Grønlandsbanken A/S
CVR no. 80050410

The BANK of Greenland

Risk Report 2024

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

GrønlandsBANKEN

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Risk management

Risk management in general

The BANK of Greenland works with a balanced risk profile.

The Bank's Board of Directors continuously monitors the Bank's risks and follows up on this on a regular basis.

On the basis of the Bank's business model, the Board of Directors has laid down an overall framework and principles within the various risk areas. The Bank is continuously developing its tools for the identification and management of risks.

The Board of Directors has appointed an Audit Committee and a Risk Committee. Both the Audit Committee and the Risk Committee consist 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 Chairman of the Board of Directors is also the Chairman of the Audit Committee and the Risk Committee.

The tasks of the Audit Committee mainly concern the monitoring of:

- the presentation of accounts process;
- the effective functioning of the Bank's internal control system;
- the effective functioning of the Bank's risk management systems;
- monitoring of the internal audit;
- the statutory audit of the Annual Report; and
- control of the independence of the auditor.

The tasks of the Risk Committee mainly concern the monitoring of:

- the Bank's current and future risk profile and strategy;
- the implementation of the Board of Directors' risk strategy in the organization;
- ensuring that the Bank's products and services are in accordance with the business model and risk profile, etc.;
- whether the incentives in the Bank's remuneration structure take account of the Bank's risks, etc.

In this respect, the Bank's control environment for the calculation of the significant accounting estimates is reviewed and assessed.

The committees meet immediately prior to the meetings of the Board of Directors.

The risk management function is 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 day-to-day risk management is undertaken by the Bank's Credit Office/International Department, with independent control thereof by the Accounting Department.

The BANK of Greenland applies the standard method to credit and market risks, and the basic indicator method to operational risks.

The most significant risks related to the operation of the BANK of Greenland, and which are of significance to the Bank's growth, earnings and financial position, are the following:

Credit risk:: Risk of loss as a consequence of customers or counterparties defaulting on 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, currency 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 inappropriate internal procedures, human errors, IT systems, compliance or other business risks, etc.

Risk on the capital base: The risk that the Bank is unable to fulfil the minimum statutory requirement of the capital ratio or to fulfil the individual solvency requirement and other capital requirements, including buffer requirements and MREL-requirement.

Gearing risk: If there is a risk of excessive gearing, the risk is understood to be a result of the Bank's vulnerability as a consequence of gearing or possible gearing, which may require unforeseen corrective measures in the Bank's business plan, including emergency sale of assets, which could entail losses or adjustments to the value of the remaining assets.

Credit risk

The BANK of Greenland's objective in the credit area is to limit losses on lending, credits and guarantees. The limitation of losses is, however, subject to the consideration that the credit area is the Bank's most significant earnings area, so that earnings and risk are subject to continuous assessment.

The BANK of Greenland's management of credit risks takes place via the policies and procedures drawn up, as determined by the Bank's Board of Directors, in order to ensure that lending is to customers who, via solvency and earnings, ensure good credit quality in relation to the margin paid.

Credits, loans and guarantees are authorized at various levels in the Bank, depending on the size and risk of the exposure. There is continuous follow-up of all lending and guarantees above a fixed limit, to ensure that any signs of a customer's payment failure are identified as early as possible, thereby making it possible to avoid a loss, in dialogue with the customer.

Concentration risk

The Bank's risk concentration in lending and guarantees is an element of the credit risk management. The Bank seeks appropriate distribution on lending and guarantees to the business and private segments, respectively. A balanced sectoral distribution of lending and guarantees to the business sector is also aimed for. The distribution is assessed to be appropriate in view of the possible sectoral diversification in the Bank's market area.

In accordance with the Supervisory Diamond, the Bank's objective is that lending and guarantee debtors concerning "real property" and "execution of construction projects" may at no time exceed 25% of the Bank's total lending and guarantees.

The BANK of Greenland has a policy that the sum of the 20 largest exposures may not exceed 175% of the capital base.

Market risk

The Bank's objective is to minimise the losses which may arise as a consequence of e.g. unforeseen development in the financial markets.

Policy The BANK of Greenland's market risk is managed by fixed limits for a large number of risks.

Equity and currency positions are fixed within a framework in relation to core capital after deductions.

The share portfolio in 2024 amounts to TDKK 150,963 of which sector equities TDKK 149,253.

Fixed-income positions must be held within a given interest rate risk of maximum 3%. At the end of 2024, the total interest rate risk amounted to 0.6% of the core capital after deductions. The Bank has outsourced the portfolio management of the Bank's bond holdings to an external portfolio manager. The portfolio manager is subject to a risk framework with a duration of 0.75-1.75 years.

The BANK of Greenland has a limited position in foreign currency. The currency exposure at the end of 2024, measured by currency indicator 1, is TDKK 6,671, which is equivalent to 0.4% of the core capital after deductions.

Compilation and monitoring take place on a daily basis and the Executive Management and Board of Directors receive ongoing reports based on the guidelines laid down.

Liquidity risk

The BANK of Greenland's objective is to ensure adequate and stable liquid reserves, and that the LCR ratio compiled according to the rules in CRR, Articles 411-428, is at least 140 percentage points at any time. The Bank has the objective, however, that the constant LCR ratio is at the level of 175-225%. At the end of 2024, the Bank's LCR is 266.2%.

Policy: The liquidity reserve is compiled is accordance with the rules in CRR, or other applicable regulatory liquidity requirements.

The Bank's liquid reserves are managed by maintaining sufficient liquid assets, ultra-liquid securities, and level 1A, level 1B, and 2A and 2 B assets, and the ability to close market positions and utilise lines and committed lines.

The BANK of Greenland's funding is based primarily on deposits.

Compilation and monitoring take place on a daily basis and the Executive Management and Board of Directors receive ongoing reports based on the guidelines laid down.

Operationel risk

The BANK of Greenland's objective is that operational risks are continuously limited, with due consideration of the related costs.

The BANK of Greenland has drawn up policies and emergency plans for physical disasters and IT outages. The Bank's IT operations take place at Bankernes EDB Central (BEC). The Bank closely follows the instructions and recommendations received from BEC, just as the Bank does not undertake independent development of IT systems. The bank continuously assesses ICT risks internally and uses external consultants to assess the bank's IT risks.

Internal procedures are based on written processes and work descriptions, just as controls are performed across the organization.

The Bank continuously assesses the outsourcing of operational areas that are not of significance to the Bank's competitiveness.

As at the end of 2024, the Bank had outsourced the following areas:

Internal audit
Partly international payments
Partly fund customer orders

Remuneration policy

The Board of Directors have determined the remuneration policy, which has been approved by the Annual General Meeting.

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.

In 2024, 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/

No individual in the bank has a total salary exceeding EUR 1 million per year. Information on all quantitative details on the remuneration of the Executive Board, the Board of Directors and employees designated as significant risk takers is provided in note 7 of the annual report for 2024.

Capital base

Risk concerning the capital base

The capital is compiled in accordance with the rules in CRR. The BANK of Greenland has a strong capital base and a capital ratio of 26.9% at end 2024 against 23.6% in 2023. The actual core capital ratio is 25.1 against 24.9 in 2023.

Compilation and monitoring take place on a monthly basis and the Executive Management and Board of Directors receive quarterly reports based on the guidelines laid down.

DKK 1,000 Capital statement	**2024**	**2023**
Equity	1,593,622	1,479,123
Proposed dividend, accounting effect	-135,000	-74,250
Framework for ratio of own shares	-5,985	-11,250
Deduction for capital shares in the financial sector	-5,519	0
Deductions for prudent valuation	-1,652	-1,443
Deductions for Non-Performing Exposures	-13,647	-6,351
Actual core capital	**1,431,819**	**1,385,829**
Supplementary capital	104,022	64,329
Capital base	**1,535,841**	**1,450,158**
Actual core capital ratio	25.1	24.9
Capital ratio	26.9	26.0
Statutory requirement of actual core capital ratio (excluding capital reserve buffer)	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

Capital requirement	**2024**	**2023**
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)	7.55%	4.90%
Total capital requirement	**22.7%**	**20.0%**
Capital base	1,535,841	1,450,158
SNP issue	273,569	173,969
MREL capital base	**1,809,410**	**1,624,127**
MREL capital ratio	31.70%	29.10%
Surplus capital cover	**9.05%**	**9.1%**

The BANK of Greenland was designated as an SIFI institution in 2017. On 30 November 2023, a revised MREL requirement was determined for the BANK of Greenland at 30.2% of the Bank's risk-weighted assets at the end of 2022. The MREL requirement is being phased in during the period from 2022 to 2027. This means that in the course of the coming years, the Bank must fulfil the requirement by issuing capital instruments and through consolidation of equity capital. In continuation of the established MREL requirement, the Bank made two further issues in 2024 with a view to targeted coverage of the MREL requirement. In total the Bank has issued DKK 275 million Senior-Non-Preferred and DKK 105 million subordinated debt.

The MREL requirement is being phased in as from 1 January 2022 on a linear basis over six years. This entails that the Bank must fulfil an MREL requirement of 7.55% in 2024. From 1 January 2025, the Bank must fulfil an MREL requirement of 10.07%.

Based on the requirements concerning own funds and eligible liabilities determined in 2023, the Board of Directors expects that the total capital reserves must be increased during the coming years. The aim of the Board of Directors is that there must be sufficient capital for growth in the Bank's business activities, just as there must be sufficient capital to cover ongoing fluctuations in the risks assumed by the Bank.

The Bank's Board of Directors has adopted a capital objective with a CET1 target of 24%. The BANK of Greenland's core capital ratio was 25.1 at the end of 2024, and the capital ratio was 26.9.

Method to calculate adequate capital base

The Bank's method of assessing whether the internal capital is sufficient to support current and future activities (the solvency requirement) follows the Bank's ICAAP (Internal Capital Adequacy Assessment Process).

In the ICAAP, the risks to which the Bank is exposed are identified, in order to assess the risk profile. Once the risks have been identified, it is assessed how these risks can be reduced, for example via procedures, contingency plans, etc. It is also assessed which risks entail a capital requirement.

The internal capital (solvency requirement) is the Bank's own assessment of the capital requirement, as a consequence of the risks assumed by the Bank. On a quarterly basis, the Bank's Board of Directors discusses the determination of the internal capital (solvency requirement), in order to ensure that it is adequate to support current and future activities. The discussions are based on a recommendation from the Bank's Executive Management Board. The recommendation includes the proposed size of the internal capital (solvency requirement). Based on the discussions, the Board of Directors adopts the calculation of the Bank's internal capital (solvency requirement), which must be sufficient to cover the Bank's risks and support current and future activities.

In addition, once a year the Board of Directors exhaustively discusses the method of calculating the Bank's internal capital (solvency requirement), including the risk areas and benchmarks which should be taken into consideration on calculating the internal capital (solvency requirement).

The internal capital (solvency requirement) is compiled on the basis of an 8+ method, which includes the risk types for which capital is assessed to be required: credit risks, market risks, operational risks, other risks, and supplements for statutory requirements. The assessment is based on the Bank's risk profile, capital and forward-looking considerations that may be of significance, including the budget.

The Danish Financial Supervisory Authority has issued a "Guide concerning adequate capital base and solvency requirements for credit institutions". The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark has also issued a solvency requirement model. Both the FSA's guide and the Association of Local Banks' solvency requirement model, which the Bank uses, are based on the 8+ method, for which the starting point is the minimum requirement of 8% of the total risk-weighted exposures (pillar 1 requirement), with additions for risks and conditions that are not fully reflected in the calculation of the risk-weighted items.

In addition, the FSA's guide sets out benchmarks for when the FSA in principle assesses that pillar 1 is not adequate within the individual risk areas, so that supplements must be allocated in the solvency requirement. Furthermore, to an extensive extent methods have been set up for the calculation of the size of the supplement within the individual risk areas.

Even though the Danish FSA sets out benchmarks for most areas, for all areas the Bank assesses whether the stated benchmarks take sufficient account of the Bank's risks, and individual adjustments are made to the necessary extent.

Individual solvency requirement

The bank observes the template below when calculating the internal capital (solvency need)

	DKK 1,000	%
1) The Pillar I requirement (8 per cent of the total risk exposure)	456,829	8.00
+ 2) Earnings (capital to cover risk as a result of weak earnings)	0	0.00
+ 3) Loan growth (capital to cover organic growth in business volume)	3,024	0.05
+ 4) Credit risks, of which		
4a) Credit risks on large customers with financial problems	28,222	0.49
4b) Other credit risks	46,381	0.81
4c) Single name concentration risk	19,111	0.34
4d) Sector concentration risk	20,819	0.37
+ 5) Market risks, of which		
5a) Interest rate risks	27,320	0.48
5b) Share risks	0	0.00
5c) Currency risks	0	0.00
+ 6) Liquidity risks (capital to cover more expensive liquidity)	6,270	0.11
+ 7) Operational risks (capital to cover operational risks apart from Pillar I)	23,621	0.41
+ 8) Gearing (capital to cover risks as a result of high gearing)	0	0.00
+9) Regulatory maturity og capital instruments	0	0.00
+ 10) Additions, if any, as a result of statutory requirements	2,500	0.04
Total = capital requirements/solvency needs	634,097	11.10
- Of which credit risks (4)	114,533	2.01
- Of which market risks (5)	27,320	0.48
- Of which operationel risks (7)	23,621	0.41
- Of which other risks (2+3+6+8+9+10)	11,794	0.20
- Of which statutory requirements (1)	456,829	8.00
The total risk exposure	5,710,361	

In the view of the BANK of Greenland, the risk factors included in the above model cover all of the risk areas which legislation requires the Bank's management to take into account on determining the internal capital (solvency requirement), and the risks which the management finds that the Bank has assumed.

In addition, the Board of Directors and Executive Management must assess whether there is an adequate capital base to support coming activities. For the Bank, this assessment is part of the general determination of the internal capital (solvency requirement).

Comments on the Banks individual solvency requirement

The Pillar I requirement (1)

The minimum capital requirement accounts for 8% of the total risk exposure and covers the ordinary risks. The ordinary risks account for most of the solvency requirement.

Earnings (2)

The Danish FSA's approach is that core earnings are the first buffer to cover losses on loans and guarantees. If the Bank has modest core earnings in relation to loans and guarantees, it cannot be expected to absorb losses to the same extent. In such case, the Bank must therefore calculate an addition.

If core earnings as a percentage of loans + guarantees before write-downs and provisions exceed 1%, no addition has to be calculated. Throughout 2018-2024, the Bank had core earnings exceeding 1%.

The Bank has considered the volatility of earnings and assessed that the fluctuations have been limited. For 2025, the Bank also expects a CE % above 1%. No addition has therefore been calculated.

Lending growth (3)

High growth in lending is associated with particularly high risk. The Danish FSA assesses as a general rule that overall year-on-year lending growth of 10% or higher can impose an above-normal credit risk on the Bank.

This above-normal credit risk is not included in the pillar I requirement, so that separate capital must be reserved to cover this. The Bank did not have growth exceeding 10% in 2024, but does have a proprietary method to analyse sector growth, and this method is the basis for calculation of an addition, cf. the above template.

Credit risks (4)

The principal element of the solvency requirement is credit risks. In its assessments, the Danish FSA takes different types of credit risk into account. This primarily concerns weaknesses in the lending portfolio, in the form of customers facing financial difficulties, but also concentration of the lending portfolio on, for example, sectors and large exposures.

Credit risks on large customers facing financial difficulties
Large exposures with customers facing financial difficulties must be subject to assessment of the prudently estimated loss on each exposure.

Delineation of customers - Customers facing financial difficulties must as a minimum include:

- Creditworthiness category 1: Customers with objective indication of credit impairment (OIC)
- Creditworthiness category 2c: Customers with significant indications of weakness, but without OIC

Delineation of exposure:
Large exposures are exposures greater than 2% of the Bank's capital base. The Bank chooses to go down to 1%. Exposures are compiled as lending, drawing on credits, guarantees, and credit facilities granted, but not utilised. Credit facilities granted, but not

utilised are included in full in the calculation of exposure.

Other credit risks

The Bank must assess whether there are particular credit risks in the rest of the credit portfolio (below 2% of the capital base) that are not sufficiently covered by the pillar I requirement. This might be the case, for example, if the Bank is concentrated in particularly risk-exposed sectors, countries or areas where more customers can be expected to face financial difficulties, going forward. The Bank performs analyses in the following areas:

- Fisheries (under Agriculture) as a sector, as this sector is exposed to particular risk. The analysis results in an addition under other credit risks.
- Development in property prices, exposures in the property segment and contractor risk, etc. The analysis does not result in any addition.
- Large exposures generally in Greenland's business structure. The analysis results in an addition.
- NPE backstop in accordance with the provisions in the solvency guidance. The analysis results in an addition.

Concentration risks on individual exposures

In the assessment of concentration risks on individual exposures, the Bank must consider how unevenly exposure sizes are distributed in the lending portfolio. When a modest number of exposures account for a relatively large share of the total exposures, the effect of some of the largest exposures being defaulted will be of great significance to the Bank's financial resilience. Sufficient capital must be allocated to cover this risk.

Concentration risk on sectors

The Bank must consider how unevenly the lending portfolio is distributed across sectors, due to the fact that when exposures are distributed across a relatively small number of sectors, the effect of a cyclical downturn in one or more of these sectors will be of great significance to the Bank's financial resilience. Sufficient capital must be allocated to cover this risk. The greater the Bank's concentration in individual sectors, the greater the potential fluctuation in the impairment write-downs.

The HHI index is used to measure the sector concentration. According to this calculation method, an addition to the solvency requirement must be calculated if the ratio of exposures in one sector exceeds 20% of the total exposures.

The starting point is the sector distribution, although 'Real estate' and 'Building and construction' are combined. Moreover 'Finance and insurance' is included with a weighting of only 75%. 'Other business' is not an actual sector and is not included in the calculation of HHI. It will be the case, however, that if 'Other business' as a ratio of the total business exposures exceeds the calculated concentration risk for the other sectors, the 'Other business' sector will prevail.

Market risk (5)

Market risk is another significant risk area. As a general rule, the Executive Management's framework powers according to the Section 70 instructions and concentration of market risks will determine any addition to the solvency requirement.

Interest rate risks, credit span risks and EVE

The general interest rate risk reflects how much of the core capital after deductions would be lost on a general 1%-point increase in interest rates both within and outside the trading portfolio.

The Bank uses the standard method, whereby the Bank calculates the interest rate risk on the basis of the maximum use of the framework during the past year within and outside the trading portfolio on a separate basis.

An addition to the solvency requirement must be calculated to the extent that the general interest rate risk within the trading portfolio exceeds 4%, while the entire general interest rate risk outside the trading portfolio will entail an addition. The Bank's interest rate risk within the trading portfolio is significantly below 4%.

Calculation of the general interest rate risk outside the trading portfolio is based on 13 maturity bands, as for the financial reporting. There are no basic deductions outside the trading portfolio.

The credit span risk (within the trading portfolio) is the risk that the credit span (interest rate premium) on mortgage bonds, for example, changes in relation to government bonds. The size of the credit span will typically depend on the issuer's creditworthiness and the bond's liquidity. Losses as a consequence of credit span risks can arise if the credit spans show that prices for mortgage credit bonds, for example, are falling more than prices for government bonds, when interest rates are rising or in periods of financial turbulence. In this situation, the credit span between mortgage credit bonds and government bonds is said to widen.

As a supplement to the calculation of the interest rate risk outside the trading portfolio, the Bank must consider how changes in the level of interest rates can affect the Bank's current earnings - including the sensitivity of earnings to changes in the level of interest rates (EVE).

Equity risks
The Bank's core capital must be sufficient to cover unlikely, but not completely impossible fluctuations in the equity markets in which the Bank is exposed. Banks with an equity exposure in the trading portfolio exceeding 5% of the core capital must therefore analyse the Bank's equity risk exposure and concentrations in the trading portfolio and perform sensitivity calculations showing the significance of a small, medium and large equity stress for the Bank's capital base. The BANK of Greenland has no equities in its trading portfolio.

Currency risks
The Bank reports currency indicator 1, which is calculated on the basis of core capital after deductions. Currency indicator 1 is calculated as the greater of the sum of all short currency positions and the sum of all long currency positions. Currency indicator 2 is calculated as one overall total, taking account of how much the individual currencies included in the metric have fluctuated against each other, and in relation to Danish kroner.

The starting point for calculation of an addition is the powers granted by the Board of Directors to the Executive Management to take market risks. The Bank only realises currency risks within the framework.

Liquidity risk (6)

In relation to the solvency requirement, liquidity risk must be understood as the additional costs the Bank can expect to incur should situations arise in which it is difficult to obtain liquidity.

If the Bank has a deposit surplus without including deposits from professional parties, the Bank can refrain from calculating an addition in this area.

The BANK of Greenland realises a deposit surplus and therefore does not have a regulatory addition. The Bank does, however, prepare a proprietary analysis in relation to long funding, which the Bank chooses to add to the capital requirement.

Operational risk (7)

Operational risk is the risk of losses as a consequence of inappropriate or deficient internal procedures, human or systemic errors, or external events, including legal risks, risks due to outsourcing, model risks and IT risks. The bank must assess whether sufficient capital to cover operational risks has been allocated.
The BANK of Greenland assesses the following conditions in particular:

- Supervisory reactions
- Control and procedural risks throughout the organisation, including second- and third-line observations
- Business model and economic conditions
- Outsourcing
- IT risks

- Organisational conditions, including key person risk

The BANK of Greenland allocates capital for selected conditions based on a concrete assessment for each statement.

The basic indicator method is applied to the calculation of risk-weighted assets and is allocated under the pillar I requirement.

Gearing (8)
High gearing exposes a bank to losses in the event of any sudden changes in market conditions and excessive asset price drops.

In accordance with the Danish Executive Order on Management and Control of Banks, etc., the Bank's management must take account of excessive gearing risk and ensure identification, management and monitoring of gearing risks.

For this purpose, the Bank must calculate the gearing ratio, which is the core capital divided by the sum of the Bank's exposures (unweighted), cf. Article 429 of the CRR Regulation.

The BANK of Greenland has assessed the gearing and set the gearing limit as no lower than 10%. The Bank's realised gearing is well above the limit.

Regulatory maturity of capital instruments (9)
The assessment of the Bank's capital adequacy must include an assessment of the capital available to the Bank, including any maturity.

To achieve this, no later than one year before a capital instrument matures or the capital can otherwise no longer be included in the capital base, the Bank must assess the need for additions to the solvency requirement, if there is a risk that the Bank cannot replace the capital instrument in question with a new capital instrument of the same, or higher, quality.

The Bank has performed an analysis and assessment of capital adequacy and does not assess there to be a need for special additions as a consequence of regulatory maturity of capital instruments.

Statutory requirements and other risks (10)
There is no addition to the solvency requirement due to statutory requirements, as the individual capital requirement is calculated at more than 8%, and the Bank is not subject to a mandatory order for an individually determined capital requirement.

In addition to the aforementioned requirements, the Bank is furthermore required not to have exposures exceeding 25% of the capital base, cf. Section 145, and the Bank is required to comply with all threshold values in the supervisory diamond.

The Bank complies with all thresholds and further statutory requirements. The Bank calculates the overall risk exposure in accordance with the standard method.

The Bank has assessed external risks; in particular statutory conditions due to the Bank's location in Greenland and outside the EU, as well as the recruitment risk. The Bank has allocated capital to cover this.

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

	2024		2023	
	Kapitalbehov	**Solvensbehov**	**Kapitalbehov**	**Solvensbehov**
Pillar I requirement	456,829	8.0%	445,843	8.0%
Credit risk	114,534	2.0%	120,061	2.2%
Market risk	27,320	0.5%	22,404	0.4%
Liquidity risk	6,270	0.1%	0	0.0%
Operationel risk	23,621	0.4%	15,646	0.3%
Other risk	5,524	0.1%	12,256	0.2%
Capital and solvency requirement	**634,098**	**11.1%**	**616,210**	**11.1%**

The bank has on the basis of the capital requirement calculated an immediate excess cover of TDKK 901,743, which constitutes the difference between the present capital requirement (solvency need) and the actual capital (capital ratio).

Excess cover at the end of 2024 DKK 1,000	
Capital base	1,535,841
Sufficient capital	634,098
Excess cover	901,743
Capital ratio	26.9 %
Internal capital requirement (solvency need)	11.1 %
Solvency excess cover as a percentage point	15.8 %
Solvency excess cover as above (percentage point)	15.8 %
SIFI buffer requirement	1.5 %
Capital reserve buffer requirement	2.5 %
Solvency excess cover hereafter	11.8 %

Since the Bank uses the standard method to calculate the risk-weighted exposures, the minimum capital requirement of 8% is shown per exposure class.

Minimum capital requirement of 8%	End of 2024	End of 2023
Exposures to central governments and central banks	-	-
Exposures to regional and local authorities	-	-
Exposures to public entities	-	-
Exposures to multilateral development banks	-	-
Exposures to international organisations	-	-
Exposures to institutions	2,752	2,610
Exposures to companies	169,103	157,037
Retail exposures	73,944	83,229
Exposures secured by real estate mortgages	63,058	54,154
Exposures on default	17,554	17,242
Exposures related to a particularly high risk	1,539	11,375
Exposures in the form of covered bonds and covered mortgage-credit bonds	-	-
Items representing securitisation positions	-	-
Exposures to institutions and companies with short-term credit assessment	-	-
Exposures which are units or shares in CIUs	-	-
Share exposures	12,077	10,849
Other items	32,211	32,117
Credit- and counterpart risks in total	**372,238**	**368,614**

Credit risks: Risk of losses because debtors or counterparties commit a breach of their payment obligations over and above the cover in Pillar I, including major customers with financial problems. Concentration risk on individual commitments and sectors.

Market risks: Risk of losses because of potential changes in interest rates, share prices and exchange rates over and above what is covered in Pillar I. The basis is comprised og the maximum risks the bank can assume, within the limits on the management's powers, as set by the Board og Directors, to take market risks in accordance with the Danish Financial Business Act.

Operational risk: Risk that the bank incurs a complete or partial financial loss as a result of inadequate or inappropriate internal procedures, human error, IT systems, etc. and external events, including legal risks, over and above the cover in Pillar I. The bank uses the basic indicator method to calculate the solvency requirement for the operational risk.

Other risk: Possible capital for risk hedging because of weak earnings, possible capital to cover growth in business volume and possible capital to cover costlier liquidity from professional investors.

Other risk areas that are assessed relation to the determination of the solvency need:

- Retail segmentation
- External risks related to legislation and compliance
- Other matters - recruitment, method risk, etc.

The determination of the impact these areas have on the solvency need ratio is either calculated directly from supplementary calculations or assessed on a discretionary basis by the management as impacting the determination of the solvency need.

The risk factors included in the model are, in the opinion of The BANK of Greenland, sufficient to cover all the risk areas that the bank's management is required by legislation to take into account when determining the solvency need as well as the risks that the management finds that The BANK of Greenland has taken on. Furthermore, the Board of Directors and the Board of Management must assess whether the capital base is sufficient to support coming activities.

Risk-weighted exposures DKK 1,000	**2024**	**2023**
Credit risk	4,652,973	4,607,677
Market risk	7,519	233,494
Operational risk	235,372	721,601
CVA risk	814,497	10,267
Total risk-weighted exposures	5,710,361	5,573,039

Market risk

Calculation of solvency risks in the area of market risks

Risk related to the trading portfolio DKK 1,000	2024	2023
Debt instruments	230,511	228,827
Shares	0	0
Foreign exchange risk	4,860	4,667
Total items with market risk	**235,371**	**233,494**

Counterpart risk - derivatives

The BANK of Greenland employs the market value method to calculate counterpart risk in order to calculate the size of an exposure and the risk-weighting of derivatives.

The market value method is described below, and it follows the description in CRR article 274.

The market value method includes the market value of contracts with a positive market value and the principal of all contracts in the Executive Order on Capital Adequacy. The market value of the contracts is included with the weights of the terms of these contracts and with the weight of the counterparts in question. Since The BANK of Greenland only uses derivatives to cover open items on fixed-interest loans, the positive market value of the derivatives has no impact on the determination of the adequate capital base.

In the bank's process of granting a loan and during the ordinary process of monitoring exposures, the calculated exposure value of the loan is taken into account so that it is ensured that it does not exceed the credit line granted to the counterpart.

The value of the bank's total counterpart risk, calculated according to the standard method in CRR, is TDKK 7,519 at the end of 2024.

Exposures in shares, etc. not included in the bank's trading portfolio

In cooperation with other credit institutions, the BANK of Greenland has acquired shares in a number of sector companies. The purpose of these sector companies is to support the business of the credit institutions within the fields of payment transfers, IT, pension, investment, etc. The BANK of Greenland has no plans to sell these shares since participation in these sector companies is considered a necessity for operating a local bank. Their shares are therefore held outside of the bank's trading portfolio.

In several of the sector companies the shares are redistributed so that the shares of the credit institutions always reflect the individual credit institution's volume of business with the sector company. Typically, the redistribution is effected on the basis of the equity value of the sector company. In the light of this, The BANK of Greenland adjusts the carrying value of these assets quarterly, semi-annually or annually depending on the frequency of new information from the individual sector company. The ongoing adjustment is booked in accordance with the rules via the income statement.

In other sector companies, the shares are not redistributed, but are, on the other hand, typically measured based on the most recent known trading; alternatively the value is calculated on the basis of an accepted valuation method. Adjustments of the carrying value of the shares in these companies are also booked via the income statement.

The BANK's total position in sector shares amounts to TDKK 149,253.

Apart from shares in sector companies, The BANK of Greenland owns unlisted shares in an enterprise in Greenland with which the bank has entered into collaboration. These shares are measured at net book value less any impairment losses. As with the shares in sector companies, the bank has no plans to sell these shares.

The bank's total position in these shares amounts to TDKK 1,596.

Exposures to interest rate risk in positions not included in the bank's trading portfolio

The bank's interest rate risk for exposures in positions outside the trading portfolio consists of fixed-rate assets:

Loans, advances and accounts receivable from credit institutions and fixed-rate deposits

Deposits and debt to credit institutions

At the end of 2024, The BANK of Greenland has an interest rate risk in positions outside the trading protfolio of TDKK 1,381. The interest rate risk is calculated daily.

Gearing risk

Leverage and the leverage ratio are calculated as a capital target for the core capital as a ratio of the unweighted exposures.

In the policy for the risk of excessive gearing, the Bank has determined that the leverage ratio may not be lower than 10%. The Bank thereby assesses that excessive leverage occurs at a leverage ratio below 10%.

Leverage according to CRR

Referencedate	31.12.2024
Name of entity	BANK of Greenland
Application level	

Summary reconciliation of accounting assets and leverage ratio exposures (DKK 1,000)

		Amount
1	Total assets as per published financial statement	10,021,543
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR"	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,422,643
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	
8	**Total leverage ratio exposure**	11,444,186

Leverage ratio common disclosure (DKK 1,000)

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	10,021,543
2	(Asset amounts deducted in determining Tier 1 capital)	-1,652
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	10,019,891

Leverage ratio common disclosure (DKK 1,000)

Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1,422,643
18	(Adjustments for conversion to credit equivalent amounts)	
19	Other off-balance sheet exposures (sum of lines 17 to 18)	1,422,643
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	1,431,819
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	11,444,186
22	Leverage ratio	12,51
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Leverage ratio common disclosure (DKK 1,000)

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (DKK 1,000)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	10,019,931
EU-2	Trading book exposures	1,661,901
EU-3	Banking book exposures, of which:	
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	2,224,820
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	448,580
EU-7	Institutions	156,616
EU-8	Secured by mortgages of immovable properties	1,452,279
EU-9	Retail exposures	1,150,020
EU-10	Corporate	2,239,584
EU-11	Exposures in default	166,040
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	466,051

Information on other qualitative elements

1	Description of the procedure to control the risk against leverage.	Monitoring of the leverage risk is included in the BANK of Greenlands ongoing risk monitoring, and is reported quarterly to the Board of Directors.
2	Description of factors that impacted the leverage ratio in the period regarding the published leverage ratio.	Leverage ratio has not changed significantly in the period.

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;
- 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%.

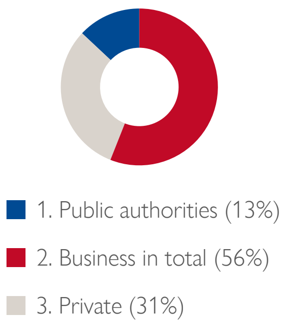
DKK 1,000	**2024**	**2023**
Maximum credit exposure		
Cash balances and demand deposits at central banks	2,080,989	1,552,747
Receivables from credit institutions and central banks	155,989	120,150
Loans and other receivables at amortised cost	5,030,995	4,812,975
Bonds at fair value	1,498,540	1,303,120
Shares, etc.	150,963	135,614
Other assets, including derivative financial instruments	104,342	93,202
Off-balance-sheet items		
Guarantees	1,422,643	1,774,426
Unutilised facilities	1,743,587	1,983,304
Exposure specification		
Lending, cf. Note 13	5,030,995	4,812,975
Guarantees, cf. Note 25	1,422,643	1,774,426
Write-downs and provisions on guarantees, cf. Note 13	223,936	205,599
Other adjustments	-21,087	-20,398
Gross exposure, cf. below	6,656,487	6,772,602

Standard terms
Business customers: Exposures can typically be terminated without notice by the Bank. The customer is normally required to provide the Bank with financial information on an ongoing basis.

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

Figure 1

Lending and guarantee debtors by sectors



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

Figure 2

Lending and guarantee debtors by industries under business

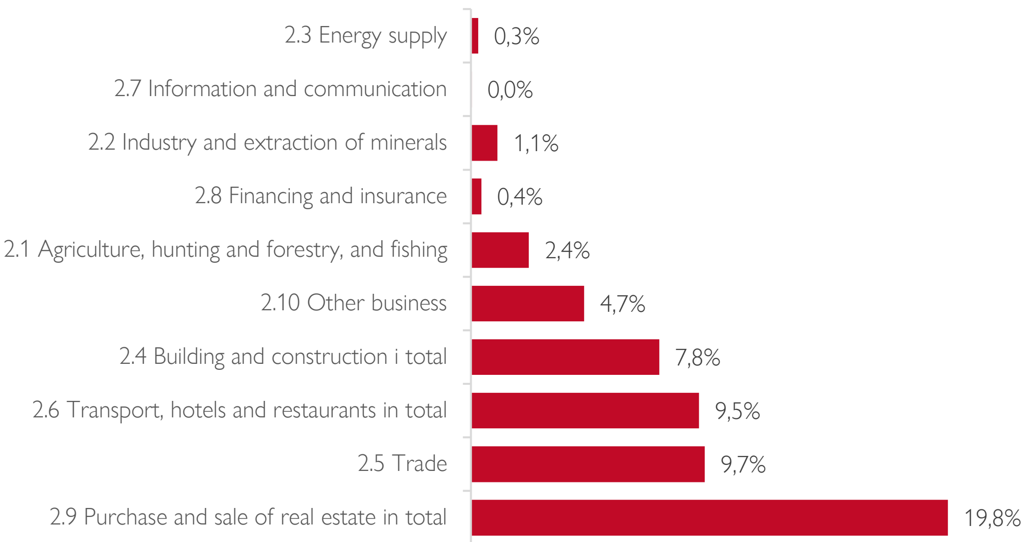
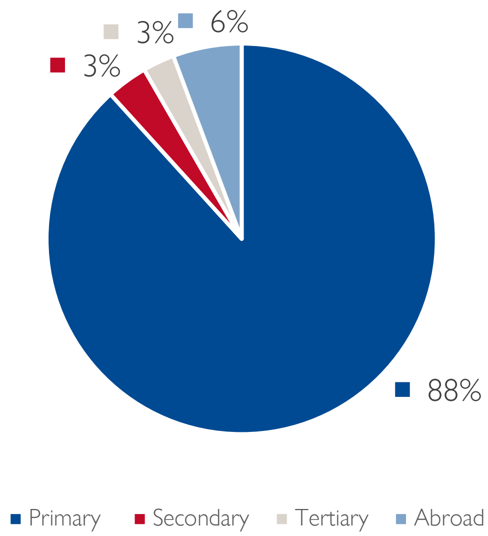


Figure 3

Geographical spread of lending and guarantees



Authorisation procedures
Credits, loans and guarantees are authorised at various levels in the Bank, depending on the exposures' size, risk and type. On financing a number of separate activities and on authorisation for customers subject to value adjustment, the authorisation procedure is stricter and, irrespective of size, authorisations can only be made in the Bank's central credit department, and in some cases solely by the Bank's managing director or deputy managing director. Large exposures are authorised by the Bank's Board of Directors.

Monitoring
Management and monitoring of credit granting and compliance with the Bank's credit policy take place on a centralised basis in the Bank's credit department.

The Bank's credit policy is complied with via review of the authorisations at credit department level and higher, and via random sample controls in the individual departments.

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

For financing, the collateral security primarily consists of:

- Mortgages on private residential properties, primarily in Greenland;
- Mortgages on commercial properties for own use;
- Mortgages on rental properties (residential and commercial);
- Mortgages on movable property, cars, boats, snow scooters, operating equipment, etc.;
- Mortgages on fishing vessels;
- Mortgages on fishing rights;
- Mortgages on easily negotiable securities;
- Surety pledges;
- Assignments; and
- Mortgages on shares in the companies to which credit has been granted

As a general rule, the valuation of the collateral security is based on fair value, calculated with a safety margin between 10% and 50%

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:

- Stage1 concerns assets for which there has been no significant increase in credit risk. In this stage, the write-downs equivalent to the expected 12-month credit loss are calculated.
- Stage 2 concerns assets for which there has been a significant increase in credit risk. In this stage, the write-downs equivalent to the expected credit loss in the asset's lifetime are calculated.
- Stage 3 concerns credit-impaired assets. In this stage, the write-downs are calculated on the basis of an individual assessment of the credit loss in the asset's lifetime.

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 or the following events have occurred:

- The borrower is in considerable financial difficulties.
- The borrower is in breach of contract, for example due to failure to fulfil payment obligations for repayments and interest.
- When the Bank or other lenders grant the borrower an easement of terms that would not have been considered if the borrower was not in financial difficulties.
- When it is probable that the borrower will file for bankruptcy or be subject to other financial restructuring.
- Lapse of an asset.

Furthermore, the loan is at the latest assessed to be credit-impaired if the borrower has been in arrears for more than 90 days.

Significant lending is assessed individually for any indication of credit impairment at each closure of the accounts. The Bank makes an individual loss risk statement for exposures in stage 3, where the risk mitigating collateral value amounts to more than DKK 100,000, while other exposures are modelled. When calculating stage 3 write-downs, the Bank does not use payment series, so that write-downs are subject to prudent assessment.

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

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

The assessment of whether a borrower is in arrears concerns both overdrafts exceeding the fixed lines and failure to pay either instalments or interest. The assessment of whether it is unlikely that a borrower can fulfil its payment obligations is based on both qualitative and quantitative indicators. A qualitative indicator for business loans might be, for example, whether there is any breach of covenants. Quantitative indicators might, for example, be an assessment of whether a borrower can fulfil its obligations for other loans, or is in arrears for other loans.

Depreciation and write-downs
Write-downs in stages 1 and 2:

Calculation of the expected credit loss in stages 1 and 2 is based on a write-down model. The write-down model is based on the probability of default (PD), expected credit exposure at default (EAD) and expected share of loss given default (LGD). The model incorporates historical observations for the individual inputs and also forward-looking information, including macroeconomic conditions.

Determination of input to the write-down model
Input to the write-down model is based on the historical information developed by the Bank's data centre using statistic models.

The probability of default (PD) is determined on the basis of observed defaults over a period of time, reflecting an economic cycle, after which the observed defaults are converted to an estimated probability applying to a specific time (12-month PD). Lifetime PD is compiled on the basis of 12-month PD according to mathematical models and projections of 12-month PD. This is based on expectations of the future and the development in the loans.

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

The expected loss given default (LGD) is estimated on the basis of the difference between the contractual cash flows and the cash flows which the Bank expects to receive after default, including cash flows on realisation of security. The determination of LGD is based on the expected collateral values less costs of sales, as well as cash flows that a borrower might pay in addition to collateral. Account is also taken of any price reduction if the collateral is to be realised within a shorter period. The expected cash flows are discounted at present value. The present value is calculated for fixed-interest-rate loans and receivables based on the originally-fixed effective interest rate. For variable-interest-rate loans and receivables, the current effective interest rate on the loan or receivable is used.

Forward-looking macroeconomic scenarios

Forward-looking information is included in the calculation of expected losses in the form of macroeconomic prognoses and projections. The Bank uses a model that is developed and maintained by LOPI – the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark.

The model is based on the determination of historical relations between write-downs within a number of sectors and industries, and a number of explanatory macroeconomic variables. These relations are then subject to estimates of the macroeconomic variables, based on prognoses from consistent sources such as the Economic Council, Danmarks Nationalbank, et al. whereby the prognoses generally extend two years ahead, and include such variables as the increase in public consumption, increase in GDP, interest, etc. The prognoses are based on Danish figures.

The Danish forecasts are currently perceived to be applicable to conditions in Greenland, which is, however, subject to some uncertainty – see also the section on managerial 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 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 2023 and 2024, the managerial addition is based primarily on uncertainties concerning model calculations, risk assessment at sector level and macroeconomic impacts.

As a consequence of inflation and cyclical uncertainty, the BANK of Greenland has made a risk assessment at sector level, where a general change in creditworthiness at portfolio level, and the derived increased impairment write-downs, are estimated. On this basis, the Bank has allocated a managerial addition of DKK 42.3 million, compared to an estimate of DKK 45.6 million in 2023. This also includes a method risk supplement

.

Managerial additions by stages

	Stage 1 TDKK	**Stage 2 and 2SVAG TDKK**	**Managerial additions total TDKK**
Business	0	25,240	25,240
Private	0	17,022	17,022
In total	**0**	**42,262**	**42,262**

Write-downs in stage 3:
Write-downs on credit-impaired loans are compiled as the expected loss based on a number of possible outcomes for the borrower's situation and the Bank's credit handling. The expected loss is calculated by weighting together the calculated loss related to each scenario, based on the probability of the scenario occurring. For each scenario, the write-down is compiled on the basis of the difference between the accounting value before write-down and the present value of the expected future payments on the loan.

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

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

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

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

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

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

Exposure and write-downs by sector

	Gross exposure	Ratio of total gross exposure	Total write-downs	Ratio of total write-downs
	DKK 1,000	%	DKK 1,000	%
2024				
Public	849,300	13	672	0
Business:				
Agriculture and fisheries	159,723	2	6,272	3
Industry and extraction of minerals	73,127	1	2,099	1
Energy supply	20,528	0	61	0
Construction and civil engineering	519,760	8	37,032	17
Trade	645,469	10	22,157	10
Transport, restaurants and hotels	629,783	9	11,542	5
Information and communication	2,458	0	32	0
Financing and insurance	29,127	0	194	0
Real estate	1,317,057	20	60,044	27
Other business	312,961	5	18,650	8
Business in total	3,709,993	56	158,083	71
Private	2,097,194	32	65,181	29
In total	**6,656,487**	**100**	**223,936**	**100**

	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**

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	3,561,013	77,627	0	40	3,638,680
Rating 4 – 8	2B	1,692,482	471,767	306,709	734	2,471,692
Rating 9 – 10	2C	0	0	261,803	3,840	265,643
Rating 11	1	0	1,072	7,403	271,997	280,472
In total		**5,253,495**	**550,466**	**575,915**	**276,611**	**6,656,487**

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	849,261	39	0	0	849,300
Business:					
Agriculture and fisheries	110,660	27,365	14,390	7,307	159,722
Industry and extraction of minerals	69,075	981	1,373	1,698	73,127
Energy supply	19,796	569	163	0	20,528
Construction and civil engineering	390,754	44,704	54,840	29,462	519,760
Trade	548,579	31,582	59,770	5,539	645,470
Transport, restaurants and hotels	545,429	44,210	33,205	6,940	629,784
Information and communication	2,270	160	28	0	2,458
Financing and insurance	29,110	17	0	0	29,127
Real estate	899,675	69,441	224,691	123,249	1,317,056
Other business	232,556	24,307	22,672	33,426	312,961
Business in total	2,847,904	243,336	411,132	207,621	3,709,993
Private	1,556,331	307,091	164,783	68,989	2,097,194
In total	**5,253,496**	**550,466**	**575,915**	**276,610**	**6,656,487**

Reason for value adjustment of exposures in stage 3

	Credit exposures before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
2024					
Bankruptcy	13,015	10,125	2,890	2,768	122
Collection	3,241	1,673	1,567	0	1,567
Financial difficulties	260,354	108,012	152,343	69,199	83,143
In total	**276,610**	**119,810**	**156,800**	**71,967**	**84,832**
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**

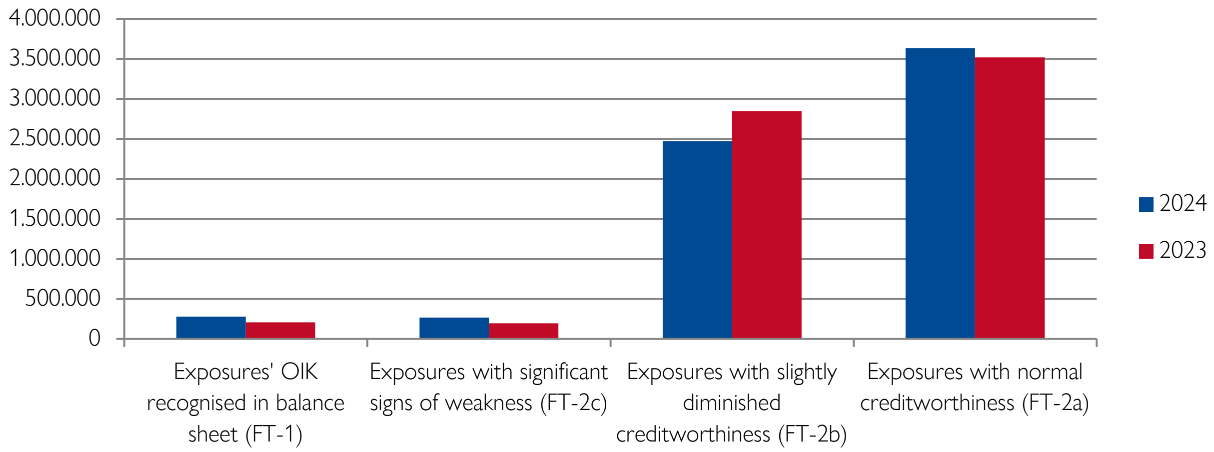
Credit quality of exposures in general
Arrears or overdrafts > DKK 1,000

In DKK 1,000	**2024**	**2023**
0-30 days	1,018	1,433
31-60 days	378	1,086
61-90 days	107	511
> 90 days	8,343	444
In total	**9,846**	**3,474**

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.


In Fashion