	5,304,013	583,470	679,828	205,290	6,772,601

Reason for value adjustment of exposures in stage 3

	Credit exposures before write- downs	Write-downs	Accounting value	Collateral secu- rity	Maximum credit risk
2023					
Bankruptcy	8,316	6,817	1,499	1,499	0
Collection	14,721	11,309	3,412	3,412	0
Financial difficulties	182,253	78,378	103,875	65,812	38,064
In total	205,290	96,504	108,786	70,723	38,064
2022					
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
In total	200,815	92,249	108,566	91,746	16,820

Credit quality of exposures in general

Arrears or overdrafts > DKK 1,000

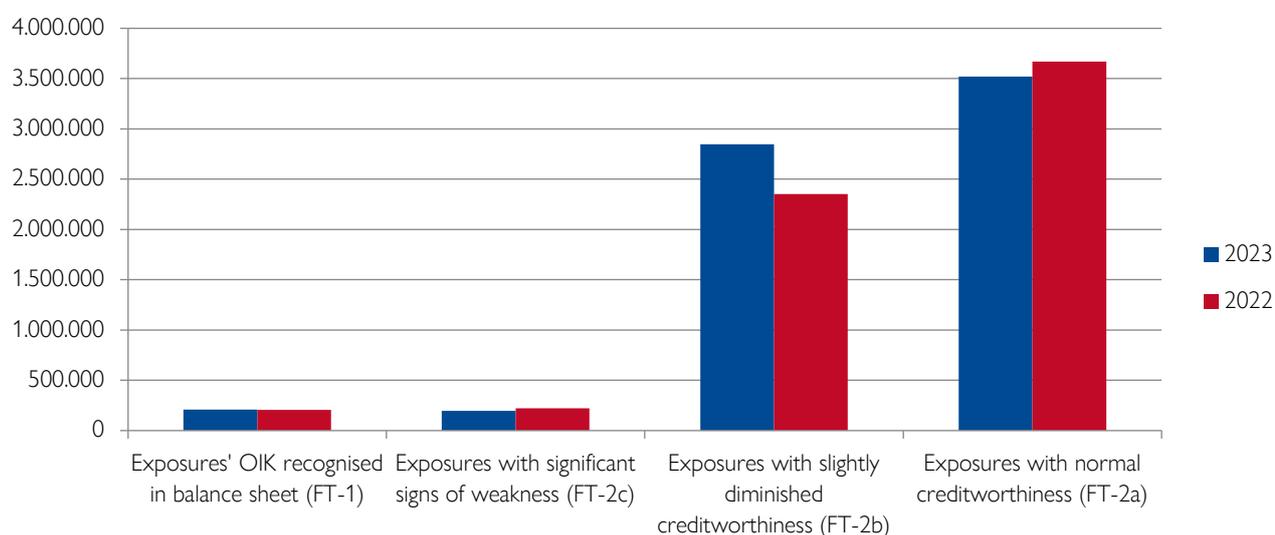
In DKK 1,000	2023	2022
0-30 days	1,433	794
31-60 days	1,086	408
61-90 days	511	210
> 90 days	444	475
In total	3,474	1,887

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

Credit exposures before write-downs distributed by creditworthiness

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

DKK 1,000



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

Market risk

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

Interest rate risk

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

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

The BANK of Greenland has outsourced the portfolio management of the Bank’s bond holdings to an external portfolio manager. The portfolio manager is subject to the aforementioned risk framework and works on the basis of a duration of 1.25-1.75 years. 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 2023. 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 fraction at level 175-225. LCR for the BANK of Greenland is calculated at 259.0 % as of the end of 2023. 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	2023	2022
3. Interest income		
Receivables from credit institutions and central banks	49,448	1,150
Lending and other receivables	336,767	218,531
Bonds	29,770	7,412
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	1,177	0
Total interest income	417,162	227,093
4. Negative interest income		
Receivables from credit institutions and central banks	0	-1,074
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	0	-750
Total negative interest	0	-1,824
5. Interest expenses		
Credit institutions and central banks	151	0
Deposits and other liabilities	87,256	3,040
Issued bonds	61	0
Total interest expenses	87,468	3,040
6. Positive interest expenses		
Credit institutions and central banks	0	-11
Deposits and other liabilities	0	-20,984
Total positive interest expenses	0	-20,995
7. Fees and commission income		
Securities and securities accounts	7,780	8,629
Payment settlement	37,456	38,042
Loan transaction fees	4,968	5,589
Guarantee commission	31,134	32,228
Other fees and commission	22,595	22,308
Total fee and commission income	103,933	106,796
8. Value adjustments		
Lending at fair value	1,982	-7,577
Bonds	23,654	-49,488
Shares	10,178	4,486
Currency	6,253	5,473
Foreign exchange, interest rate, equities, commodities and other contracts, as well as derivative financial instruments	-2,010	7,750
Assets connected to pool schemes	42,371	-46,125
Deposits in pool schemes	-42,371	46,125
Total value adjustments	40,057	-39,356

Note 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	2023	2022
9. Staff and administration expenses		
Staff expenses		
Salaries	93,862	91,485
Other staff expenses	3,068	2,271
Pensions	11,613	10,979
Social security expenses	569	484
In total	109,112	105,219
Other administration expenses	102,054	89,837
The average number of employees in the financial year, converted to full-time employees	143.5	137.4
Of which salaries and remuneration to the Board of Directors and the Executive Management	6,345	5,788
Six other employees (2022: five employees) whose activities have a significant influence on the Bank's risk profile:		
Contractual remuneration, including free car and other benefits	6,571	5,449
Pension	802	675
10. Audit fees		
Statutory audit of the annual financial statements	990	677
Other declarations with assurance	48	114
Tax advisory services	0	21
Other services	382	30
Total fees to the auditors elected by the Annual General Meeting, who perform the statutory audit	1,420	842

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

DKK 1,000	2023	2022
11. Tax on the profit for the year		
Tax on the profit for the year is calculated as follows:		
Current tax	35,954	19,569
Deferred tax	16,225	-9,760
Change in deferred tax as a consequence of a change in the corporate tax supplement	0	-528
Adjustment to deferred tax prior year	0	1,080
In total	52,179	10,361
Tax on the profit for the year is broken down as follows:		
Calculated 25% (2022: 26.5%) tax on the profit for the year	61,144	28,915
Change in deferred tax as a consequence of a change in the corporate tax supplement	0	-528
Adjustment to deferred tax prior year	0	1,080
Other adjustments	35	-26
Tax value of dividend deduction	-9,000	-19,080
In total	52,179	10,361
Effective tax rate	21.3%	9.5%
Corporate tax paid in 2023 amounts to TDKK 54,305		
12. Receivables from credit institutions and central banks		
On demand	72,150	60,619
Up to and including 3 months	15,000	0
Over 3 months and up to and including 1 year	33,000	40,000
Over 1 year and up to and including 5 years	0	18,000
In total	120,150	118,619
Receivables from credit institutions	120,150	118,619
In total	120,150	118,619
13. Lending		
Write-downs on loans, guarantees and non-utilised credit facilities		
New write-downs concerning new facilities during the year	16,292	20,471
Reversal of write-downs concerning redeemed facilities	-16,688	-17,415
Net write-downs during the year as a consequence of changes in the credit risk	14,998	3,146
Losses without preceding write-downs	158	593
Received for claims previously written off	-600	-2,272
Recognised in the statement of income	14,160	4,523
Lending at amortised cost	4,812,975	4,353,585
Total lending by remaining term to maturity:		
On demand	1,296,564	1,273,564
Up to and including 3 months	239,232	150,106
Over 3 months and up to and including 1 year	678,677	589,010
Over 1 year and up to and including 5 years	1,355,977	1,317,266
Over 5 years	1,242,525	1,023,639
In total	4,812,975	4,353,585

DKK 1,000

	Stage 1	Stage 2	Stage 3	Total
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Lending - continued**Write-downs on loans****31.12.2023**

Start of the period	28,826	64,706	86,477	180,009
New write-downs concerning new facilities during the year	5,007	9,510	1,016	15,533
Reversal of write-downs concerning redeemed facilities	-3,019	-2,942	-7,625	-13,586
Change in write-downs at the beginning of the year – transfer to stage 1	6,524	-5,889	-635	0
Change in write-downs at the beginning of the year – transfer to stage 2	-1,354	7,445	-6,091	0
Change in write-downs at the beginning of the year – transfer to stage 3	-136	-1,229	1,365	0
Net write-downs as a consequence of changes in the credit risk	-8,547	6,402	15,215	13,070
Previously written down, now finally lost			-3,593	-3,593
Interest on written-down facilities			4,433	4,433
Write-downs in total	27,301	78,003	90,562	195,866

Write-downs on guarantees**31.12.2023**

Start of the period	1,239	1,025	5,772	8,036
New write-downs concerning new facilities during the year	201	414	16	631
Reversal of write-downs concerning redeemed facilities	-2	-3	-68	-73
Change in write-downs at the beginning of the year – transfer to stage 1	2,070	-154	-1,916	0
Change in write-downs at the beginning of the year – transfer to stage 2	-117	179	-62	0
Change in write-downs at the beginning of the year – transfer to stage 3	-7	-48	55	0
Net write-downs as a consequence of changes in the credit risk	-2,288	1,282	2,145	1,139
Write-downs in total	1,096	2,695	5,942	9,733

Write-downs on non-utilised drawing rights**31.12.2023**

Start of the period	498	547	3,776	4,821
New write-downs concerning new facilities during the year	21	107	0	128
Reversal of write-downs concerning redeemed facilities	-159	-34	-2,836	-3,029
Change in write-downs at the beginning of the year – transfer to stage 1	28	-3	-25	0
Change in write-downs at the beginning of the year – transfer to stage 2	-6	497	-491	0
Change in write-downs at the beginning of the year – transfer to stage 3	0	-1	1	0
Net write-downs as a consequence of changes in the credit risk	-37	-596	1,422	789
Write-downs in total	345	517	1,847	2,709

DKK 1,000	Stage 1	Stage 2	Stage 3	Total
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
Write-downs in total	28,826	64,706	86,477	180,009

Write-downs on guarantees**31.12.2022**

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
Write-downs in total	1,239	1,025	5,772	8,036

Write-downs on non-utilised drawing rights**31.12.2022**

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
Write-downs in total	498	547	3,776	4,821

DKK 1,000	2023	2022
14. Bonds at fair value		
Mortgage-credit bonds	1,303,120	1,156,821
In total	1,303,120	1,156,821
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	0
Unlisted shares included at fair value	135,614	120,063
Reassessed value, year-end	135,614	120,063
16. Head office properties		
Reassessed value, beginning of year	284,370	247,292
Additions during the year, including improvements	14,442	9,703
Disposals during the year	-544	0
Write-offs	-6,169	-5,056
Value changes recognised in other comprehensive income	5,642	32,030
Value changes recognised in the statement of income	401	401
Reassessed value, year-end	298,142	284,370
<p>There is no public property valuation in Greenland.</p> <p>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 in 2022.</p> <p>No expert assessment was obtained for the assessment of the Bank's other domicile properties.</p>		
17. Other tangible assets		
Cost, beginning of year	31,401	56,637
Additions during the year, including improvements	3,164	2,070
Disposals during the year	-753	-27,306
Cost, year-end	33,812	31,401
Depreciation and write-downs, beginning of year	25,394	49,985
Depreciation for the year	2,390	2,664
Reversal of depreciation concerning disposals	-753	-27,255
Depreciation and write-downs, year-end	27,031	25,394
Accounting value, year-end	6,781	6,007
18. Assets connected to pool schemes		
Investment associations	513,734	394,308
Non-invested funds	88	268
In total	513,822	394,576

DKK 1,000	2023	2022
19. Debt to credit institutions and central banks		
On demand	22,105	22,598
In total	22,105	22,598
Debt to central banks	18,975	19,475
Debt to credit institutions	3,130	3,123
In total	22,105	22,598
20. Deposits and other liabilities		
On demand	5,265,508	5,241,972
Up to 3 months	20,450	0
Over 3 months and up to and including 1 year	688,767	266,021
Over 1 year and up to and including 5 years	0	18,000
Over 5 years	438,744	416,486
In total	6,413,469	5,942,479
On demand	5,265,508	5,241,972
On terms of notice	858,360	442,216
Special deposit conditions	289,601	258,291
In total	6,413,469	5,942,479
21. Issued bonds at amortised cost		
Bond issue	173,969	74,563
In total	173,969	74,563
Distribution in remaining duration		
Over 1 year and up to and including 5 years	173,969	74,563
In total	173,969	74,563
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	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.		
Loan raised as Senior Non-Preferred, nominally	100,000	-
The loan was raised as Senior Non-Preferred on 1 December 2023 and falls due for full redemption on 1 December 2030. The Bank has the option of early redemption as from 1 December 2027.		

DKK 1,000

2023

2022

22. Provisions for deferred tax

The year's changes in deferred tax can be summarised as follows:

Deferred tax, beginning of year	67,126	68,326
The year's deferred tax recognised in the statement of income for the year	16,225	-9,760
Adjustment of deferred tax concerning equity items	1,411	8,008
Adjustment to deferred tax prior year	0	1,080
Change in deferred tax as a consequence of a change in the corporate tax supplement	0	-528

In total **84,762** **67,126**

Deferred tax concerns:

Head office properties	59,406	57,614
Operating equipment	606	512
Proposed dividend for the financial year	24,750	9,000

In total **84,762** **67,126**

23. Subordinated debt

Capital certificate as below	64,329	24,708
In total	64,329	24,708

Subordinated debt included in the capital base according to CRR

	64,329	24,708
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Loan raised as subordinated debt, nominally	25,000	25,000
Interest rate, fixed rate	6.197%	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.

Loan raised as subordinated debt, nominally	40,000	-
Interest rate, floating rate (CIBOR 6 with an addition of 400bp.)	8.113%	0.000%

The loan was raised on 1 June 2023 and falls due for full redemption on 1 June 2033. The Bank has the option of early redemption as from 1 June 2028.

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%

DKK 1,000

2023**2022****25. Capital statement**

Credit risk	4,607,677	4,619,420
CVA risk	10,267	13,892
Market risk	233,494	238,978
Operational risk	721,601	628,793
Total risk exposure	5,573,039	5,501,083
Equity	1,479,123	1,318,592
Proposed dividend, accounting effect	-74,250	-27,000
Framework for ratio of own shares	-11,250	-10,620
Deductions for prudent valuation	-1,443	-1,568
Deductions for Non-Performing Exposures	-6,351	-3,842
Actual core capital	1,385,829	1,275,562
Supplementary capital	64,329	24,708
Capital base	1,450,158	1,300,270
Actual core capital ratio	24.9	23.2
Capital ratio	26.0	23.6
Statutory requirement of actual core capital ratio (excluding capital reserve buffer)	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

26. Contingent liabilities

Mortgage finance guarantees	1,042,320	989,198
Registration and remortgaging guarantees	182,870	300,180
Other guarantees	549,236	644,747
In total	1,774,426	1,934,125

The Bank is a member of BEC (Bankernes EDB Central). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding three years' IT costs.

Like the rest of the Danish banking sector, the bank is obliged to pay in contributions to the Settlement and Guarantee Fund.

27. Legal cases

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

DKK 1,000	2023	2022
28. Currency exposure		
Assets in foreign currency, in total	57,495	47,633
Liabilities in foreign currency, in total	52,188	41,874
Exchange-rate indicator 1	5,306	5,759
Exchange-rate indicator 1 as a ratio of core capital	0.4	0.4
Exchange-rate indicator 2	124	113
29. Interest risk rate		
The Bank solely has fixed-interest-rate assets in Danish kroner. Interest rate risk for debt instruments, etc.	10,043	15,030
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	5,427	5,867
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	3,262	2,906
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 (term ended in 2023)	0	10
Board of Directors - Peter Angutinnguaq Wistoft	264	81
Executive Management - Martin Birkmose Kviesgaard	1,455	1,455

DKK 1,000

2023

2022

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	55,480	79,642
Accounting value	56,602	79,577

Covered with interest rate swap

Synthetic principal/nominal value	44,806	66,048
Accounting value	3,920	5,902

Lending at fixed interest rates without cover

Amortised/nominal value	18,186	16,132
Accounting value	18,555	16,217

	Nominal value	Positive market value	Negative market value	Net market value
2023				
Interest rate contracts				
Swaps	44,805	4,030	49	4,080
Forwards/Futures, purchase	-4,969	23	-6	17
Forwards/Futures, sale	4,969	9	-21	-12
In total	44,805	4,062	22	4,085
Share contracts				
Spot, purchase	126	7	-8	-1
Spot, sale	126	8	-7	1
In total	252	15	-15	0
In total	45,057	4,077	7	4,085
2022				
Interest rate contracts				
Swaps	76,049	6,002	-116	5,886
Forwards/Futures, purchase	-6,869	0	-93	-93
Forwards/Futures, sale	6,869	90	0	90
In total	76,049	6,092	-209	5,883
Share contracts				
Spot, purchase	4	4	-1	3
Spot, sale	4	1	-4	-3
In total	8	5	-5	0
In total	76,057	6,097	-214	5,883

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

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

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

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

For fixed-interest-rate financial liabilities such as deposits and debt to credit institutions measured at amortised cost, the difference from fair 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
2023				
FINANCIAL ASSETS				
Bonds	1,303,120	0	0	1,303,120
Shares	0	0	135,614	135,614
Positive market value of derivative financial instruments	0	4,077	0	4,077
In total	1,303,120	4,077	135,614	1,442,811
FINANCIAL LIABILITIES:				
Negative market value of derivative financial instruments	0	91	0	91
In total	0	91	0	91

DKK 1,000	Listed prices Level 1	Observable prices Level 2	Non-observable prices Level 3	In total
2022				
FINANCIAL ASSETS				
Bonds	1,156,821	0	0	1,156,821
Shares	0	0	120,063	120,063
Positive market value of derivative financial instruments	0	6,097	0	6,097
In total	1,156,821	6,097	120,063	1,282,981
FINANCIAL LIABILITIES:				
Negative market value of derivative financial instruments	0	215	0	215
In total	0	215	0	215

DKK 1,000	2023	2023	2022	2022
Financial instruments recognised at amortised cost:	Amort. cost.	Fair value	Amort. cost.	Fair value
Receivables from credit institutions and central banks	120,150	120,156	118,619	118,616
Lending and other receivables	4,812,975	4,844,707	4,353,585	4,386,436
Liabilities to credit institutions and central banks	22,105	22,105	22,598	22,598
Deposits and other liabilities	6,413,469	6,412,878	5,942,479	5,941,824
Derivative financial instruments:				
Interest rate swaps (net)	0	4,080	0	5,886

33. Sensitivity calculations

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

Interest rate risk:

The sensitivity calculation in relation to the Bank's interest rate risk is based on the interest rate risk key ratio that is reported to the Danish FSA. This key ratio shows the effect on the core capital after deductions on a change in interest rates of 1% point, equivalent to 100 basis points. The calculation shows that if the average interest rate on 31 December 2023 had been 100 basis points higher, all other things being equal, the profit for the year before tax would be TDKK 10,043 lower (2022: TDKK 15,030 lower), primarily as a consequence of negative fair value adjustment of the Bank's holdings of fixed-interest-rate bonds.

Currency risk:

The sensitivity calculation in relation to the Bank's currency risk is based on the currency indicator 1 key ratio that is reported to the Danish FSA. Currency indicator 1 expresses a simplified measure of the extent of the Bank's positions in foreign currency, and is calculated as the largest of the sum of all of the short currency positions and the sum of all of the long currency positions. If the Bank, on 31 December 2023, had experienced a loss on currency positions of 2.5% of currency indicator 1, all other things being equal, the profit for the year before tax would be TDKK 133 lower (2022: TDKK 144 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 2023 had been 10% lower, all other things being equal, the profit for the year before tax would be TDKK 13,561 lower (2021: TDKK 12,006 lower), as a consequence of negative fair value adjustment of the share portfolio.

Property risk:

If the value of the Bank's properties on 31 December 2023 had been 10% lower, the negative value adjustment of properties, all other things being equal, would be TDKK 29,814 before tax (2022: TDKK 28,437 lower).

34. Five-Year Financial Highlights and Key Figures

	2023	2022	2021	2020	2019
Net interest and fee income	435,012	351,485	338,933	326,513	323,507
Value adjustments	40,058	-39,356	11,219	136	9,585
Other operating income	5,803	6,588	6,185	5,369	5,722
Staff and administration expenses	211,166	195,056	186,385	178,734	170,895
Depreciation and impairment of tangible assets	8,158	7,320	7,014	6,948	6,672
Other operating expenses	2,815	2,706	2,497	2,610	2,788
Write-downs on loans and receivables, etc.	14,160	4,523	1,537	12,828	7,959
Profit before tax	244,574	109,112	158,904	130,898	150,500
Tax	52,179	10,361	26,072	34,671	20,582
Profit for the year	192,395	98,751	132,832	96,227	129,918
SELECTED BALANCE SHEET ITEMS					
Lending	4,812,975	4,353,585	3,783,681	4,006,248	3,758,736
Deposits	6,413,469	5,942,479	5,363,871	5,847,772	5,687,451
Equity	1,479,123	1,318,592	1,267,911	1,176,917	1,077,676
Total assets	8,840,981	7,949,566	7,226,988	7,438,325	7,089,915
Contingent liabilities	1,774,426	1,934,125	1,781,465	1,621,831	1,479,537
OFFICIAL KEY FIGURES:					
Solvency ratio	26.0	23.6	24.4	23.5	23.4
Core capital ratio	24.9	23.2	24.4	23.5	23.4
Return on equity before tax	17.5	8.4	13.0	11.6	14.5
Return on equity after tax	13.8	7.6	10.9	8.5	12.5
Rate of return	2.2	1.2	1.8	1.3	1.8
Income per cost krone	2.0	1.5	1.8	1.7	1.8
Interest rate risk	0.7	1.2	1.2	1.1	2.1
Foreign exchange position	0.4	0.5	0.8	0.6	0.9
Lending plus write-downs as a ratio of deposits	72.3	71.5	69.1	68.8	67.2
Lending as a ratio of equity	3.3	3.3	3.0	3.4	3.5
Growth in lending during the year	10.6	15.1	-5.6	6.6	8.3
Liquidity Coverage Ratio	259.0	220.5	238.6	241.0	238.8
NSFR (Net Stable Funding Ratio)	134.0	133.8	-	-	-
Sum of large exposures	150.0	167.3	156.7	162.6	163.5
Ratio of receivables at reduced interest rates	0.9	0.4	0.5	0.8	0.8
Write-down ratio for the year	0.2	0.1	0.0	0.2	0.1
Accumulated write-down ratio	3.1	3.0	3.2	3.2	3.3
Profit for the year per share	106.9	54.9	73.8	53.5	72.2
Net book value per share	821.7	732.6	704.0	653.8	599.0
Dividend per share	55.0	20.0	40.0	25.0	0.0
Listed price/profit for the year per share (PE)	5.8	10.8	8.1	11.0	7.6
Stock exchange quotation/net book value per share	0.8	0.8	0.8	0.9	0.9

35. Definition of key ratios

<i>Solvency ratio</i> Capital base as a percentage of risk exposure.	<i>Lending as a ratio of deposits</i> Lending + write-downs as a ratio of deposits.
<i>Core capital ratio</i> Core capital after percentage deduction of risk exposure.	<i>Lending as a ratio of equity</i> Lending/equity.
<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.	<i>Growth in lending during the year</i> Percentage growth in lending from the beginning to the end of the year.
<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.	<i>Liquidity Coverage Ratio</i> Liquidity buffer/payment obligations within 30 days
<i>Rate of return</i> Profit for the year as a ratio of total assets.	<i>NSFR, Net Stable Funding Ratio</i> Available stable funding/Required stable funding
<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.	<i>Sum of large exposures</i> Sum of large exposures as a ratio of the capital base.
<i>Interest rate risk</i> Interest rate risk as a percentage of core capital after deductions.	<i>Ratio of receivables at reduced interest rates</i> Receivables at reduced interest rates as a ratio of lending + guarantees + write-downs.
<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.	<i>Write-down ratio for the year</i> Write-downs for the year as a ratio of lending + guarantees + write-downs.
	<i>Accumulated write-down ratio</i> Total write-downs as a ratio of lending + guarantees + write-downs.
	<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.
	<i>Net book value per share</i> Equity/number of shares, excluding own shares.
	<i>Dividend per share</i> Proposed dividend/number of shares.
	<i>Listed price as a ratio of the profit for the year per share</i> Listed price/profit for the year per share.
	<i>Stock exchange quotation as a ratio of net book value</i> Stock exchange quotation/net book value per share.



Board and Management



Former CEO Gunnar í Liða

Born on 13 April 1960 (male)

Joined the Board of Directors on 6 April 2005. Last re-elected in 2023. Current term expires in 2025.

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

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

Member of the Board of Directors of:

- Gist and Vist P/F (Chairman)
- P/F SMJ Ráðgevandi verkfrøðingar
- SMJ Rådgivende Ingeniører A/S

Chairman of the Nomination Committee of:

- Bakkafrøst 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 Board of Directors of:

- INUPLAN A/S (Chairman)

Director of:

- Ejendomsselskabet Issortarfik ApS
- Attavik-Udlejning

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



Proprietor Maliina Bitsch Abelsen

Pikiala A/S

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

- Pikiala

Co-owner of:

- Yogarta I/S

Member of the Board 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.



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 2023. Current term expires in 2025.

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

Member of the Audit Committee and member of the Risk Committee

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

Member of the Board of Directors of:

- Arbejdernes Landsbank A/S
- Arbejdernes Landsbanks Fond

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).



Credit consultant
Pilunnguaq Frederikke Johansen Kristiansen
GrønlandsBANKEN A/S

Born on 24 October 1988 (female)

Joined the Board of Directors on 28 March 2023. Current term expires in 2027.

Member of the Audit Committee and member of the Risk Committee



Business adviser Tulliaq Angutimmarik Olsen
GrønlandsBANKEN A/S

Born on 25 February 1992 (male)

Joined the Board of Directors on 28 March 2023. Current term expires in 2027.

Member of the Audit Committee and member of the Risk Committee



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

Born on 02 October 1981 (male)

Joined the Board of Directors on 27 March 2019. Current term expires in 2027.

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

Member of the Board of Directors of:

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

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 and
Customer Service Director at AP Pension A/S

Born on 05 July 1972 (female)

Joined the Board of Directors on 24 March 2021. Last re-elected in 2023. Current term expires in 2025.

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 Qvartz 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 Board of Directors of:

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

Information about the BANK of Greenland

The BANK of Greenland

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Board of Directors

Former CEO Gunnar í Liða, Chair
Director Kristian Frederik Lennert, Vice Chair
Proprietor Maliina Bitsch Abelsen
Former Executive Vice President Lars Holst
Credit consultant Pilunnguaq Frederikke Johansen Kristiansen*)
Business adviser Tulliaq Angutimmarik Olsen*)
Communication and Marketing Manager Niels Peter Fleischer
Rex*)
Finance and Administration Manager Peter Angutinguaq
Wistoft
CEO Ellen Dalsgaard Zdravkovic

*) Employee elected

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 2024

Annual Report 2023	27 February
Annual General Meeting in Nuuk	20 March
Interim report, First Quarter 2024	13 May
Interim report, First Half 2024	21 August
Interim Report, First Nine Months 2024	06 November

Notifications to the stock exchange in 2023

1 March	Annual Report 2023
1 March	Notice convening the 2022 Annual General Meeting
21 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
23 March	Election of employee members to the BANK of Greenland's Board of Directors
28 March	Minutes of the 2023 Annual General Meeting
24 April	Upward adjustment of expectations for 2023
9 May	Quarterly Report, First Quarter 2023
23 May	The BANK of Greenland is investigating the possibility of issuing supplementary capital
24 May	The BANK of Greenland issues DKK 40 million in Tier 2 capital
01 June	New employee representative on the BANK of Greenland's Board of Directors
21 July	Upward adjustment of expectations for 2023
16 August	Quarterly Report, Second Quarter 2023
14 September	Financial Calendar for 2024
18 October	Upward adjustment of expectations for 2023
1 November	Quarterly Report, Third Quarter 2023
06 November	Reportable transactions with the BANK of Greenland shares
29 November	The BANK of Greenland issues DKK 100 million Senior-Non-Preferred
14 December	Outlook for 2024