

Translation from Danish by The Bank of Greenland of a memorandum dated October 12th, 2023, from the Danish Financial Supervisory Authority (Finanstilsynet). In case of discrepancies the Danish version prevails.

Danish Financial Supervisory Authority

October 12th, 2023

Report on inspection of GrønlandsBANKEN A/S

In May 2023, the Danish FSA inspected GrønlandsBANKEN A/S, where the most significant risk areas were reviewed according to a risk-based assessment with greatest weight being given to the areas with the greatest risk.

Summary and risk assessment

The Bank of Greenland has a business model where the bank offers financial services to private and business customers as well as public institutions.

The bank's rules of procedure equate physical board meetings with virtual meetings. The bank has been ordered to limit which types of cases can be dealt with at a wholly or partially virtual board meeting and which cases require physical attendance.

The bank has high growth and has a relatively large share of both large exposures and property exposures, which place demands on the bank's attention to and management of credit risks.

Greenland is in an economic progress with a build-up of economic risks. The pressure on the labor market is high and this can be seen most clearly in Nuuk, where the risk of overheating is greatest. This combined with the bank's high proportion of property and large exposures gives a complicated risk picture which is materialized in the exposures.

Despite this, the bank's board grants a large proportion of its exposures by written handling. The bank has received risk information that there are significant risks in the exposures, which the bank's board of directors should discuss orally to a greater extent. There is a risk that the board will not be able to take a critical view of and discuss a significant part of the large grants when grants are made through a written process. The bank should ensure that a higher proportion of the grants are discussed orally in connection with the grant.

The credit policy lacks a framework for a couple of loan types and there were examples of imprecise wording. Further clarification is needed in selected areas and the bank has been ordered to clarify its credit policy.

75 loans were reviewed during the inspection. There were many errors and deficiencies in both the private and business exposures, which entail a significant risk of the bank not identifying risks in time and taking on greater credit risks than the bank wants. It was also a challenge during the inspection in 2019. The bank has been ordered to ensure that there is a sufficient decision-making basis when granting loans to private and business customers and that sufficient credit management takes place.

The inspection showed that, in the credit area, there is a need to improve the qualifications in the customer-facing functions and ensure correct implementation of the bank's initiatives. The bank has received an order to ensure that there are sufficient credit skills in the branches and that there are sufficient resources in the credit department.

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The bank's property forms lack information and individual handling of the individual property. The bank has obtained an order in the area.

The bank has also been ordered to ensure that action plans for weak customers become operational so that the guidelines in the bank's credit policy are complied.

The bank has calculated its individual solvency requirement at 11.1 percent per 31 December 2022. This was not sufficient because of the many errors and shortcomings in the decision-making basis. The bank already sets aside 0.1 percent to cover operational risks in the area. The supplement is increased after the inspection to 0.2 percent and the bank has therefore calculated its individual solvency requirement at 11.2 percent after the inspection.