

Chairman's report 2025

Dear shareholders,

I would first like to welcome everyone here in Nuuk and especially those of you watching via livestream.

Although the beginning of 2025 has been quite turbulent in Greenland, triggered by the repeated statements of the American president about Greenland, the focus today is on the year 2024, but I will naturally also touch upon the conditions in Greenland in 2025

But first 2024, and it is naturally with great satisfaction that the bank can present a quite strong annual report. As usual, I will comment on the economic development within and outside the bank in 2024 and, as mentioned, also look a bit ahead

Looking back to 2023, the year was one in which we achieved a record result, and in 2024 the level is again high, with the result amounting to 245.7 million kroner before tax compared to 244.6 million kroner in 2023.

At the beginning of the year, the BANK of Greenland expected a profit before tax in the range of DKK 180-230 million.

The board of the BANK of Greenland considers the result satisfactory. Bank Director Martin Kviesgaard will later review the bank's annual report in more detail.

The Greenlandic society has been affected by global uncertainty, international tensions, and economic crises for several years, but the economy in Greenland has nevertheless remained relatively strong for several years.

Looking at 2024 in isolation, we must acknowledge that Greenland and the BANK of Greenland have been affected by the economic reality in our surroundings. The relatively high interest rate in 2024 and slightly higher inflation have dampened investment enthusiasm.

A number of factors have influenced the economic development in 2024 and will also affect 2025.

In 2024, the construction of the airport in Nuuk was completed, and thus the GDP effect from the large construction investments has peaked. GDP is expected to have only increased marginally in 2024, and 2025 will also see low or no growth.

However, this is not concerning in isolation, as it is naturally expected to cause a drop in GDP when such large construction investments are completed, just as they boosted GDP in previous years. Additionally, the large construction projects have primarily been carried out with foreign labor, and thus the local effect in Greenland is modest.

The housing market in Greenland has been negatively affected by the high interest rates in 2023 and 2024. At the same time, there has been an extraordinarily large supply of newly built homes, while demand has remained almost unchanged. This has led buyers to seek smaller homes, and the time on the market in Nuuk has increased. Prices have been slightly pressured, and today we see prices that correspond to the level of 2021

Contributing to the development of citizens' and also home buyers' purchasing power is the development of inflation in Greenland. KNI's long-term energy agreements on oil and Greenland's hydropower have helped household finances. Price increases have been moderate, whereas they were quite significant in Denmark. Conversely, we must expect some adjustment also in 2025, where there may be a positive effect from falling interest rates and slightly improved purchasing power from agreements. At the BANK of Greenland, we assess that the supply of new private homes will fall, and thus a normalization of supply and demand in the housing market will gradually occur.

A crucial factor in Greenland's economy is fishing, where export value fell in 2024. Shrimp quotas are declining, and prices have been falling. Falling prices and the reduction of the shrimp quota have had and will continue to have consequences for the Greenlandic economy in 2025. Although quota flexibility allows for the transfer of unused quotas to 2025 and thus partially mitigates some of the economic consequences, it is only a short-term effect.

In particular, the halibut fishery is experiencing overemployment in relation to economic sustainability and simultaneously with quotas above a sustainable level. Efficiency in this part of the fishery is important to maintain sufficient earnings, and it is also significant when there is a shortage of labor in other sectors.

In 2024, a new fishing law was passed. It was the end of a long and emotional process, where the law was criticized from several sides. Although we agree with parts of the criticism, we also see great positive aspects of the new fishing law. Most importantly, it provides a basis for sustainable fishing by introducing IOK in coastal halibut fishing. It can provide economic security for older fishermen approaching retirement, development opportunities for young skilled fishermen, and increase efficiency in fishing.

With the decline in fishing's contribution to the economy, it shows the vulnerability of the overall economy and the need for more economic pillars.

The airport investments are a strong investment in creating other business opportunities in Greenland. On November 28 2024, the new Atlantic airport in Nuuk opened. Now we are eagerly awaiting Ilulissat and Qaqortoq, but we can see the potential for it to be crucial in elevating tourism to an even more important pillar in the Greenlandic economy.

Tourism was growing in 2024. 2025 also looks positive, and with new routes to Nuuk, it is a clear signal that the industry can develop further in the coming years. Here, it will be important to expand hotel capacity and various experience offerings. It is good to see that there is broad political understanding that tourism should be developed sustainably; both environmentally, socially, and culturally.

This also means that the growth in tourism should create value in Greenland and be perceived by the population as something that contributes to the development of society and not just something they are spectators to. Therefore, it will be particularly important if tourism can be expanded to more parts of Greenland and involve many more locally employed staff. In combination with a broader season and other business opportunities, this will make it possible.

The new tourism law attempts to promote the local development of tourism by, among other things, setting requirements for local ownership. The BANK of Greenland understands the intention behind the law, but we also see it as necessary to increase foreign investments if tourism is to pay for a significant part of the new airports. Making Greenland attractive for foreign investments and increasing cooperation in the value chain is therefore important.

At the BANK of Greenland, we want to help get the development off to a good start and have just announced a new product with Growth Capital. It is responsible capital that is both cheap and will strengthen the capital base of smaller players with new investments. We believe it is a strong and value-creating initiative, and we hope to contribute to more investments, preferably in many places in Greenland.

Greenland's geology has long been recognized as strategically important worldwide, and as most have noticed, there is increased interest from the EU and the USA. In 2024, the Naalakkersuisut and the EU therefore entered into a strategic partnership focusing on critical raw materials. In other words, Greenland can play an important role as a supplier to the global supply chain with opportunities for economic growth and development. It requires a targeted effort to attract the necessary foreign investments if this potential is to be realized.

Despite the interest, Greenland is experiencing limited activity, and by the end of 2024, there is only one active mineral project.

Uncertainty about the framework in Greenland has previously caused concerns among investors and can still affect Greenland's attractiveness as an investment country. Greenland should offer a combination of reliable framework conditions, efficient administration, and a clear political strategy that shows stability, competitiveness, and ambitions.

We cannot talk about investments and business development without addressing sustainability. At the BANK of Greenland, we insist on the importance of economic progress going hand in hand with sustainability. This is fundamental to our entire way of thinking about business. The bank has put a lot of energy into working with DGNB certification of construction and has made a significant effort to educate staff on sustainability to provide the bank's customers with the best possible advice. You can read more about our sustainability work in the "Report on the BANK of Greenland social responsibility 2024" on our website.

I must also briefly address the bank's financial results. As mentioned, the BANK of Greenland achieved a result of DKK 245.7 million before tax in 2024, which is in line with the most recently adjusted expectations. The good result is partly due to continued growth in lending. Loans have increased by DKK 218 million in 2024 and now amount to just over DKK 5 billion, which is the highest level in the bank's history. The same applies to deposits, which amount to DKK 7.1 billion.

However, we must also say that the high interest rates in 2023 and 2024 are the primary explanation for the extraordinarily high result in both years. Interest rates in central banks are now seriously on the way down, and this will also mean that we will not see the same level of earnings in the coming years. Conversely, it will be favorable for many customers and likely increase the desire to invest, whether it is private home purchases or companies investing in development.

In addition to their interest in the bank's earnings and general development, the shareholders of the BANK of Greenland naturally also have an interest in the bank's dividend distribution. The BANK of Greenland aims to have a capital base that is adapted to the bank's expected operational and balance development. Thus, the intention is to distribute the excess capital as dividends. Since the bank had extraordinarily high earnings in 2024 and the growth expectation is moderate in 2025, this allows for a high dividend, and the board has therefore proposed that the dividend be set at DKK 100 per share. This proposal should be seen in light of the fact that the capital ratio is 26.9 and the core capital ratio is 25.1, which is above the long-term goal of 24.

Martin Kviesgaard will, after my report, elaborate on why we nevertheless propose that the bank is above our long-term goal for core capital. He will also explain why the bank uses dividends and not share buybacks as a tool to create liquidity for shareholders.

Looking ahead, we expect, as mentioned, moderate economic development in 2025, where interest rates are expected to fall. At the same time, there is the usual uncertainty about the valuation adjustments of the bank's securities and uncertainty about the level of write-downs. The bank therefore expects a pre-tax result in 2025 of between DKK 150 and 185 million.

I would like to briefly highlight the remuneration policy, which sets the overall framework for the remuneration of the board, management, key risk takers, and the bank's other employees. This policy ensures that our remuneration is in line with the bank's values and strategic goals, and that we can attract and retain the best talents in the industry.

In 2024, the management in the BANK of Greenland consisted of Bank Director Martin Kviesgaard. According to the Financial Business Act, the chairman's report must include a statement on the management's remuneration. The remuneration amounted to DKK 4.214 million compared to DKK 4.08 million in 2023. The remuneration package includes salary, pension, holiday travel, company car, phone, and internet in accordance with applicable regulations in Greenland. The management's pension consists of a fixed percentage of 24% of the fixed salary, plus a defined benefit pension scheme. Both are included in the mentioned remuneration. The defined benefit pension scheme can only be paid out under certain conditions and if the director remains employed for a number of years.

The management's pension, accrued during the period 2016-2028, can amount to 0-24 months' salary and consists of 50% shares and 50% cash payment. A clawback clause is included in the agreement, and the agreement can be voided in special situations. There are no variable salary elements in the management's remuneration. The management's remuneration is expected to be adjusted continuously in line with general salary developments.

In accordance with the Financial Business Act, the chairman of the board must report on the remuneration of the company's board. The board remuneration is distributed as follows: The chairman's fee is DKK 300,000, the vice-chairman receives DKK 225,000, and a board member receives DKK 150,000. In addition, remuneration has been set for committee members: Audit Committee chairman DKK 60,000, vice-chairman DKK 45,000, and member DKK 30,000. Risk Committee chairman DKK 60,000, vice-chairman DKK 45,000, and member DKK 30,000. All members of the Nomination Committee and Remuneration Committee each receive DKK 12,000. The remuneration is proposed to continue unchanged in 2025.

I would also like to mention that the bank is currently working on updating knowledge about customers' conditions in the bank. This is a requirement of the anti-money laundering legislation that both we and the bank's customers must comply with. We know that it has been challenging and difficult for many customers to provide the necessary documentation. At the same time, it has seemed incomprehensible, especially when one has been a customer of the bank for decades and suddenly is asked for information. At the BANK of Greenland, we are committed to combating money laundering and ensuring compliance with ethical standards. We are obligated to do so by law, and it is also part of the bank's "Policy for a Healthy Corporate Culture," which sets clear principles for good governance and ethical responsibility. We therefore hope for understanding from our many customers when we request necessary information.

I should also mention that the bank has a whistleblower scheme, which can be read about on our website, as well as information on how we adhere to the "Recommendations for Good Corporate Governance.

There is no doubt that 2025 will be an interesting and partly challenging year. The challenges in our surroundings are coming closer and now also involve Greenland as a central topic.

There is also no doubt that a future Naalakkersuisut will have many difficult issues to address, with Greenland in an enhanced international role. Conversely, the future also holds many positive aspects and opportunities, and development together with the outside world will be obvious, and here the new airports provide a concrete opportunity to get closer. The great interest and number of tourists present opportunities and partly also challenges, but if handled correctly, the BANK of Greenland considers it an important economic pillar for the future.

At the Bank of Greenland, we will work to seize the opportunities we see, always with a firm grip on our vision of benefiting Greenland and, of course, our customers and shareholders.

Before I conclude the board's report, I would like to thank the bank's many customers for choosing us as their financial partner, as well as thank our business partners and shareholders for a good collaboration over the past year. I would also like to thank the bank's employees once again for their great efforts in 2024.

In accordance with article 15 in our articles of association, I am stepping down from the board. Ellen Dalsgaard Zdravkovic resigned in November 2024 in connection with employment in another company. Lars Holst, as previously mentioned, unfortunately passed away

in January 2025. The board proposes the re-election of Gunnar í Liða and the election of Pia Werner Alexandersen and Gert Rinaldo Jonassen for a two-year period.

Description of the candidates' background and the criteria used for recruitment to the bank's board of directors can be found in the appendix to agenda item 7.

Thank you for your attention!

*The chairman's report has been prepared in Danish and English.
In case of discrepancies between the versions, the Danish version, which was presented at the general meeting, shall prevail.
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