**The Chairman's Verbal Report**

**Annual General Meeting, 28 March 2023**

I am pleased that, for the second consecutive year, we can hold a physical general meeting without regard for Covid-19. Concurrently with the opportunity for attendance in person here in Nuuk, the Annual General Meeting will also be held online. This means that, as mentioned by the chairman of the meeting, the Annual General Meeting is livestreamed via the Euronext Securities portal, as is also practised by many other listed companies.

I would therefore like to welcome everyone here in Nuuk and not least those of you who have joined us via livestream.

The focus today is on the year that has ended. As usual, I would therefore like to comment on the economic development in and outside the Bank in 2022, and also look to the future. In 2022, the BANK of Greenland achieved a profit before tax of DKK 109.1 million, compared to DKK 158.8 million in 2021.

At the start of the year, the BANK of Greenland expected a profit before tax in the range of DKK 120-140 million. This outlook did not take account of the significant increases in interest rates and associated capital losses on bonds seen in 2022, so that in the autumn of 2022, we adjusted our expectation to a profit of DKK 90-120 million, and the result is thereby within this range.

The Board of Directors and Executive Management have found it difficult to consider this result completely satisfactory, but in view of the prevailing interest rate conditions and sound core operations, I would nonetheless deem the result to be acceptable and very strong in significant areas. Managing Director Martin Kviesgaard will later review the Bank's Annual Report in more detail.

Interest rate increases are not a specific Greenlandic issue, but a consequence of rising inflation, which in turn is subject to the effects of Covid-19 and also the war in Ukraine. In view of the violent events that we have all been able to follow in the media, it has to be said that Greenland and the BANK of Greenland have been spared and have only suffered economic repercussions to a limited extent.

Despite the global economic situation, we see a continued strong Greenlandic economy. The GDP level for 2022 increased by 1.5-2 per cent, so that Greenland has come through the Covid-19 years with positive GDP performance in each year. This satisfactory progress is probably unique in the western world. At the same time, the BANK of Greenland expects economic growth of around 1 per cent in 2023, which is positive, but also reflects considerable variation in economic performance in the different parts of Greenland.

Even though growth is expected to be slightly lower in 2023, Greenland is still experiencing an economic upswing, driven particularly by strong fisheries, a surge in tourism and an expansionary fiscal policy, including significant construction and civil engineering investments. I will later return to the Treasury’s development.

The level of construction activity in Greenland is significant, and in Nuuk and Ilulissat in particular, is helping to drive down unemployment. Construction activity has also been very stable and so far only slightly affected by interest rate increases and higher material prices. The high level of construction activity is partly due to the airport investments, but is also driven by a number of public and residential construction projects. New residential construction is taking place at several sites, and in Nuuk and Ilulissat in particular, this is a response to the major demand for housing. Rising interest rates have thereby not yet significantly affected housing demand; while due to hydroelectric power and Polaroil's long-term oil contracts, households avoided high energy prices in 2022.

Fisheries exports performed very positively in 2022, and it is estimated that the export value for 2022 will increase by around 16 per cent compared to 2021. An important aspect is that during the year, ocean-going fisheries purchased oil at world market prices, but nonetheless demonstrated considerable economic robustness and earning capacity. Coastal fisheries were also favoured by higher food prices, reaping the benefits of Polaroil’s long-term oil contracts, which have ensured exceptionally low fuel prices. Coastal fishing for Greenland halibut and cod also once again had quotas that far exceeded the biological advice. These are conditions that would indicate substantial profits for coastal fishing in the short term. For us as a bank, however, this is not the full picture. We continue to see how many small-scale fishermen face economic challenges. These challenges will only increase in the coming years, when fuel prices are expected to rise and catches will be challenged by a lack of sustainability in fisheries management.

We have addressed the lack of sustainability in fisheries in more detail in the Greenland's Society and Economy section of the Bank's Annual Report. I hope that this will be read, and naturally in particular by Greenland's decision-makers in this area.

Turning our attention to tourism, which is of great importance for local communities, and which can have an increasingly greater impact on Greenland's overall economy, we saw impressive progress in 2022, after the recent years marked by Covid-19.

Compared to 2021, airline passengers and overnight hotel stays more than doubled in the first nine months of 2022. And compared to 2019, before the coronavirus pandemic, the increase is also significant. In recent years, Greenland has thus developed into an even more attractive destination, for the benefit of companies, employees and municipal budgets, and the Treasury.

In the BANK of Greenland’s opinion, this positive performance is set to continue, so that the tourism sector can be further developed and play a greater role in the overall national economy. The infrastructure improvement opportunities must naturally be exploited, which requires both offensive business policy initiatives and significant private investments.

The BANK of Greenland takes a positive view of this development and, provided that there is a competitive structure for the airports, we see opportunities for significant private investments. The investments are actually already well under way. We can see a constant flow of new initiatives to expand overnight accommodation capacity, invest in new tourist attractions, and collaborate within the tourism value chain, both in Greenland and with partners abroad.

I had now hoped that I could mention the natural resources area as the last major element of Greenland’s economy, but in this area it is difficult to remain optimistic. This is actually rather paradoxical, because Greenland has the minerals that are in demand, an expanding infrastructure and the attention of the EU and the USA, for example, when it comes to the need for new suppliers of rare earth elements. But it is difficult to see that the potential is even close to being realised. We consider it incomprehensible and regrettable that Greenland appears so undecided when it comes to developing this area. Of course, we may have overlooked something, for which I apologise, but we hear time and again from the industry that it is difficult to view the framework conditions in Greenland as competitive and that clear and transparent regulatory processing cannot always be expected. These are crucial factors if we are to attract foreign investments.

Greenland’s Treasury is naturally affected by the developments in all of the areas mentioned. Naalakersuisut (the Government of Greenland) made excellent use of various instruments to handle Covid-19, and even though this eroded the Treasury’s bottom line, this appears to have been managed well.

The Treasury saw a deficit in 2020 and 2021, while the result for 2022 is not yet known. The Finance Act for 2023 and the following years shows a surplus. The vulnerability of public finances is considered in the Greenland's Society and Economy section of the Bank's Annual Report. The expected relatively modest Treasury surpluses can be seen as an indicator of the lack of economic sustainability. It is remarkable that during an economic upswing with historically low unemployment, public finances are only just in balance.

Moreover, debt is currently being accumulated in connection with the airport investments and a number of investments in publicly owned companies, making sustainable public finances even more necessary.

Greenland's Economic Council has repeatedly drawn attention to the sustainability problem for public finances and also indicated ways to resolve the challenge. This makes it pleasing to note that Naalakkersuisut has proposed a strategy for the elderly based on indexation of the retirement age, so that it is linked to life expectancy. This is an important initiative. Yet we would still like to point out that major private sector development and a significant increase in education levels are essential to ensure fiscal sustainability in the long term.

In preparation for this report, I reviewed my report at last year’s Annual General Meeting. It was very clear that sustainability was a recurring theme. This also applied to the Bank’s Annual Report for 2021, and this is again the case for the 2022 Annual Report.

The BANK of Greenland takes a holistic approach to sustainability, whereby all elements are vital for Greenland's development. This applies to environmental, economic and social sustainability. We will therefore also point to where we see a need to ensure the sustainability of the policy implemented. And we will contribute to ensuring that both our own business and our customers' development are sustainable from an economic, environmental, social and thereby societal perspective.

Internally, the Bank has devoted considerable resources to its sustainability work. In February this year, both the Board of Directors and the executive management completed a sustainability training programme. The Bank’s business advisers and other relevant employees received training in March that focused exclusively on how to incorporate the sustainability aspect into customer advisory services.

On the political front, we have supported Greenland’s endorsement of the Paris Agreement, with due consideration of Greenland’s current situation, while also encouraging Naalakersuisut to create a framework that promotes more sustainable choices for consumers and businesses. This may include more widespread use of green taxes. It is also positive that Greenland's hydroelectric power resources are being developed, even though this does not eliminate the obligation to act sustainably in other areas.

In any discussion of sustainability, we also automatically include Greenland's fisheries, which is our largest and most important income source. Many elements of our fisheries are both biologically and economically sustainable, while large elements of coastal fishing still present challenges, as previously mentioned. These challenges will only increase for as long as fishing exceeds the biological advice and when this element of the industry faces higher energy prices, as expected.

The BANK of Greenland views sustainability from a Greenlandic perspective as a winning agenda, if the country and business community take on this challenge. Conversely, it presents risks if no action is taken, or if we strike wide of the mark.

Sustainability will therefore increasingly be a condition for the continued competitiveness of both Greenland and our companies.

Our latest CSR report is available as the “The BANK of Greenland's Corporate Social Responsibility Report for 2022” on the Bank's website. On the website there is also a description of how we relate to the “Corporate governance recommendations”. The Bank has a “Sound Corporate Culture Policy” to affirm its principles within good management and ethical responsibility. We also work to prevent being used for money laundering and for compliance with the rules for good practice. The “sound corporate culture” topic is part of employees' annual performance appraisal interviews. The Bank also has a whistleblower scheme, and all employees regularly attend anti-money laundering courses, while the Bank reports annually on its compliance with the anti-money laundering regulations.

Considering the banking business, the BANK of Greenland changed a decline in lending of DKK 223 million in 2021 to an increase of DKK 570 million in 2022. The Bank’s total lending is now at its highest level ever, at DKK 4.35 billion. In addition, we have returned to positive interest rates, which resulted in capital losses in 2022, but will subsequently affect the Bank’s business positively.

The record-high lending did not appear by itself, while pension advisory services and major organisational changes also required extensive activity, and the introduction of MitId presented particular challenges for both customers and the Bank in 2022. I know that this has kept our employees very busy, and I would therefore also like to thank them all for their dedicated efforts and exemplary work.

One area that is likely to be of particular interest to our shareholders is the dividend for the year. This year, the Board of Directors proposes distribution of DKK 20 per share, equivalent to 36 per cent of the profit for the year. Last year, the Bank distributed DKK 40 per share in dividend. The lower dividend distribution is related to the high growth in lending, the lower profit and the Bank’s core capital target.

Despite the consolidation, the core capital ratio fell to 23.2, compared to 24.4 in 2021. The solvency ratio is reduced to 23.6. We consider the lower core capital and solvency ratio to be acceptable since the requirement for impairment liabilities is being phased in. The Bank also expects lower growth in lending in 2023 and higher earnings, and we thus also expect to approach the Bank’s target core capital of 24 per cent.

The part of the MREL requirement that cannot be fulfilled with core capital within the target of 24 per cent will be fulfilled primarily with SNP issues and secondarily with Tier 2 capital. As a consequence, again in 2022 we made an SNP issue and for the first time we issued Tier 2 capital. Both issues amounted to DKK 25 million and the issues now total DKK 100 million.

These capital requirements are considered to be normal for large SIFIs, but, as mentioned in last year’s report, an agreement has been entered into with the Danish Ministry of Industry, Business and Financial Affairs concerning partial coverage of the issue costs for the Bank’s issuance of SNP or Tier 2 capital.

The capital issues have thereby not had and are not assumed to have any significant cost effect other than as covered by the agreement. The assessment of the development in the capital ratio and costs for the Bank has not been changed by the financial market unrest in recent weeks.

Looking to 2023, we expect sound economic development, despite the continued uncertainty as a consequence of the war and inflation. The Bank expects a profit before tax of DKK 130-170 million in 2023, in line with the stock exchange announcement in December.

As stated by the chairman of the meeting, the Board of Directors has proposed changes to the remuneration of the Board of Directors and committees. The fee increase of 20 per cent should be viewed in the light that it has been five years since the last adjustment took place, and that the workload of the Board of Directors and committees, in particular due to increasing compliance requirements, has increased considerably.

In 2022, the BANK of Greenland's executive management comprised Managing Director Martin Kviesgaard. In accordance with the Danish Financial Activities Act, the Chairman's report must include a report on the remuneration of the company's executive management. This remuneration amounted to DKK 3.6 million in 2022, compared to DKK 3.412 million in 2021. The remuneration package comprises salary including pension, holiday travel and company car, and telephone and Internet, according to applicable rules in Greenland. Besides the remuneration package, severance pay of DKK 300,000 has been calculated for the year. This will only be paid in certain specific circumstances and provided that the Managing Director continues to be employed for a number of years. The remuneration is expected to be adjusted on an ongoing basis in line with normal salary development.

Before I conclude the report from the Board of Directors, I would like to take this opportunity to thank the Bank's many customers who have entrusted us with their financial affairs, and also to thank our many business partners and, not least, the Bank's shareholders, for sound and constructive cooperation during the past year. I would also like to thank the Bank’s employees for their efforts in 2022.

Last week, the election of employee representatives on the Bank’s Board of Directors was held. Vitta Motzfeldt and Pilunnguaq Kristiansen were elected as new members and Yvonne Kyed and Malene Christensen have resigned after serving on the Board for 12 and four years, respectively. I would like to welcome the new members to the Board of Directors and to thank Yvonne and Malene for their important efforts and excellent cooperation.

According to the Articles of Association, the undersigned, Ellen Dalsgaard Zdravkovic and Lars Holst resign from the Board of Directors when the election term expires. The Board of Directors proposes the re-election of all three Board members for a two-year period.

Thank you for your attention!