

Announcement to Nasdaq OMX Copenhagen

01/2014



## **ANNUAL REPORT 2013**

---

GER-no. 80050410

---

## TABLE OF CONTENTS

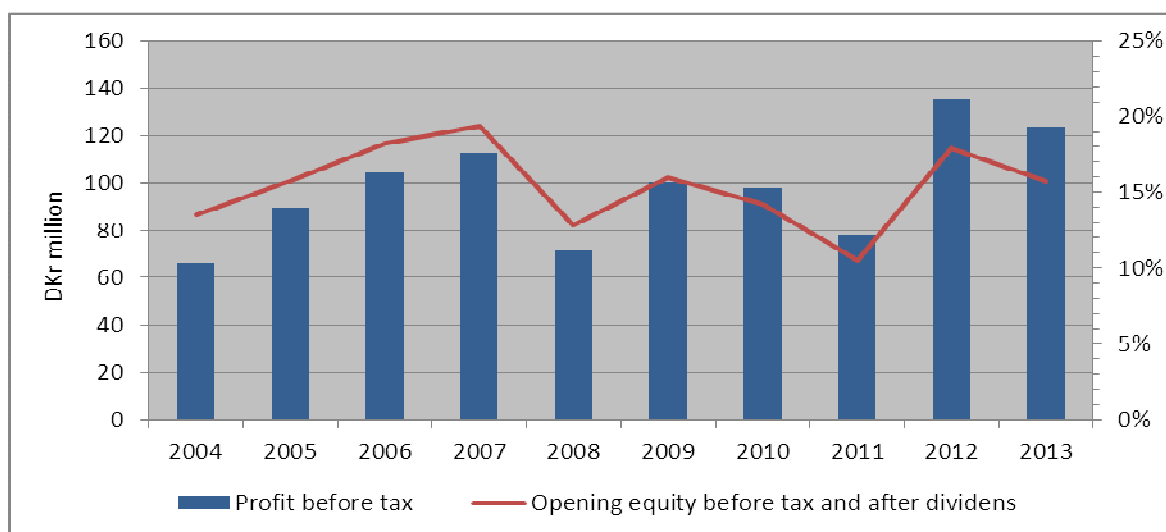
---

Highlights from the Annual Report .....	3 - 4
The Society and Economy of Greenland .....	5 - 15
The BANK of Greenland in Brief .....	16 - 18
Financial Highlights and Key Figures .....	19
Management's Report .....	20 - 32
Statement from the Board of Directors and Management .....	33
Reports of the Auditors .....	34 - 36
Income Statement .....	37
Comprehensive Income .....	38
Balance Sheet.....	39
Shareholders' Equity.....	40
Solvency and Calculation of Core- and Base Capital .....	41
Cash Flow Statement .....	42
Notes on the Annual Report, including Accounting Policies Applied .....	43 - 68
Managerial Positions .....	69-72
Information about The BANK of Greenland.....	73
Financial Calendar .....	74
Announcements to NASDAQ OMX Copenhagen .....	74

## HIGHLIGHTS FROM THE ANNUAL REPORT

### Robust Profits at The BANK of Greenland in 2013 – Return on Shareholders’ Equity of 15.8 % p.a.

Despite several years of financial crisis and the past two years of negative economic development in Greenland, The BANK of Greenland has, in 2013, managed to continue its consistent series of excellent results. Profits for 2013 were the second best in the bank’s 46 year-long history following our all-time high profits in 2012. This year, the profit on ordinary activities was a satisfactory DKr 123 million.



The profit, before price adjustments and impairments of DKr 135m is precisely in the middle of the estimate of DKr 125-145m that was made at the start of the year.

The profit on ordinary activities returns 15.8 % on year-start equity after dividends.

### Drop in Deposits, Reduced Risk and More Competitive Prices

Net income from interest fell marginally by approximately 1% to DKr 275m after a significant increase in 2012. This fall stems mainly from a combination of the bank’s desire to increase its competitiveness across a number of lending and deposit products as well as a reduction in several charges. Furthermore, the bank’s largest exposures have been reduced. However, the most important factor is the decline in economic activity which has primarily impacted construction activity and the bank’s lending to the construction industry has fallen concomitantly. This fall in lending is the largest in 15 years and a bit larger than foreseen at the start of the year. Viewed in this light, the bank’s profit for the year is quite satisfactory; in particular because the bank has also experienced a distinct increase in its volume of business with its retail customers. Finally, The BANK of Greenland has, for part of the year, hedged its interest risk, thus further reducing earnings.

With the decline in large exposures and lower interest risk during the year, the profit for the year was more than satisfactory when seen in terms of risk. Moreover, the bank’s costs and depreciation rose less than in recent years, partly because IT expenses to BEC remain unchanged when compared with 2012.

### Investment in the Future

As previously mentioned, 2013 featured negative GDP development, in particular, a sharp decline in construction activity, and no developments in mining activity. Both were somewhat anticipates; therefore the bank has spent the year investing in future earnings. In particular, the full establishment of new branch in Aasiaat, total rebuilding of the branch in Ilulissat and the start of a progressive initiative focused on developing activities for existing customers are indications of investment in the bank’s future core business.

---

## HIGHLIGHTS FROM THE ANNUAL REPORT

---

### **Small Losses on Customers and Positive Price Adjustments**

It is gratifying to note that the annual report continues to show only small losses on the bank's dealings with its customers. Impairment losses of DKr 15m is a slight decrease from the previous year and represents a moderate 0.4% of the bank's loans and advances, continuing a long series of years with moderate losses. In 2014, the bank also expects a relatively low level of impairment. Price adjustments amounted to DKr 4m when compared with DKr 11m in the previous year. This decrease was the main reason for the decline in profit on ordinary activities of DKr 135m to DKr 123 million.

In 2013, the bank provided loans of almost DKr 2.9b, held deposits of DKr 4b and guarantees of DKr 870m; in total, a volume of business that increased by DKr 31m to DKr 7.74b.

The bank does not expect any major development in its lending activities in 2014. Therefore, the Board of Directors proposes the same dividend of DKr 55 per share, or a total of DKr 99m, to be distributed. Despite this significant dividend, the bank will increase its already strong solvency ratio to 21.0% and its core capital to 20.6%. The BANK of Greenland has calculated its individual solvency requirement to be 10.4%, thus making its excess solvency adequacy 10.6%.

### **2014 - an Exciting Year**

The BANK of Greenland is looking forward to an exciting year in 2014. As you will read in the section on the society and economy in Greenland, prospects for growth are limited, but, unlike the past two years, negative GDP development is not expected.

2013 was a quiet year for fieldwork in the mining sector. However, it is important to take note of the exploitation license granted to London Mining. Furthermore, several other companies are expecting or have already applied for exploitation licenses. The BANK of Greenland continues to remain skeptical of imminent large mining breakthroughs and they are therefore not included in the bank's prerequisites for continued positive operations in the bank. However, there is no doubt that international mining activities have been negative in 2013. On the other hand, several Greenlandic projects are so advanced that start-ups of small mines is a possibility. Whether the companies in general can raise capital remains the big question.

In 2014, we expect a framework to be set up for SIFI institutes (Systemically Important Financial Institution) in Denmark. Preparatory work is also progressing in order to identify potential SIFI institutions in the Faroe Islands and Greenland. For several years, The BANK of Greenland has been working towards a capital structure, liquidity and business model that can be expected of SIFI institutions. In this light, we are gratified to note that the bank's solvency and liquidity have already reached the projected high levels for SIFI institutions.

A glance at the situation within individual sectors domestically and internationally will show that there continues to be uncertainty about economic developments, impacts from financial markets, etc. Therefore, The BANK of Greenland will not make a statement on expected profit on ordinary activities for 2014. However, we do expect profit before price adjustments and impairments to remain at between DKr 125 and 145m.

Nuuk, 19 February 2014

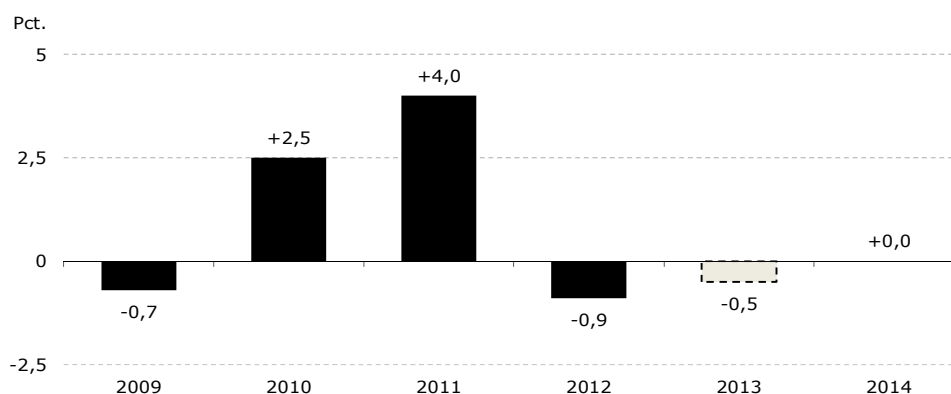
Martin Kviesgaard  
Managing Director

THE SOCIETY AND ECONOMY OF GREENLAND

**Outlook for the Economy of Greenland**

After experiencing high growth rates in 2010 and 2011, the economy of Greenland was experienced a down-turn in 2012. According to the latest preliminary figures, 2012 was a year of a decline in GDP of just under 1%. The BANK of Greenland estimates that GDP fell further by approximately 0.5% in 2013, while for 2014 we expect approximately zero growth, see Figure 1.

**Figure 1 Real Growth in GNP**



Note: The figures for 2011 and 2012 are preliminary. The figures for 2013 and 2014 are based on The BANK of Greenland’s estimates which, in turn, are based on the most recent National Account, an estimate from the Danish Economic Council, as well as interviews with centrally placed decision makers.

Source: The BANK of Greenland and Statistics Greenland

The expected zero growth in 2014 is based on unchanged developments in the fisheries sector and the expectation that increased activity in the construction industry will only be notable in the latter part of the year.

Because of favorable price developments and the new mackerel fishing, fishing has fared better in 2012 and 2013 than was feared in the light of the 14% decline in prawn quotas for 2012 and 13% in 2013. In 2014, we expect an unchanged growth from fisheries. However, political uncertainty about legislation for fisheries may act as a disincentive for investment in fisheries. Fewer investments could eventually have serious negative consequences for the industry and hence the economy.

In addition to taxation of exploratory fishing for mackerel, recent examples of uncertainty about the legislative framework for fisheries include proposals on ownership restrictions in coastal fishing. Balanced taxation of the new common resource is economically sound and the proposed Fisheries Act has since been withdrawn, but nevertheless, sudden major shifts in fisheries policies without prior impact assessment and dialogue with the industry remain problematic.

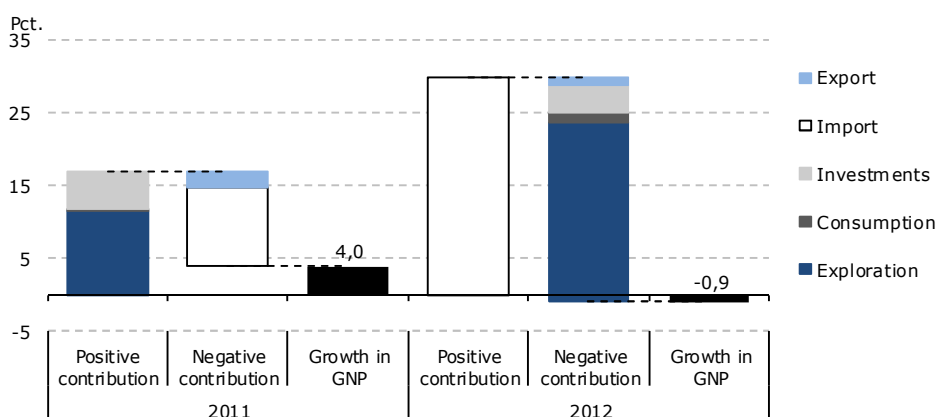
## THE SOCIETY AND ECONOMY OF GREENLAND

In order to enhance transparency and predictability of the legislative framework for fishing, as well as all other industries, we recommend that The Government of Greenland finds inspiration in its Debt and Investment Strategy from 2012. This strategy envisages the calculation of socio-economic implications before decisions on public investment are made. The Government could consider similar standards for decision-making and procedures in relation to new legislation in general. Whenever the Government makes a decision on new investments or new legislation, which are not economically optimal, or in worst case, lead to loss, all inhabitants of Greenland are impacted. On the other hand, a socio-economic benefit will also be made evident. It makes perfect sense to calculate the total impact of new legislation so that it can be compared with the political wish that motivated the investment or the legislation.

In 2012, value creation in the construction industries fell by 20%, which impacted GDP negatively. In the second half of 2013, the industry experienced a further decline especially in Nuuk. In the coastal towns, activity is judged to have been higher in 2012 and 2013 than in previous years. The largest projects in 2014 are the construction of a prison and an expansion of the port of Nuuk. However, they are not expected to start before the second half of 2014, while the probable outlook for 2015 and 2016 envisions rapidly increasing construction activity.

In both 2013 and 2014, the Government allocated DKr 779m to public works. At the start of 2013, there was approximately DKr 1.5b, including that year's appropriations in the Building and Construction Fund. Appropriations are thus not in and of themselves enough to generate economic activity - the money needs to be put to work.

**Figure 2 GNP growth and contributions to growth**



Note: Exploration costs are treated as investments in the national accounts. 'Investments' indicates other investments. 'Consumption' includes private as well as public consumption.

Source: Copenhagen Economics based on Statistics Greenland

The Government's stop-and-go administration of appropriations is detrimental to the construction industry. It leads to periods of unemployment followed by periods of overheating and a need for the short-term import of labor. Both scenarios lead to socio-economic losses. The Government is working

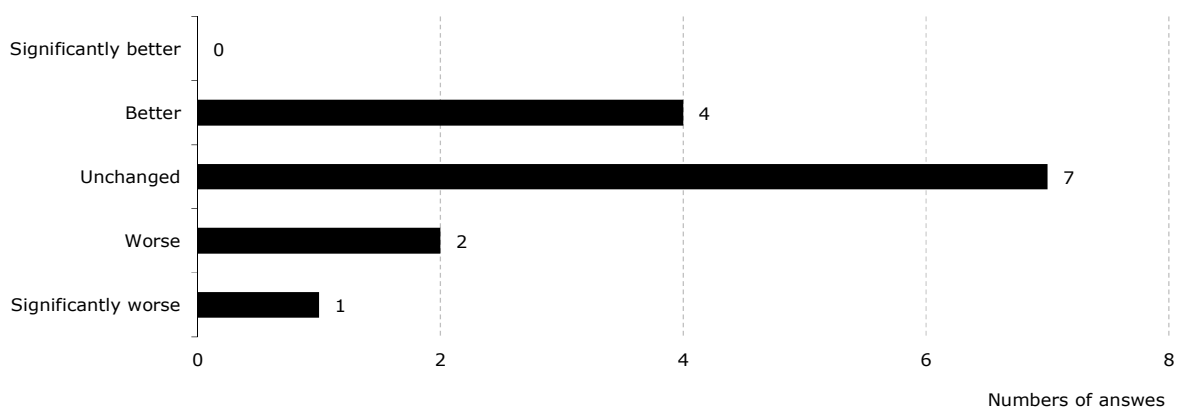
THE SOCIETY AND ECONOMY OF GREENLAND

on a new model which shortens the time from grant to start-up of the activity. This model will probably only really take effect at the end of 2014.

Looking at elements of GDP growth in 2011 and 2012 reveals the importance of oil exploration. In particular, the import of exploration services demonstrates the potential for Greenlandic subcontractors, cf. figure 2. This figure shows that the positive contribution to GDP from exploration activities in 2011 was offset by an almost equally negative contribution from imports. This would not have happened if Greenlandic subcontractors had been used. With more Greenlandic subcontractors, imports would have been lower and thus a higher GDP would have been achieved. In 2012, the consequences of Cairn Energy stopping exploration activities are visible. In 2012, the contribution to growth from exploration was negative, while the mirror image is a concomitant fall in imports, which provides a positive contribution to growth. Figure 2 thus demonstrates the huge socio-economic – and long-term - potential there is in local companies providing services to the mining industry.

2014 looks to be *slightly* better than 2013; a view supported by the confidence expressed in the responses from 14 senior executives, cf. figure 3. Half of them believe that the economy in 2014 will be the same as in 2013, while four estimate that the economy will perform better, as compared with three who estimate that the economy will fare worse or significantly worse.

**Figure 3 Economic barometer for 2014**



Note: This figure depicts the answers of 14 chief executives to the question: 'What are your expectations for Greenland's economic situation in 2014 compared with 2013?'

The goal for the future should be: the private sector must grow both in absolute and relative terms to the public sector. In the long term, this objective must be met by exploiting the country's rich natural resources, where growth will mostly come from large-scale projects. It is crucial that large-scale projects - over time – results in development of the private sector through the use of local manpower and domestic subcontractors who thereby will manage to specialize and grow.

It is impossible to predict which new opportunities will appear and when. Therefore, the ability to be

---

## THE SOCIETY AND ECONOMY OF GREENLAND

---

flexible, innovative and entrepreneurial is central to ensuring that possible large-scale projects to lead to greater economic prosperity.

The mining adventure may also prove to be over before it begins. The battle for global financing of mines is tough and in 2013 was hampered even further. It is therefore essential to have a realistic approach to opportunities for Greenland, and it is precisely here that the Government has a job to do. For example, it is crucial that the mining industry can count on a predictable, transparent and competitive legislative environment. Changes in taxation or unclear legislation can poison an investment climate, especially if the change comes in the shape of retroactive legislation. At the same time, the labour market, the employers and the law-makers must demonstrate flexibility concerning for example countertrade agreements that ensure investors or buyers of Greenland's minerals influence on choice of subcontractor.

For example, Chinese investors can demand to employ Chinese subcontractors; a requirement that Greenland is already familiar with. The construction of the Buksefjord hydro-electric power plant from 1990 to 1993 was linked to stipulation put forth by the Nordic Investment Bank and Norwegian Export Finance that major Nordic participation among subcontractors was required. The extent to which the Government of Greenland should accept such countertrades depends partly on its relative bargaining position: If a great many global iron mining projects are competing for the favor of very few investors, then the investors hold the best cards, and the Government will have to accept countertrading, even if it may mean a smaller degree of local participation during the construction phase.

In return, a breakthrough in the raw materials sector will be more likely. If the situation is reversed, so that attractive mineral resources at the global level are fewer than the number of interested investors, then the Government can take an equivalently harder position at IBA (Impact and Benefit Agreements) negotiations. Greenland itself cannot afford financing schemes, and partnerships with major mining customers may therefore be part of the solution. In the short term, this could reduce local participation in projects, but, in return, make a breakthrough in the raw materials sector more likely with crucial long-term value for the community. The alternative is, of course, to wait 10, 20 or 30 years for Greenland's bargaining power to improve.

Another potential source of financing, which should not be written off, is collaboration with such institutions as Danish pension companies, major industrial enterprises and, possible government-backed investment funds. We therefore encourage the authorities in Greenland to cooperate with Danish authorities, Danish industries and investors.

Even in a situation where significant mining projects come to fruition, reforms that ensure the labour force, investment and willingness to run risks must also be made. In this context, it will be a good idea to keep an eye on the Danish Government and the efficiency with which it introduces reforms, for example, reforms to increase labor supply and reforms in the housing sector, and tax. We strongly recommend that the Government of Greenland look into the recommendations from the Danish Tax and Welfare Commission in 2011. The huge difficulties in balancing public finances in the National Budget for 2014 demonstrate that Greenland is well on its way into what the Tax and Welfare Commission called the economic "jaws of death".



## THE SOCIETY AND ECONOMY OF GREENLAND

The idea that a breakthrough with several operating mines will not solve the country's problems has most recently been documented in Ilisimatusarfik's (the University of Greenland) and the University of Copenhagen's report "To the Benefit of Greenland". It clearly shows that reforms should be initiated even if there were a raw material breakthrough now and especially if it does not appear. In this context, we must also point out that a significant boost in the level of education will be critical regardless of the scenario for the future. A boost, which teachers, principals, IMAK (the Teachers' Union in Greenland), parents, politicians, and also employers, must take joint responsibility for.

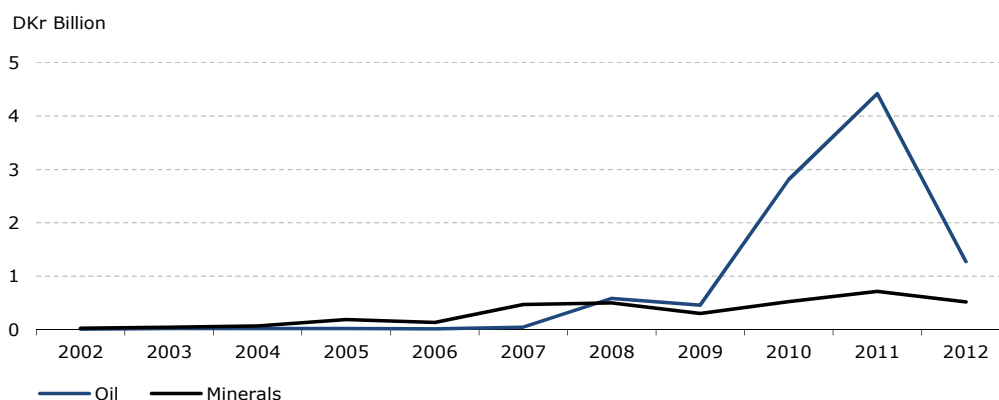
### Economic Indicators

The following records the development of each of the items in the national accounts, which together constitute GDP. They are investment, consumption and net exports.

### Investments - the Largest Single Factor

Construction investment fluctuates greatly from year to year, and, since exploration expenditures are also counted as investments in the national accounts, investment demand has been the main factor behind the recent years' fluctuations in GDP. In 2010 and 2011, oil exploration activity in West Greenland was very high, cf. figure 4. No exploration wells were drilled in 2012 or 2013, but there was still a great deal of activity, among other, seismic studies.

**Figure 4 Exploration Expenses**



Source: Bureau of Minerals and Petroleum

During its exploration activities in 2011, Cairn Energy, a Scottish company, employed approximately 100 large and small subcontractors all along Greenland's west coast to service their approximately 500 employees on the drilling platforms.

Cairn Energy is hoping to be able to drill in Baffin Bay soon. However, the authorities do not assess that there will be any major exploration activities in 2014.

Shell is also considering drilling activities in 2015. One element of uncertainty is whether the company will be required to use two drilling rigs for safety reasons. Another significant factor is the growth in oil and gas production in North America from fracking or oil sands, which has reduced the USA's depend-

---

## THE SOCIETY AND ECONOMY OF GREENLAND

---

ence on hydrocarbons, and thus also oil companies' interest in areas such as Greenland where operations are expensive.

The number of exploration permits for mineral resources rose from 75 to 97 in 2012, while exploration costs fell. These figures may conceal a more serious development: The money for the activities taking place in these years was raised three to six years ago. Evidence suggests that no capital is currently being raised for exploration that is to take place two to four years in the future. For the first time in a decade the Toronto stock market had no IPOs for mineral companies in the first half of 2013. This slowdown may also indicate that there will be negative developments in exploration in Greenland. A previously high-profile project, Alcoa's potential aluminium project in Maniitsoq, is now very quiet, another indicator of challenges in the creation of profitability.

### **Mining Projects - the Joker in the Deck**

The largest and most promising mining project, the iron ore mine at Isukasia, came a step closer to development with the granting of London Mining's exploitation license in October 2013. This license improves the company's ability to find funding for the project, but London Mining is facing the challenge that there are around 50 similar projects (cf. Greenland Economic Council) in different parts of the world. However, London Mining believes that they, compared with many other countries, are ahead of the game because of the mining license, a good product and a stable political framework.

A commitment to financing can, in and of itself, raise the level of commercial activity in Nuuk in particular; existing businesses can grow and new ones can start up, e.g. consulting firms; and private housing construction can increase. Another significant change in 2013 was the Government's abolition of zero tolerance with respect to uranium; a change that could pave the way for Kvanefjeldet with its contents of REE (rare earth elements) and uranium.

There are several mineral projects in an advanced stage of development. In 2013, the mining authorities received applications for exploitation licenses for "Kringlerne" in South Greenland (REE) and Fiskensæset (Rubies). In 2014, more applications are expected.

Of these, a few of the smallest projects have been assessed to have the greatest likelihood of start-up in the near future.

Bringing these small projects to fruition can ease the way for major projects by sending a signal that it is, in fact, possible to open mining projects in Greenland. This would be a much needed and positive signal in light of the fact that Greenland's only mine, the Nalunaq gold mine in South Greenland, went bankrupt in 2013!

### **Construction - Large Fluctuations are Expensive**

Value added growth in the construction industry fell by 20% in 2012 following an increase of 27% in 2011. Growth in 2011 was driven partly by the construction of the Nuuk Center, the completion of which in August 2012 in return contributed negatively to growth in 2012 and 2013. In 2013, the Government's capital expenditures in the National Budget were 20% lower than in 2012, partly reflecting the completion of the hydroelectric power plant at Ilulissat. The Government's National Budget calls for a mostly unchanged framework for capital projects in 2014 and further declining capital expenditures in the coming years.

---

## THE SOCIETY AND ECONOMY OF GREENLAND

---

In addition to the Government, the municipalities and the energy company Nukissiorfiit also include construction and civil engineering projects in their budgets.

Among the largest projects in the coming years, we can mention the construction of a prison, the construction of a new assembly hall for Inatsisartut, and the extension of Nuuk port. The work at Nuuk Port will not only be a major project during the construction phase with its high levels of activity, but will also improve infrastructure significantly. In addition to these major projects, a total of 181 housing units are expected to be built in the municipalities in 2014 with grants from the Government. Nuuk, in particular, will notice the increased construction activity from the latter part of 2014 and in the following years. Thus, the sharp fall in construction can probably be isolated to mainly 2013 and part of 2014. The activity in the coastal towns over the past year is estimated to have been at a higher level than before and this is, to some extent, expected to continue.

### **Consumption in the Public Sector**

Public spending has declined from 2009 to 2012. The Government is planning a slight increase in operating expenses of DKr 10 million in 2013, but a decrease of DKK 50 million in 2014. In return, the subsidy to municipalities will rise by over DKr 200 million in 2014, which overall can provide an increase in consumption in the public sector.

The Government has a target that the operating and capital balance (DA-account) must show a profit for a 4-year budget period. The National budget for 2014 shows a profit of DKr 21 million. A number of revenue items in the National Budget are assessed to be uncertain, while expenses appear more probable.

### **Private Consumption**

Consumer spending has been moving sideways for many years. Evidence suggests, however, that the unemployment rate has been rising since 2008, which, in itself, reduces consumer spending.

Combating rising of unemployment is one of the Government's main priorities in 2014. A significant amount has been ear-marked for employment measures. Among other things, efforts will be made to increase the level of education and mobility across the country to increase people's ability to find employment.

Another important factor in private consumption is the recent increase in home ownership, primarily in Nuuk. Consumption patterns changed with the ownership of a home and homes are often financed with loans from the Government or the municipality that are interest- and repayment free. These loans can eventually create problems for household finances because of rising fixed costs and lower property prices. It is necessary to adjust the original price or repayment of other debt in order to take into account that payment of interest and installments will begin after 20 years,

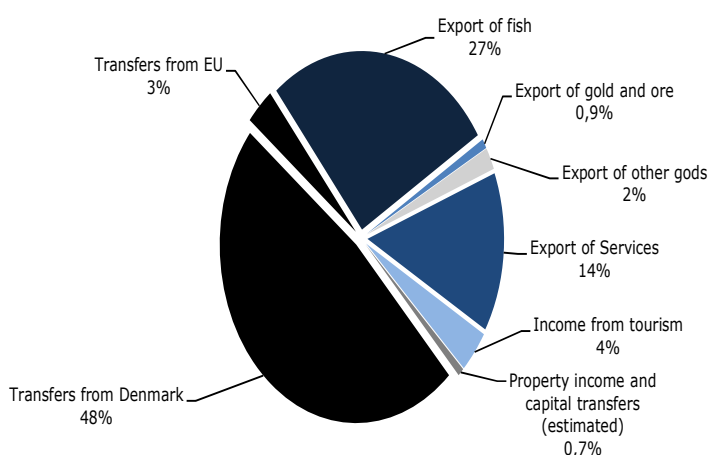
Long-term fixed rate mortgages do, however, make the housing market and thus a part of the economy less vulnerable to international interest rate hikes, and losses for the financiers and registered arrears on housing loans are also at a very low level. The housing market in Nuuk is therefore still deemed to be relatively stable, but a gradual reduction and phase-out of interest-free and repayment-free loans should be part of responsible housing policy planning.

## THE SOCIETY AND ECONOMY OF GREENLAND

### Export - Essential for Developing the Economy

Fishing is by far the largest export sector. Fluctuations in fisheries export affect the economy significantly, but less than one might think. The reason is that, because of the block grant from Denmark, the export value of fishing only accounts for about a quarter of Greenland's revenues from abroad, cf. Figure 5. The block grants supports, as do exports, consumption and domestic activity - and since the block grant is fixed, it reduces fluctuations in the economy.

**Figure 5 Foreign Income in 2012**



Note: 'Services' includes maritime transport, air transport, as well as a range of services such as business services, royalties, post office, etc. 'Other goods' includes foreign vessels bunkering in Greenland and other returned goods that have been imported. Total income from abroad was DKr 9.3b in 2012.

Source: Copenhagen Economics based on Statistics Greenland

### Fishing – Greenland's Largest Export Contribution

The total exports of fish has increased since 2010; shrimp and halibut are the dominant species while mackerel is an important new resource as of 2013, cf. Figure 6.

Increase in fish exports reflects two opposing factors.

On the one hand, prawn quotas were cut by 14% in 2012 and 13% in 2013, after biologists over a number of years had pointed out that the shrimp stock had been declining. However catches and export volumes declined by only 6% in 2012 and 7% in the first three quarters of 2013. This is partly because of the flexible quota system, which means that a quota that has not been fully exploited in one year can be carried forward to the coming ones.

On the other hand, the decline in volumes was more than offset by a price increase for shrimp of 26% in 2012, and a further 4% in the first three quarters of 2013 compared with the same period in 2012. The trend in world fish prices is one of the most important ways that international cyclical fluctuations affect the economy of Greenland.

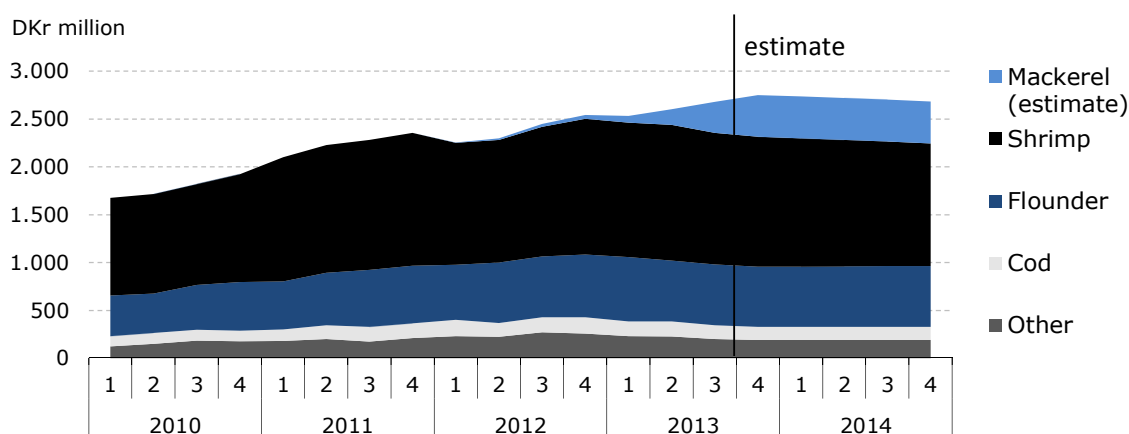
THE SOCIETY AND ECONOMY OF GREENLAND

2013 also saw the start-up of a virtually brand-new fishing operation. During the summer, eight Greenlandic companies fished almost a billion DKr worth of mackerel along the east coast of Greenland. This

fishing has made it possible for Greenland's fish exports to continue to rise, and we believe that this fishing will continue in 2014.

The average export price for halibut rose by 10% in 2012, but fell by 6% in the first three quarters of 2013. Volumes have been increasing since 2010.

Figure 6 Annual Value of Fish Exports



Note: This figure shows four-quarter retrospective sums. The estimates for 2014 are based on changes in the quota and fixed prices. The export value of mackerel is estimated using an average price of DKr 8/Kg.

Source: Statistics Greenland

In general, the outlook for 2014 is for stable or slightly declining catches. Shrimp quotas have been further reduced by 5,000 tonnes, or by 5%. The industry expects continued rising export prices, but not enough to offset the decline in volume. The halibut quota has been increased by 300 tonnes, representing an increase of 1.2%. The mackerel quota has been set at 60,000 tonnes in 2014. The Greenlandic companies are to some extent likely to make the necessary large investments in order to fish the entire quota probably combined with other species. There is some uncertainty as mackerel is a new and uncertain resource without the right to permanent quotas. In addition, there is a general uncertainty about fishing policy. The short term alternative is, after all, not bad since foreign chartered vessels will fish up the quota instead, resulting in income for Greenlandic companies and the National Treasury will both benefit.

The fishing industry has had good years in 2012 and 2013; there have been all-time-high earnings at Royal Greenland and Polar Seafood. Medium-sized players have also performed well. In particular, developments at Royal Greenland are noteworthy and of great positive value for Greenland, especially in light of the difficulties they experienced during previous years. However, there is still a need for a reform of inshore fishing with its many small and unprofitable units. If smaller units cannot show satisfactory results under extremely favorable conditions, it must be proof that rationalisation is needed.

---

## THE SOCIETY AND ECONOMY OF GREENLAND

---

### **Tourism and the Transport Industry**

Greenland's two other export industries are tourism and transport services for foreigners. Greenland's tourism revenues have remained more or less constant at Dkr 350m per year in 2008-2012. The number of air passengers and hotel stays suggest that this trend continued in 2013.

In the future, 'add-on tourism' can constitute a new growth potential for Greenland. The number of air routes to and from Keflavik in Iceland has increased significantly, and there is a special agreement with the Reykjavik airport on the drawing board that allows Icelandic tourists to experience Greenland for a few days as part of an overall package. However, there is a general consensus among key decision makers that tourism does not have the potential to become a major industry, but its contribution to local communities can be significant.

Tourist traffic is not the only important traffic for transport industries; they are also very sensitive to overall levels of activity in the economy. While air transport is affected by the decline in exploration activities, shipping by sea has also been particularly hard hit by the low level of construction activity in 2013 and 2014. In 2013, Royal Arctic Line saw its earnings drop, and Air Greenland has also experienced a decline in inbound freight volumes in 2013. Viewed in this light, both companies will most likely come out of 2013 with lower profit than in the past.

The transport industry is expecting greater activity towards the end of 2014, but none of the projects initiated during the year will have a significant effect in 2014.

### **2014 - Unchanged Activity and a Potential Up-side**

In conclusion, the prospects for Greenland's economic situation, the Treasury, private companies and citizens are, as a whole, largely unchanged in 2014 when compared with 2013. This means that the previous two years of decline in GDP is expected to halt. However, this covers differences from town to town.

The depopulation of South Greenland has been on-going for several years, and it does not seem likely that it will stop before sustainable new jobs can be ensured. In particular, South Greenland has felt the significance of the gold mine, cod fishing and tourism. The area is in a developmental vacuum. On a positive note, however, South Greenland is precisely where several of the most promising mining projects are located.

Substantial income from oil companies, halibut fishing and tourism has benefited North Greenland, but North Greenland is inversely burdened by a costly geographical distribution of the population.

Sisimiut and Nuuk are fortunate to be the home of large companies owned by the Government or the municipalities, while Sermersooq Municipality, in particular, are burdened by the high costs of running the towns and settlements on the east coast.

In general, all the municipalities can point out drawbacks in their particular situations, while each also enjoys advantages and future potential. Thus, on this background alone, it is deemed too soon to consider a review of the municipal reform.

The BANK of Greenland is skeptical about the possibility of an impending discovery of oil reserves or

---

## THE SOCIETY AND ECONOMY OF GREENLAND

---

a major mining breakthrough such as the start-up of large scale mining, which an iron mine near Nuuk would be. Over the years, Greenland has seen a variety of mineral resources hailed as major breakthroughs, and we have often seen these expectations, at best, postponed, and, at worst, abandoned as unprofitable.

We are not of the opinion that an exploration license to a mining company represents a crucial parameter, but only a necessary step on the way to the establishment of a mine. The overriding consideration is that a mineral resource can be economically exploitable. The final proof is the ability to find the capital needed for the project. The prospects for raising capital for mining have deteriorated in 2013 thus making the launching of mines difficult. On the other hand, Greenland presently has 3-5 very advanced projects, so starting up small or large mines is possible. Therefore, 2014 looks to be a mediocre year, but with an up-side for the years to come in particular: getting the wheels turning on several small mines or one large mine.

## THE BANK OF GREENLAND IN BRIEF

### The BANK of Greenland in Brief

In 1967, a group of Danish banks founded The BANK of Greenland. Its first annual general meeting was held on 26 May 1967 at the offices of the Association of Danish Banks in Copenhagen. The first bank in Greenland was thus a reality. The bank opened for business on 1 July 1967.

Nine months previously, Bikuben (re-established as Nuna Bank in 1985) had established a branch of office in Nuuk. In 1997, The BANK of Greenland and Nuna Bank merged.

### The Mission of The BANK of Greenland

The BANK of Greenland operates banking business in Greenland in open competition with domestic and foreign credit institutions. The BANK of Greenland supplies consultancy and financial services to all the inhabitants of Greenland. The BANK of Greenland works to create efficient and up-to-date payment and capital transfers throughout Greenland with a view to ensuring the bank's shareholders a long-term, uninsured and competitive return on their investment.

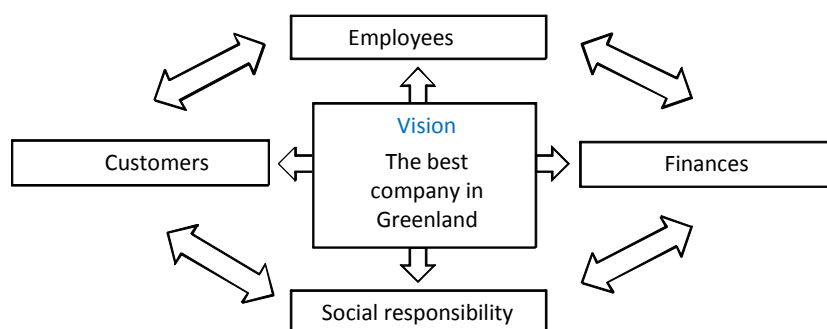
The bank's mission must be seen in a broad perspective whereby The BANK of Greenland is perceived as *The Bank of All Greenland*. Such a predicate leads to an expanded sense of responsibility to participate positively and actively in developing the society. It also leads to efforts to create opportunities in Greenland while, at the same time, to ensure a robust financial enterprise. The BANK of Greenland is extremely aware of its role here.

### The Values of The BANK of Greenland

The values of The BANK of Greenland are solidly based in the bank and its employees. These values are **Commitment, Room for Diversity, Decency and Competency**. These values act as a guide for the manner in which we wish to be perceived within and outside the bank.

### The Strategy, Vision and Objectives of The BANK of Greenland

Every year, The BANK of Greenland formulates a strategy to support its vision and objective of being "The best company in Greenland". In 2013, systematic employment of scenario-thinking became part of this strategy, including analyses and approaches for the bank in extreme growth or low-growth scenarios. This strategy, discussed by the Board of Directors, establishes the bank's main focus areas for the coming year, and formulates a comprehensive action plan. The bank seeks to involve all its employees in contributing to efforts to lift the bank on its way towards achieving its stated objectives of being "The best company in Greenland."





---

## THE BANK OF GREENLAND IN BRIEF

---

The BANK of Greenland thus wishes to ensure on-going positive development of its activities through a balanced focus on four main areas: **customers, employees, social responsibility and finances**. These main goals are measured annually, and are continually adjusted.

The BANK of Greenland's focus on **customers** will be reflected in the bank's efforts to ensure optimal customer satisfaction and image. These two factors are measured every year by means of independent studies. Customer service and consultancy are kept up-to-date by means of proactive behavior in the bank's consultancy services, availability, customer service, customer meetings, and marketing. The work to ensure that the bank is the preferred bank of everyone in Greenland will receive extra focus in 2014.

The BANK of Greenland wishes to develop its **employees** and to foster their involvement, loyalty and stability so that The BANK of Greenland will, in future, remain an attractive employer. We achieve this goal by focusing on conditions of employment, skill development, on-going employee involvement and other initiatives that will increase employee satisfaction at The BANK of Greenland. Employee satisfaction, as is our customers', is measured every year.

**The social responsibility** of The BANK of Greenland is becoming more visible and well-developed in these years. This has been demonstrated by the bank's co-founding of CSR Greenland, an association that has contributed to ensuring continued focus on, among other areas, cooperation on environment e.g. the Saligaatsoq project. Furthermore, CSR Greenland's commitment has been secured through dialogue with major players in the Greenlandic business community. In addition to its involvement in CSR Greenland, the BANK of Greenland's own social responsibility program, Pakkusineq, has also specifically focused on the banks' core competencies; dedicated employees with a willingness to share their skills on a voluntary basis, professional financial consultancy services and an objective to improve access to advisory services and loan financing. This work will continue and expand into new areas. In 2013, The BANK of Greenland became a member of the UN Global Compact (UNGC). This membership will contribute to the bank's efforts to set an agenda for the work that must be done in order to create complete compliance with the ten principles of UNGC.

The BANK of Greenland's social responsibility is described in more detail later in this report as well as in a separate annual report "The Social Responsibility of The BANK of Greenland 2013".

The BANK of Greenland keeps a close watch on its operations and **finances**. Our main goals are continued efficient operations measured as "earnings per expense krone" and base earnings that meet the sector's benchmark.

By means of balanced control of objectives within each of the four main areas: **customers, employees, social responsibility and finances**, The BANK of Greenland will ensure that we continue to be the preferred bank for our customers, shareholders and employees. If the milestones for each main area are met, we believe that The BANK of Greenland will be able to live up to its vision as "the best company in Greenland".

As previously mentioned in 2013, the Board of Directors at The BANK of Greenland has made an analysis of which possible scenarios the society of Greenland can develop into. The purpose of this analysis was to set markers for which initiatives the bank should take in order to achieve the best possible yield from each particular scenario.

---

## THE BANK OF GREENLAND IN BRIEF

---

The work of the Board of Directors has subsequently been followed up by the Board of Management and the employees who spent a great deal of time during the bank's "employee day" in June to work with three possible development scenarios for Greenland. Thus, the bank's employees, management and Board of Directors have all been given the opportunity to think about which challenges the future holds, and there is a general understanding of the initiatives that can and must be taken to maintain commercial development of The BANK of Greenland.

## FINANCIAL HIGHLIGHTS AND KEY FIGURES

(DKr 1,000)	2013	2012	2011	2010	2009
Net income from interest and charges	275,750	277,818	253,475	235,234	237,457
Price adjustments	4,039	11,247	- 28,976	3,237	4,169
Other ordinary income	3,148	3,464	2,725	7,033	4,104
Staff costs and other adm. expenses	130,422	126,636	118,194	109,904	106,330
Deprec. and impair. of tangible assets	10,385	10,838	12,422	12,318	8,093
Other ordinary expenses	3,443	2,192	5,283	11,224	15,959
Impairment of loans, advances, etc.	15,186	17,322	12,470	14,581	15,441
<b>Profit on ordinary activities</b>	<b>123,501</b>	<b>135,541</b>	<b>78,855</b>	<b>98,761</b>	<b>100,409</b>
Tax	39,251	43,093	24,894	31,570	31,878
<b>Net profit for the financial year</b>	<b>84,250</b>	<b>92,448</b>	<b>53,961</b>	<b>67,191</b>	<b>68,531</b>
<b>Selected balance sheet items</b>					
Loans and advances	2,874,931	3,044,942	3,063,171	2,925,287	2,795,306
Deposits	3,996,169	3,777,449	3,748,395	3,419,185	3,262,398
Shareholders' equity	876,235	850,954	793,859	759,974	695,440
Balance sheet total	5,057,050	4,826,104	4,815,877	4,536,269	4,146,170
Off-balance sheet items	873,112	889,344	836,399	908,820	721,239
<b>Official Key Figures:</b>					
Solvency ratio	21.0	20.2	20.1	19.8	19.7
Core capital ratio	20.6	19.7	19.5	19.2	19.0
Return on shareholders' equity before tax	14.3	16.5	10.1	13.6	15.2
Return on shareholders' equity after tax	9.8	11.2	6.9	9.2	10.4
Earnings per expense DKr	1.77	1.86	1.53	1.65	1.68
Interest risk	0.6	1.2	1.0	1.2	1.2
Currency position	4.2	7.1	3.0	1.2	2.4
Loans and advances in relation to deposits	73.6	82.3	83.3	87.2	87.3
Loans and advances in relation to shareholders' equity	3.3	3.6	3.9	3.8	4.0
Growth in loans and advances for the year	- 5.6	- 0.6	4.7	4.6	3.9
Excess coverage in relation to statutory requirements for liquidity	219.5	198.0	201.1	231.2	161.7
Sum of major exposures	58.7	93.2	110.7	115.4	146.7
Share of claims bearing reduced interest rate	0.9	1.4	1.7	0.9	1.3
Loan impairment ratio for the year	0.4	0.5	0.4	0.4	0.5
Net profit for the year per share	46.8	51.3	29.9	37.3	38.1
Equity of the share	494	482	450	425	386
Dividend per share	55	55	30	10	0
Share price/Net profit for the year per share P/E	14.1	11.1	9.9	12.7	10.0
Share price/Equity of the share	1.3	1.2	0.7	1.1	1.0

---

## MANAGEMENTS' REPORT

---

### The Income Statement

In 2013, net income from interest fell by DKr 3.474m to DKr 204.067m. This decrease must be seen in light of an average lower level of loans and advances in 2013 as well as expenses associated with partial hedging of the bank's interest risk. Low interest rates continue to exert pressure on earnings.

Earnings from charges and commissions are roughly the same as in 2012 at DKr 71.056m. Throughout 2013, the Netbank was free for retail customers, and earnings from other charges were also reduced in 2013. However, customers' trading in securities has been on the rise.

Price adjustments on securities and foreign currency amount to DKr 4.039m as compared with a plus of DKr 11.247m in 2012. There was a small drop in prices in the bank's bond holdings of DKr 519,000. On the other hand, there was a capital gain of a total of DKr 3.073m on the bank's holding of shares. DKr 2.177m of this was accounted for by the bank's holdings in the sector-share Nets.

Other operating income remained almost unchanged at DKr 3.148m as compared with DKr 3.464m in 2012.

#### Selected Main and Key Figures (figures not audited)

(DKr 1,000)	4 <sup>th</sup> quarter 2013	3 <sup>rd</sup> quarter 2013	2 <sup>nd</sup> quarter 2013	1 <sup>st</sup> quarter 2013	4 <sup>th</sup> quarter 2012	3 <sup>rd</sup> quarter 2012	2 <sup>nd</sup> quarter 2012	1 <sup>st</sup> quarter 2012
Net income from interest and charges	69,477	67,934	69,866	68,473	71,406	68,783	70,352	67,277
Expenses and depreciation	38,724	35,160	35,426	34,940	36,861	32,791	34,616	35,398
Other ordinary income	507	929	592	1,120	367	1,251	1,125	721
Profit before price adjustments and impairment	31,260	33,703	35,032	34,653	34,912	37,243	36,861	32,600
Price adjustments	4,088	2,314	-2,935	572	- 1,440	9,169	359	3,159
Impairment on loans, etc.	4,304	2,186	5,564	3,132	8,155	2,761	3,297	3,109
Profit on ordinary activities	31,044	33,831	26,533	32,093	25,317	43,651	33,923	32,650

Total expenses and depreciation increased by DKr 4.584m or 3.2% to DKr 144.250m. This increase was seen mainly on staff costs and was the result of organizational changes, the hiring of new employees during the year, not least the opening of a full-time branch in Aasiaat and higher costs for operation and maintenance of staff housing. Other administrative expenses of DKr 63.489m are virtually unchanged compared with 2012, one of the reasons being unchanged IT costs for BEC. DKr 1.251m of the increase in total expenses and depreciation stems from an additional payment to the Danish Guarantee Fund for a new model of calculation in 2013, liquidity needs related to Fjordbank Mors of 2011 and Jyske Bank's withdrawal fee concerning Sparekassen Lolland. Depreciation fell only slightly in 2013 by DKr 453,000 as compared with 2012.

Impairment on loans and advances amounts to DKr 15.186m which is a decrease of DKr 2.136m compared with 2012. The level of impairments and provisions remains very moderate at 0.4 % of the loans, advances and guaranties.

## MANAGEMENTS' REPORT

Profit before price adjustments and impairments fell to DKr 134.648m as compared with DKr 141.616m in 2012. This profit falls within the range expected at the start of 2013 – between DKr 125 – 145m.

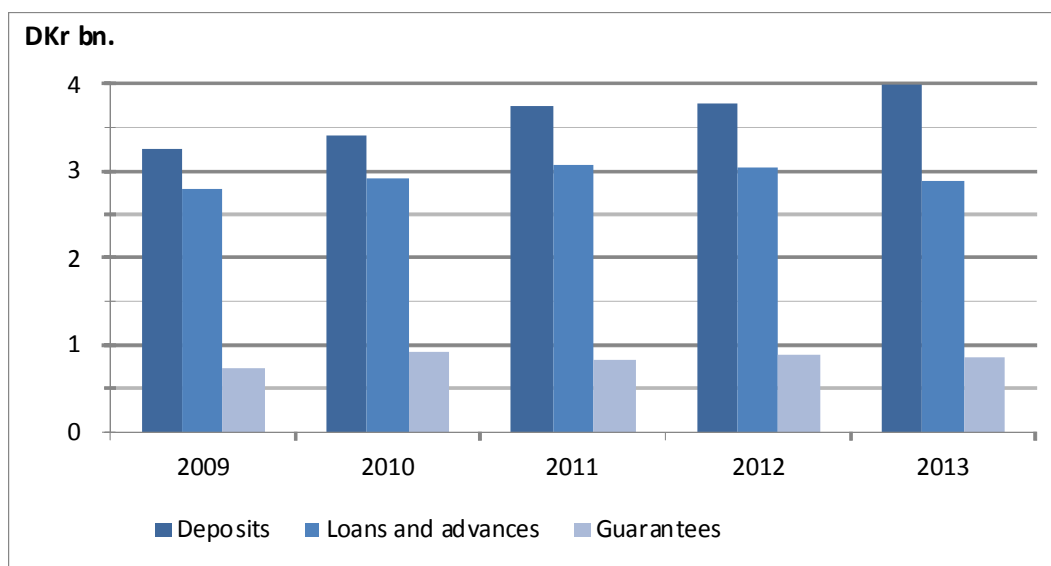
Profit on ordinary activities is DKr 123.501m as compared with DKr 135.541 in 2012.

Tax is calculated at 31.8% of profit on ordinary activities adjusted for non-taxable income and non-deductible expenses; profit thus amounts to DKr 84.250m in 2013.

### Balance and Shareholders' Equity

The BANK of Greenland's total balance amounted to DKr 5,057.050m, an increase of DKr 230.946m when compared with 2012. Extraordinarily high deposits of DKr 3,996.169m are the reason for the increase. The overwhelming majority of the bank's deposits are deposits on demand. The BANK of Greenland has a very stable base of deposits and significant profit on these deposits.

Lending has fallen by DKr 170.011m to DKr 2,874.931m when compared with 2012. A decrease was to some degree expected, although it is larger than expected at the start of the year. It was primarily caused by the conclusion of several large construction projects in Greenland and the fact that the bank has reduced its sum of major exposures. Guarantees are a bit lower at DKr 870.502m, a decrease of approximately 2%.



*Developments in the volume of business transacted*

The total business volume shows an increase of DKr 30.617m to DKr 7,741.602m.

Shareholders' equity amounted to DKr 876.235m as compared with DKr 850.954m at the end of 2012. The share capital is DKr 180.000m. The bank has not raised additional, government hybrid or other subordinated loan capital.

The solvency ratio is 21.0 as compared with 20.2 in 2012.

---

## MANAGEMENTS' REPORT

---

### Uncertainty of Inclusion and Measurement

The most important uncertainty concerning inclusion and measurement in a bank has to do with impairment of loans, provisions on guarantees as well as evaluation of unlisted securities, property and financial instruments. The management has determined that uncertainty for 2013 is at a reasonable level. The BANK of Greenland's accounting policy for impairment of loans and advances is based on the present intention-based IFRS-compatible rules in the Danish executive order on presentation of accounts. In the event that practice on impairment of loans and provisions on guarantees changes, a change in impairments and provisions can result.

### Capital Adequacy and Capital Requirements

The BANK of Greenland uses the standard method for credit and market risks as well as the base indicator method for operational risks. The bank will continuously assess needs and gradually introduce more advanced models for risk management.

The BANK of Greenland has a solvency ratio of 21.0% which exceeds the statutory adequacy of 13 percentage points. Since the bank's solvency requirement calculated according to the 8+ model is 10.4%, the bank thus has excess coverage of 10.6 percentage points.

As of 1 January 2014, The BANK of Greenland is required to comply with new rules in CRD IV (Capital Requirements Directive) including the CRR (Capital Requirement Regulation) for calculating solvency. These changes are accompanied by greater demands on actual core capital. Since the shareholders' equity at The BANK of Greenland consists almost entirely of pure core capital, this change will have no particular impact on the bank. Furthermore, there will be changes in the weighting of institutional counterparts and claims on bad debts while, on the other hand, there will be less weighting of SME customers.

The BANK of Greenland has not yet completed its calculation of solvency according to the new rules. However, our preliminary calculation indicates that the solvency ratio will, by and large, remain unchanged.

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

DKr 1000	2013		2012	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Credit risk	284,042	7.35 %	271,951	7.03 %
Market risk	23,094	0.60 %	26,080	0.67 %
Operational risk	50,018	1.30 %	43,022	1.11 %
Other	45,027	1.17 %	41,195	1.07 %
<b>Capital and solvency requirement</b>	<b>402,181</b>	<b>10.42 %</b>	<b>382,248</b>	<b>9.88 %</b>

The 8+ model is not yet applicable in Greenland. Therefore, the bank calculates its solvency requirement according to both the 8+ model and the Probability model. According to the Probability model, the bank's solvency requirement is lower than shown above.

## MANAGEMENTS' REPORT

In the years to come, The BANK of Greenland will be required to live up to further demands, including capital conservation buffers and countercyclical capital buffers as well as increased demands on liquidity. The bank does not expect to be challenged by these new requirements.

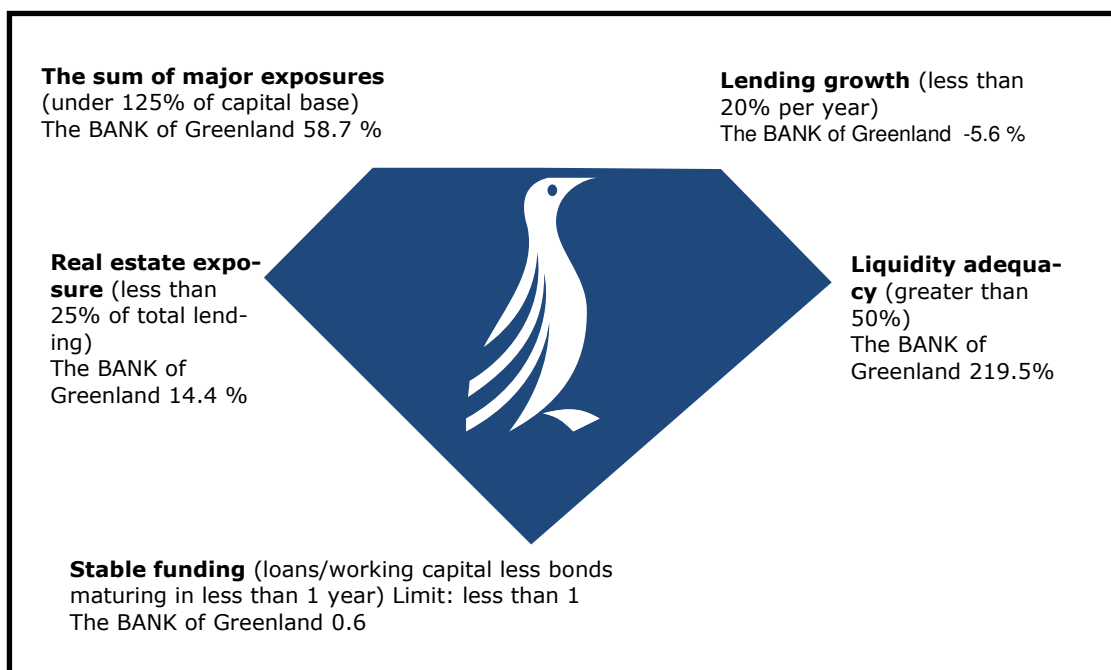
In addition to determining its actual solvency, The BANK of Greenland must also determine its individual solvency requirement. The Bank evaluates its approach to assessing its individual solvency requirement on an on-going basis. A description of the method for calculating the solvency requirement, as well as the assumptions forming the basis for this, is given in a separate report. It is on this basis that management believes that the bank's solvency is sufficient to cover the risks associated with its activities. Thus, The BANK of Greenland expects to be able to fully meet the requirements, and therefore the annual report presents the bank as a going concern.

In accordance with the Danish executive order on capital adequacy, The BANK of Greenland is obligated to publish certain information including the calculated individual solvency requirements. The bank has chosen to do so on its web-site [www.banken.gl/report](http://www.banken.gl/report)

### The Supervisory Diamond

The BANK of Greenland has taken the five indicators for banking enterprises in the FSA's Supervisory Diamond under consideration, and it is the bank's goal to live up to them.

Concerning the sum of major exposures, the bank's business model is that the sum may not exceed 100 % of the capital base. As of 31 December 2013, the sum of major exposures is 58.7 %, distribution is 13% on exposures in businesses run by the Government or the municipalities and 46 % on other exposures.



---

## MANAGEMENTS' REPORT

---

The BANK of Greenland has property-related exposures with some companies owned by the Government or the municipalities (included under public authorities in the list of "loans and guarantee debtors distributed by sector and lines of business"). These exposures are not included under property exposures in the Supervisory Diamond.

### **The Danish Financial Supervisory Authority (FSA)**

In August 2012, The Danish FSA performed its ordinary inspection of The BANK of Greenland. The FSA also returned in 2013. The primary purpose of their visit in 2013 was to study the bank's calculated solvency requirement and the method by which it was established. Neither visit gave rise to subsequent changes or corrections.

### **Liquidity**

For many years, The BANK of Greenland has maintained comfortable excesses of deposits, and with liquidity adequacy of 219.5% at the end of 2013, calculated in accordance with the Act on Financial Business, the bank continues to maintain a solid funding structure.

It is the bank's objective to maintain constant adequacy of 125% without inclusion of committed lines of credit.

Starting in the first quarter of 2014, The BANK of Greenland is required to report its liquidity to the FSA in accordance with the Liquidity Coverage Ratio (LCR). The bank's preliminary calculations show that we are living up to these new requirements.

The BANK of Greenland has procedures dealing with workflows for measuring and calculating the bank's liquidity situation at any given time, as well as a contingency plan to ensure that the bank's future liquidity position will be sound.

The liquidity contingency plan has been designed to be so robust that, if the stress scenarios envisioned by the management were to materialize, there would be adequate liquidity to meet the requirements in clause 152 in the act on financial businesses. Were the prognosis in the stress test to show that coverage could not meet the predetermined minimum, measures would be taken to ensure that adequacy be brought above the minimum.

At the end of each month, the Management and the Board of Directors receive a report of clause 152 key figures. On a random day in each month, the Board of Management and the internal auditor also receive a similar report.

At the end of each month, the Management receives a report of liquidity key figures containing a 12-month prognosis under normal conditions and under stress scenario conditions.

At least once a year, the bank's liquidity policy, including the contingency plan, is discussed with the Board of Directors.

### **Shareholders**

The overriding financial objective of The BANK of Greenland is to provide a competitive yield to its shareholders.



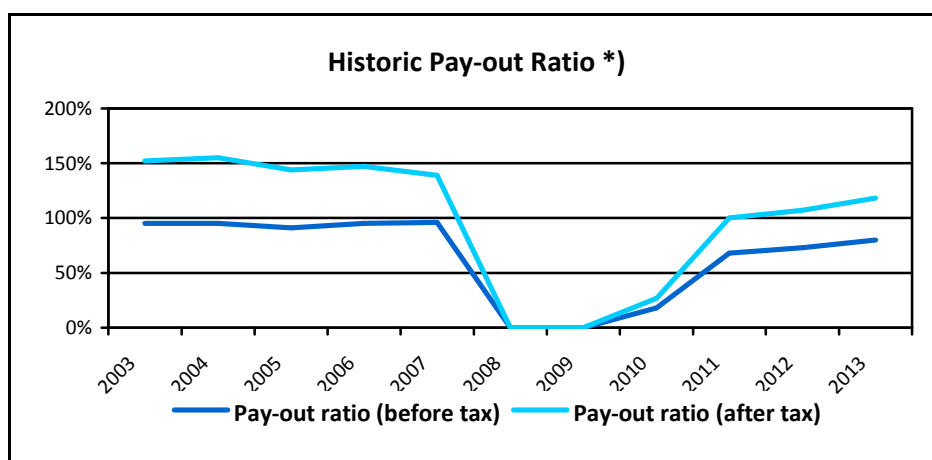
## MANAGEMENTS' REPORT

During 2013, the share price of the share at The BANK of Greenland increased from 567 to 662. The BANK of Greenland proposes to the annual general meeting that the dividend for 2013 be the same as in 2012: Dkr 55 per share or a total of Dkr 99 million. It should be noted that in Greenland, dividends for the company paying the dividends are deductible.

At the end of the year, The BANK of Greenland had 2,773 shareholders, 1,073 of whom live in Greenland. Five shareholders have announced shareholdings over 5% in accordance with the regulations contained in the Danish Act on Limited Companies clause 28 a, cf. page 61.

### Dividend Policy

The BANK of Greenland aims to pay dividends to its shareholders in line with the bank's expected development in operations and balance, tax optimization, regulatory requirements on solvency and the shareholders' expectations for cash-flow. It remains the goal of the Board of Directors that The BANK of Greenland's solvency ratio stays at approximately 8-10 percentage points above the bank's individual solvency requirement. Because the bank expects that it will be chosen as a SIFI, the Board of Directors' judgment is that adequacy of 10.6% is acceptable until new requirements are implemented.



\*) In accordance with legislation in Greenland, distribution of dividends is 100% deductible.

### The Outlook for 2014

In 2014, the prospects for growth are limited in Greenland. However, we do not expect negative GNP developments as in the past two years.

With an expectation of moderate increases in lending activities in 2014, unchanged interest margins and investments in commercial bonds, The BANK of Greenland expects an increase in total income.

Total expenses are expected to increase moderately primarily because of our hope that all positions in the bank remain filled and that a group of new students will start in 2014.

The bank believes that the credit worthiness of its loan portfolio is satisfactory. Regulation of its loans is therefore expected to continue on a relatively low level in 2014.

## MANAGEMENTS' REPORT

The profit before price adjustments and impairments is therefore expected to remain unchanged within the range of DKr 125 – 145m.

### Events Occurring after the Conclusion of the Financial Year

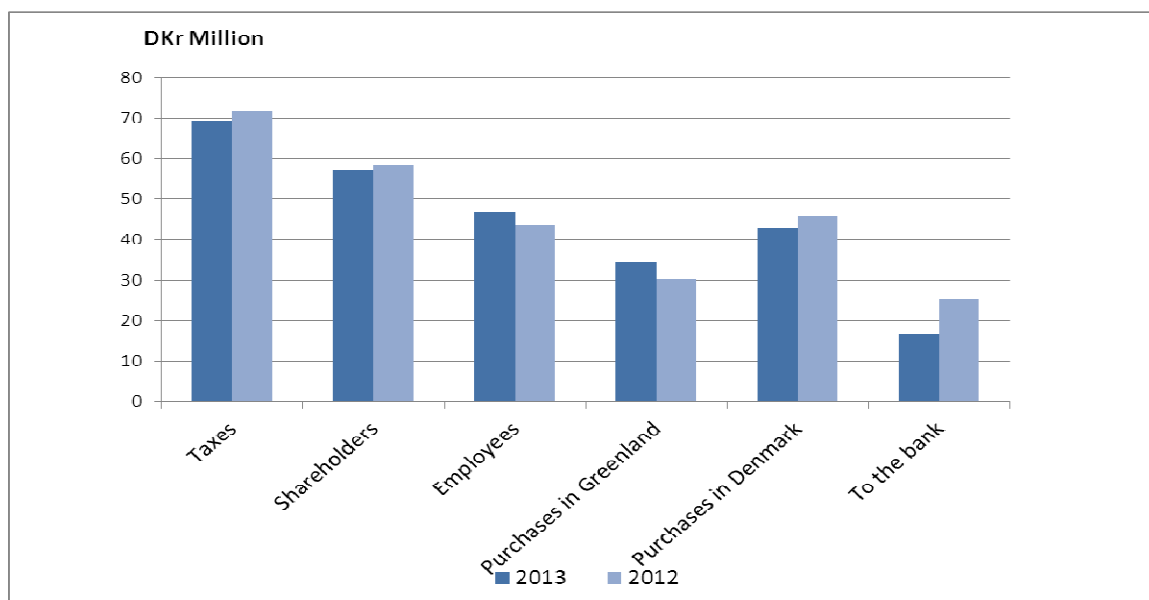
As of 31 December 2013 and to date, no events have occurred that cause changes in assessment of the annual report.

### The Bank and Greenlandic Society

During 2013, the bank's daily transactions with its customers provided the bank with earnings of DKr 267.8m compared with DKr 275.2m in 2012. Earnings are calculated as the sum of net income from interest and charges, other ordinary income, and price adjustments, minus deductions for loan impairment.

Greenland Self-Government and the municipalities receive corporate tax, dividend tax and tax on salaries. The bank's employees have received salary and pension supplements, etc. with a deduction of withholding tax. The goods and services that the bank purchases in Denmark consist almost entirely of computer services from Bankernes Edb Central (BEC) and Nets.

Please note that the last two years of record-breaking earnings have also meant record-breaking taxation of approximately DKr 140m; a not insignificant contribution to Greenlandic society.



The bank's earnings benefit the above stakeholders.

### Customers

The bank is a professional partner for commercial enterprises throughout Greenland. Ongoing contact with customers is the province of the bank's customer advisors in the corporate department in Nuuk.

---

## MANAGEMENTS' REPORT

---

These are the same advisors who, with their experience of each local area, periodically travel to other towns along the coast. The customer advisor is also the link between the customer and the bank's other specialist functions.

As a supplement to personal consulting, commercial enterprises are also being offered a number of self-service systems, the most commonly used of which is Netbank Erhverv (Netbank Business). At the end of 2013, the bank installed Lync (Skype) in its corporate department so that our advisors can now hold video meetings with our commercial customers along the coast while remaining in their own offices.

Retail customers are also using the bank's electronic services systems more and more – in particular, the Netbank and Telephone Service are widely used. At the end of May 2014, the Telephone Service (TDS) will be replaced by a short message service.

The bank will also introduce "Kontokig" (Account Access) in 2014 which is primarily designed for customers without access to private Netbank.

During the autumn of 2013, The BANK of Greenland opened a fulltime branch office in Aasiaat following a trial period of approximately two years, where the office was open for one week every month. Aasiaat, the fifth largest town in Greenland, has welcomed this new branch and its four employees.

During 2013, the bank's Callcenter received approximately 141,000 calls, more than half of which were answered within ten seconds. The bank focuses intensely on its customers' ability to access the bank, and will, in 2014, pay special attention to response times at the Callcenter and to other customer contact in general. In 2013, the net influx of customers continued at a satisfactory level, especially of retail customers.

The BANK of Greenland is very focused on customer satisfaction, which is measured each year in a customer satisfaction survey. In 2013, The BANK of Greenland held focus group meetings in Nuuk and Sisimiut where both retail and commercial customers were invited to discuss the bank. The bank pays serious attention to these studies and incorporates new elements of performance management each year, depending on where customers believe that the bank can do better. The general picture is one of stable customer satisfaction, with a significant improvement in the commercial area – also when compared with the figures for the sector in general.

### **Employees**

The bank's employees are its interface with the rest of the world. Thus, the employee is the one who creates and maintains our close relation with our customers.

The BANK of Greenland continues to focus on skill development by means of student training, trainee programs, further education, manager training and "on the job training". The bank considers training to be part of its employees' development and career planning as well as a way to provide the bank with the skills it needs.

---

## MANAGEMENTS' REPORT

---

The BANK of Greenland believes it is important to ensure the recruitment of trained banking staff, and in 2014, a new group of trainees will start a financial training course at the trade school in Greenland. The students from 2011 have now completed their education and compose a young team working at the bank. Student training is expected to increase the general level of competence in the long term.

In addition to the student program, the bank has been having great success with the creation of trainee positions for young people with a B.A. in Finance. So far, three trainees have completed their training as advisors and a third is currently a trainee at the bank.

Coupled with the financial apprenticeship, the measures outlined above ensure a broad recruitment of new staff and training within the community.

In 2013, the bank managed to keep 99.5% of the positions in the bank filled by means of active HR efforts, development of a job-search portal on the bank's web-site and by focusing on employee development.

At the end of 2013, the total number of employees at the bank was 113. The average age was slightly lower than 45 and the average seniority was 9 years and 7 months. There were 78 women and 35 men employed. Of the total staff, 70 have a financial or college-level education.

### **Partners**

The BANK of Greenland is a full-service bank in Greenland. By means of its partnering with the best companies within the fields of financial IT systems, mortgage credit, insurance, payment transfers and investment, the bank continues to be able to offer its customers a broad, flexible and competitive range of products. The BANK of Greenland is part of the Danish infrastructure payment systems.

In Greenland, these collaborative efforts include payments with the bank's own card, the AKILIUT-card, in Dankort terminals. The bank also has an agreement with Danske Bank on the use of the AKILIUT-card in their more than 1000 ATMs in Denmark.

Under the terms of a service contract with Greenland Self-Government, the bank assists in ensuring that the level of payment transfer service desired by the Government is in place in those locations in Greenland where there is no commercial basis for setting up branch offices.

### **Boards of Directors and Management**

At the general meeting held on 20 March 2013, Lida Skifte Lennart, Head of Department, joined the bank's Board of Directors after the retirement of Jørn Skov Nielsen, Head of Secretariat, in August 2012. The Bank is required to disclose information about the managerial positions held by the Members of the Board of Directors and the Board of Management in other companies. To read this information, please see page 69-71.

### **Report on Social Responsibility**

Because of its size in Greenland's marketplace, The BANK of Greenland's greatest social responsibility is to run a healthy bank based on long-term sustainability. In essence, this means that the bank,

---

## MANAGEMENTS' REPORT

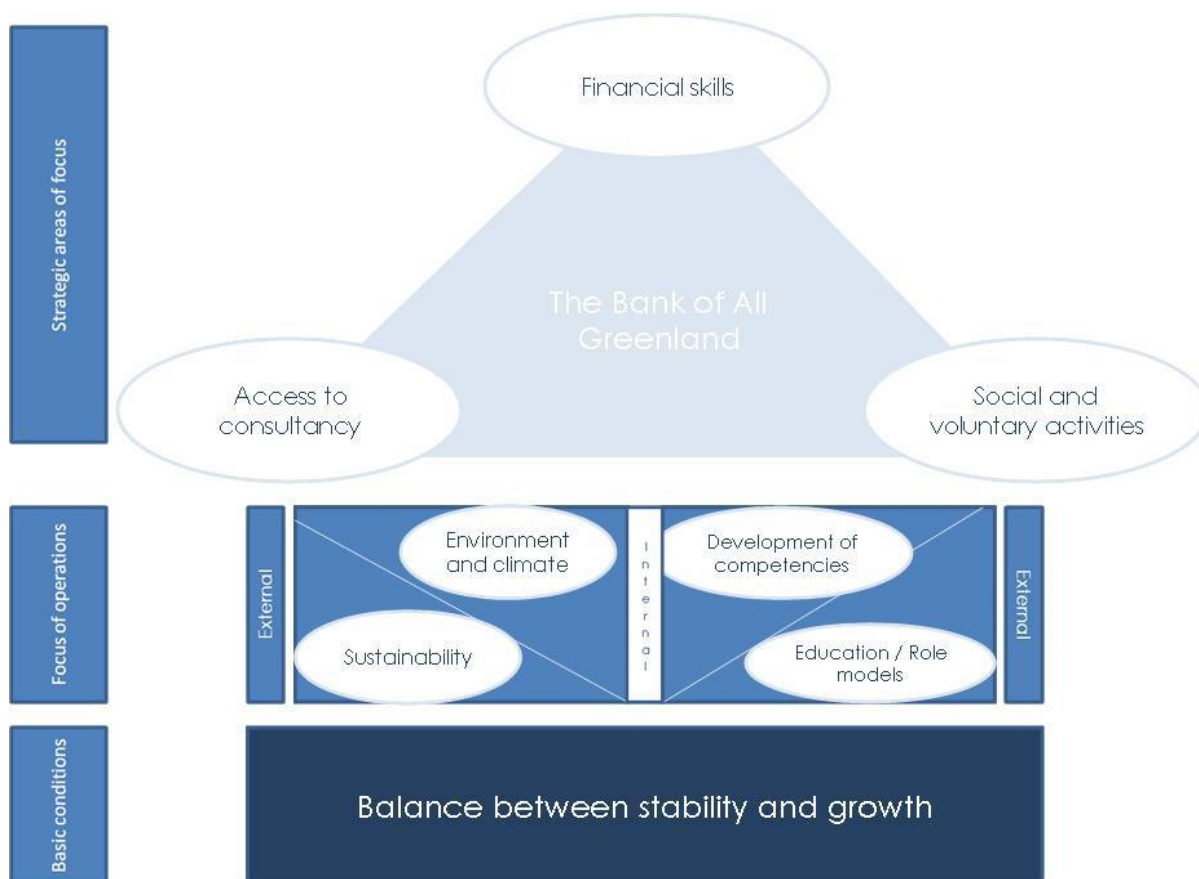
---

through its operations, acts to ensure a balance between stability and growth in the society of which it is part.

### Policies for Strategy and Social Responsibility

The Board of Directors at The BANK of Greenland has adopted the bank's strategy and policies for social responsibility. The overriding objective of the bank's efforts is to contribute to the solutions of social challenges in order to create sustainable growth in Greenland. Our social responsibility builds on our vision to become "The Best Company in Greenland" on the basis of the bank's already existing values: *commitment, room for diversity, decency and competency*, on the bank's corporate culture, and the wish to utilize the bank's core competencies to make a difference and on the bank's reputation as a reliable and stable credit institution.

The figure below illustrates the bank's policy on social responsibility.



The bank's commercial objectives are to improve the bank's reputation, increase customer satisfaction and loyalty, and to increase employee satisfaction in order to ensure positive financial developments.

---

## MANAGEMENTS' REPORT

---

The stakeholders' analyses, done prior to setting up the bank's policies, in conjunction with the bank's strategic objectives, form the basis of the three main areas of concentration where the bank focuses its social input:

- **Financial skills** of the population, to help more households achieve an opportunity for better private finances
- **Access to consultancy and lending facilities** – also outside of the bank's primary market
- To encourage the bank's employees to contribute their time to **social and voluntary activities**, also part of their working hours.

In general, the bank is *The Bank of All of Greenland* which has also been the key phrase for many of the activities held since the adoption of this policy.

Interdisciplinary task forces have been set up across the bank for each of the three strategic focus areas. Apart from these areas, we will maintain operational focus on sustainability, environment and climate, development of competencies as well as training of the bank's employees.

The overall responsibility for the bank's social input lies with the Head of Administration.

Implementation of this strategy continues, and it has involved significant activity primarily inside the bank, but there have also been external activities. Implementation has been the responsibility of an overall steering group consisting of the Head of Administration, the main parties responsible for the task forces as well as the HR Manager, communication employee and one further representative from the staff.

Pakkussineq – to embrace – has been chosen as the name for the bank's social responsibility effort.

In March 2013, The BANK of Greenland joined the UN Global Compact, the UN's programme where companies and organisations can embrace social responsibility. This programme encompasses ten principles, which its members commit themselves to. These principles deal with human rights, labour rights, anti-corruption and the environment. Each year, members must submit an annual report describing the progress of their efforts to comply with and live up to the ten principles. The BANK of Greenland will be delivering its first report in March 2014.

Prior to joining the UN Global Compact, The BANK of Greenland had a gap-analysis done to determine the degree to which the bank complied with the ten principles. This analysis demonstrated that The BANK of Greenland would, with a minimum of effort, be able to comply with the demands made of members.

As a result of the bank's joining the UN Global Compact, several initiatives directed at anti-corruption and labour rights were taken in 2013. The bank's policies on human rights and environment are expected to be drawn up in 2014, after which we will report on implementation and results

---

## MANAGEMENTS' REPORT

---

The BANK of Greenland's statutory report on its social responsibility, required by the Danish Financial Business Act and the executive order on financial reports for credit institutions and stock broker companies, etc. § 135 and 135a, is available on the bank's website at <http://www.banken.gl/media/197843/Report-on-the-banks-CSR-in-2012.pdf>

### **The Board of Directors' Evaluation**

Once a year and with external assistance, the Board of Directors at The Bank of Greenland performs an evaluation of its own work. This evaluation forms the basis of a review of several factors concerning the Board: method of organizing its tasks, collaboration internally and with the Management, the Chairman's organization of meetings, and the quality of the Board's production. The most recent evaluation demonstrated that the Board's work was of a high quality and states that the Board makes use of each other's know-how and experience to ensure understanding of particular situations. Moreover, it concluded that the Board was composed of a good mix of the skills needed to manage the bank's business model.

### **Corporate Governance**

The BANK of Greenland's stance on Corporate Governance is, whenever possible, to follow the recommendations. The bank's report on its Corporate Governance can be found on the bank's website [http://www.banken.gl/media/10681/Corporate%20Governance%20Redegørelse Årsrapport%202012 English.pdf](http://www.banken.gl/media/10681/Corporate%20Governance%20Redegørelse%20Årsrapport%202012%20English.pdf)

### **Policies and Objectives for Dealing with Underrepresentation according to Gender**

In August 2013, The Board of Directors at The BANK of Greenland passed a decision entitled "Policies and Objectives for Dealing with Underrepresentation according to Gender". At the end of 2013, the relative distribution of the members according to gender of the Board elected by the general meeting was 16.67% women and 83.33% men. Over the next four years, the Board's goal is to increase the proportion of female Board members elected by the general meeting to 33%.

At other levels of management, the bank's overall goal is to encourage and maintain an appropriate balance of men and women in management. Regardless of gender, the bank's employees shall experience that they have the same opportunities for career and leadership positions. At the end of 2013, the proportion of managers is divided equally between 50% women and 50% men. The bank's objective is to ensure that the proportion of managers of the underrepresented gender at all times be maintained at a minimum of 40%. The BANK of Greenland appoints its managers based on the premise that the most suitable candidate will always be appointed regardless of gender.

### **Auditing Committee**

The Auditing Committee consists of the entire Board of Directors. Therefore, it was found most appropriate to maintain the same structure as in the Board of Directors; i.e. the Chairman of the Board is also Chairman of the Auditing Committee.

In essence, the Auditing Committee's tasks include the monitoring of the:

- account submission process

---

## MANAGEMENTS' REPORT

---

- efficient functioning of the bank's internal system of checks and risk systems
- statutory auditing of the annual report
- auditor's independence.

In this connection, the bank's control environment for evaluating the most important accounting estimates has been reviewed and evaluated. The Auditing committee meets just before the meetings of the Board of Directors.

Please note that Greenland is not covered by the Dansih rules governing the setting up of auditing committees. However, the rules are followed in practice.

The mandate for the auditing committee can be found at:

[http://www.banken.gl/media/12657/English%20 Revisionsudvalg%20 Kommissorium\\_april%202013.pdf](http://www.banken.gl/media/12657/English%20Revisionsudvalg%20Kommissorium_april%202013.pdf)

### **The Remuneration Committee and Nomination Committee**

The Remuneration Committee consists of the Chairman and Deputy Chairman of the Board of Directors and one member of the Board elected by the employees.

The Remuneration Committee determines the bank's remuneration policy which is then approved at the annual general meeting. The mandate for the Remuneration Committee can be found at [http://www.banken.gl/media/142111/English\\_Kommissorium\\_Vederlagsudvalg\\_24OKT12-08022013.pdf](http://www.banken.gl/media/142111/English_Kommissorium_Vederlagsudvalg_24OKT12-08022013.pdf)

Furthermore, the Board of Directors has set up a nomination committee consisting of the Chairman, Deputy Chairman and one external member.



---

## STATEMENT FROM THE BOARD OF DIRECTORS AND MANAGEMENT

---

The Board of Directors and the Board of Management have today reviewed and approved the annual report for 1 January – 31 December 2013 for The BANK of Greenland A/S.

The annual report has been prepared in accordance with the Danish Financial Business Act including the Executive Order on financial reports for credit institutions and stock-broker companies, etc. This annual report has also been written in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

In our opinion, the annual report provides a true and fair view of the bank's assets, liabilities and financial position as of 31 December 2013 and of the income statement and cash flows for the period 1 January – 31 December 2013.

The Management's Report gives a true and fair view of developments in the bank's activities and financial position and describes significant risk and uncertainty factors that may affect the bank.

The annual report will be submitted to the annual general meeting for approval.

Nuuk, 19 February 2014

### **Board of Management**

Martin Kviesgaard

### **Board of Directors**

Gunnar í Liða  
chairman

Kristian Lennert  
deputy chairman

Frank Bagger

Anders Brøns

Allan Damsgaard

Yvonne Kyed

Lida Skifte Lennert

Jette Radich

Vagn T. Raun

---

## REPORTS OF THE AUDITORS

---

### **Internal Audit's Report**

*We have audited the annual report of The BANK of Greenland A/S for the financial year 2013. The annual report has been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.*

### **Basis of Opinion**

*We have conducted our audit in accordance with the executive order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that financial information included in the annual report is free of material misstatement.*

*We have planned and conducted our audit in accordance with a division of labour agreed with the external Auditors, and have assessed the business and control procedures, including the risk management procedures implemented by the Board of Directors and the Board of Management aimed at the bank's reporting procedures and its major business risks. In connection with the preparation of the annual report, the internal auditors have examined, on a test basis, evidence supporting financial disclosures in the annual report. Our audit includes an assessment of the appropriateness of the accounting policies used by the management and significant estimates made by the Board of Directors and the Board of Management.*

*We have participated in an audit of the bank's significant and risk-filled areas and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.*

*Our audit did not result in any qualification.*

### **Opinion**

*In our opinion, the business procedures and internal control procedures, including the risk and capital management implemented by the management, aimed at the bank's reporting processes and major business risks, work satisfactorily.*

*Furthermore, we believe that the Annual Report gives a true and fair view of the bank's assets, liabilities and financial position as of 31 December 2013, and of the results of the bank's operations and cash flows for 2013 in accordance with the Danish Financial Business Act and with additional Danish disclosure requirements for annual reports of listed financial institutions.*

### **Opinion on the Management's Report**

*In accordance with the Danish Financial Business Act, we have read through the Management's Report. We have not performed any acts other than auditing the annual report.*

*Therefore, in our opinion, the information contained in the Management's Report is in accordance with the annual report and Danish disclosure requirements for annual reports of listed financial institutions.*

Nuuk, 19 February 2014

Carsten T. Graver  
Chief Auditor

---

## REPORTS OF THE AUDITORS

---

### Independent Auditor's Report

#### To the Shareholders of the BANK of Greenland A/S

##### **The Annual Report endorsement**

*We have audited the Annual Report of The BANK of Greenland A/S for the financial year 1 January 2013 – 31 December 2013, which comprises the income statement, comprehensive income, balance sheet, statement of shareholders' equity, cash flow statement and notes. The financial statements have been prepared in accordance with the Danish Financial Business Act and with additional Danish disclosure requirements for annual reports of listed financial institutions.*

##### **Management's Responsibility for the Annual Report**

*The management is responsible for preparing and presenting an Annual Report that gives a true and fair view in accordance with the Danish Financial Business Act as well as additional Danish disclosure requirements for annual reports of listed financial institutions. Furthermore the Management is responsible for maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error.*

##### **Auditors' Responsibility**

*Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with international standards of auditing and further requirements according to Greenlandic legislation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.*

*An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Report.*

*We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.*

*Our audit did not result in any qualification.*

##### **Opinion**

*In our opinion, the Annual Report gives a true and fair view of the bank's assets, liabilities and financial position as of 31 December 2013, and of the results of the bank's operations, cash flows for the year 1 January 2013 – 31 December 2013 in accordance with the Danish Financial Busi-*

---

## REPORTS OF THE AUDITORS

---

*ness Act, and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.*

### **Opinion on the Management's Report**

*In accordance with the Danish Financial Business Act, we have read through the Management's Report. We have not performed any acts other than auditing the annual report.*

*Therefore, in our opinion, the information contained in the Management's Report is in accordance with the annual report and Danish disclosure requirements for annual reports of listed financial institutions.*

*Nuuk, 19 February 2014*

### **Deloitte**

State Authorised Public Accountants

Jens Ringbæk

State Authorised Public Accountant

(DKr 1,000)

**INCOME STATEMENT**

Notes	2013	2012
<b>3</b> Interest receivable	218,700	229,088
<b>4</b> Interest payable	14,633	21,547
<b>Net income from interest</b>	<b>204,067</b>	<b>207,541</b>
Dividend on shares, etc.	2,048	628
<b>5</b> Charges and commissions receivable	71,056	71,161
Charges and commissions payable	1,421	1,512
<b>Net income from interest and charges</b>	<b>275,750</b>	<b>277,818</b>
<b>6</b> Price adjustments	4,039	11,247
Other ordinary income	3,148	3,464
<b>7, 8</b> Staff costs and administrative expenses	130,422	126,636
Depreciation and impairment of tangible assets	10,385	10,838
Other ordinary charges	3,443	2,192
<b>11</b> Impairments on loans, advances and claims, etc.	15,186	17,322
<b>Profit on ordinary activities</b>	<b>123,501</b>	<b>135,541</b>
<b>9</b> Tax	39,251	43,093
<b>Net profit for the financial year</b>	<b>84,250</b>	<b>92,448</b>
<b>Proposed allocation of profits</b>		
Net profit for the financial year	84,250	92,448
Tax value of the dividend	31,482	31,482
<b>Total available for distribution</b>	<b>115,732</b>	<b>123,930</b>
Proposed dividend	99,000	99,000
Brought forward to next year	16,732	24,930
<b>Total allocation</b>	<b>115,732</b>	<b>123,930</b>

(DKr 1,000)

**COMPREHENSIVE INCOME**

	2013	2012
<b>Comprehensive Income</b>		
Net profit for the financial year	84,250	92,448
Regulation to current value, owner-occupied property	1,007	3,435
Reversal of previous years' write-ups, owner-occupied Property	-1,585	-2,649
Tax of other comprehensive income	-184	250
<b>Comprehensive income for the year</b>	<b>83,488</b>	<b>93,484</b>

**BALANCE SHEET**  
(at the end of the year)

(DKr 1,000)

Notes	2013	2012
<b>ASSETS</b>		
	696,491	314,246
	496,620	428,788
<b>10</b>	2,874,931	3,044,942
<b>11</b>	654,533	721,055
<b>12</b>	47,826	38,520
<b>13</b>	189,271	187,447
<b>14</b>	6,438	8,847
<b>15</b>	88,125	79,834
	2,815	2,425
	<b>5,057,050</b>	<b>4,826,104</b>
<b>LIABILITIES</b>		
<b>16</b>	48,412	50,486
<b>17</b>	3,996,169	3,777,449
	10,855	24,731
	48,350	54,319
	3,132	3,617
	<b>4,106,918</b>	<b>3,910,602</b>
<b>18</b>	57,393	56,292
	8,615	842
	7,889	7,414
	<b>73,897</b>	<b>64,548</b>
	Shareholders' equity	
<b>19</b>	180,000	180,000
	16,882	18,467
	595,103	560,039
	84,250	92,448
	<b>876,235</b>	<b>850,954</b>
	- 99,000	- 99,000
	31,482	31,482
	<b>5,057,050</b>	<b>4,826,104</b>
<b>1</b>	<b>Accounting policies</b>	
<b>2</b>	<b>Financial Risk and Policies</b>	
<b>20-28</b>	<b>Other notes, including off-balance sheet items</b>	

## SHAREHOLDERS EQUITY FOR 2013

(Dkr 1,000)

	Share capital	Reserves for- Write-ups	Profit brought forward	Total
<b>Shareholders' equity 1 January 2012</b>	<b>180,000</b>	<b>21,723</b>	<b>555,306</b>	<b>757,029</b>
Of which dividend			- 99,000	-99,000
Tax value of dividend			31,482	31,482
Trade, own shares			691	691
Regulation to current value, owner-occupied property		3,435		3,435
Reversal of previous years' write-ups		- 2,649		- 2,649
Correction of previous years' write-ups		-4,042	4,042	0
Net profit for the financial year			92,448	92,448
<b>Shareholders' equity 31 December 2012</b>	<b>180,000</b>	<b>18,467</b>	<b>584,969</b>	<b>783,436</b>
<b>Shareholders' equity 1 January 2013</b>	<b>180,000</b>	<b>18,467</b>	<b>584,969</b>	<b>783,436</b>
Trade, own shares			10,134	10,134
Regulation to current value, owner-occupied property		1,007		1,007
Reversal of previous years' write-ups		-2,592		-2,592
Net profit for the financial year			84,250	84,250
<b>Shareholders' equity 31 December 2013</b>	<b>180,000</b>	<b>16,882</b>	<b>679,353</b>	<b>876,235</b>
<i>Of which dividend</i>			- 99,000	- 99,000
<i>Tax value of dividend</i>			31,482	31,482
<i>Impact of shareholders' equity from dividend</i>			- 67,518	- 67,518



## SOLVENCY 2013

(DKr 1,000)

SOLVENCY	2013	2012
Capital base less statutory deductions	808,717	781,236
Core capital less statutory deductions	791,835	764,969
Weighted items not included in trading portfolio	3,080,824	3,084,046
Weighted items with market risk, etc.	288,863	326,007
Weighted items with operational risk	500,229	475,281
Group impairments using the standard method	- 10,626	- 14,528
<b>Total weighted items</b>	<b>3,859,290</b>	<b>3,870,806</b>
Core capital ratio	20.6	19.7
<b>Solvency ratio</b>	<b>21.0</b>	<b>20.2</b>
<b>Statutory minimum solvency requirement</b>	<b>8</b>	<b>8</b>

Solvency ratio is calculated according to the rules in the executive order on capital adequacy requirements

### CALCULATION OF CORE CAPITAL AND CAPITAL BASE

Shareholders' equity	876,235	850,954
Reserves for write-ups	16,882	18,467
Accounting impact of proposed dividend	67,518	67,518
Core capital after primary deduction	791,835	764,969
Half of deduction cf., File 131 and 139	0	0
<b>Core capital less deductions</b>	<b>791,835</b>	<b>764,969</b>
Reserves for write-ups	16,882	18,467
Half of deduction cf., File 131 and 139		0
<b>Capital base less statutory deductions</b>	<b>808,717</b>	<b>783,436</b>

## CASH FLOW STATEMENT

(DKr 1.000)	2013	2012
Net profit for the financial year	84,250	92,248
Impairments on loans and advances	15,186	17,322
Depreciation and impairments on tangible assets	10,385	10,838
Prepayments and accruals, net	-875	1,073
Tax impact of deduction right for dividend	31,482	17,171
<b>Profit for the financial year regulated for non-cash operating items</b>	<b>140,428</b>	<b>138,852</b>
Debt to credit institution and central banks	-2,074	2,740
Deposits	218,720	29,054
Bonds issued	0	-99,910
Loans and advances	154,822	907
Other operating capital	-53,820	-45,314
Other liabilities	-9,757	23,340
<b>Changes in operating capital</b>	<b>307,891</b>	<b>-92,183</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>448,319</b>	<b>46,669</b>
Sale of tangible assets	0	1,300
Purchase of tangible assets, etc.	-12,121	-6,409
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-12,121</b>	<b>-5,109</b>
Paid out dividend	- 99,000	-54,000
Trade with own shares	10,134	691
<b>CASH FLOW FROM FINANCING</b>	<b>-88,866</b>	<b>-53,309</b>
<b>CHANGE IN LIQUIDITY</b>	<b>347,332</b>	<b>-11,749</b>
Liquidity at start of year	1,349,306	1,361,055
<b>Liquidity at end of year</b>	<b>1,696,638</b>	<b>1,349,306</b>
Cash and cash equivalents	55,748	61,531
Demand deposits in Danmarks Nationalbank	640,743	252,715
Completely secure and liquid demand deposits in credit institutions	446,620	428,788
Unencumbered securities	553,527	606,272
<b>Liquidity at end of year</b>	<b>1,696,638</b>	<b>1,349,306</b>

---

## NOTES

---

### Note 1

#### Accounting Policies Applied

The annual report has been prepared in compliance with the Danish Financial Business Act and the executive order on financial reports for credit institutions and stock broker companies, etc. and in accordance with supplementary Danish requirements for disclosure concerning annual reports for listed financial enterprises.

The annual report has been prepared according to the same accounting policies as employed last year. The annual report is presented in Danish Kroner, and the figures have been rounded to the nearest DKK 1,000.

In 2013, there was a change in the accounting method for the bank's subscription to BEC, which means that profit in 2012 improved by DKK 248,000 and the shareholders' equity improved overall by DKK 2,200,000. Comparative information has been changed

When preparing the annual report, the management makes a number of accounting evaluations that form the basis of presentation, inclusion and measurement of the bank's assets and commitments. The annual report is presented according to the principle of going concern based on the practice currently in use and an interpretation of the rules for Danish credit institutions. The accounting evaluations, estimates and uncertainties appear in this note.

#### In General – Inclusion and Measurement

Assets are included in the balance sheet when it is likely that as a result of a previous event, future financial benefits will accrue to the bank, and when the asset's value can be measured reliably.

Commitments are included in the balance sheet when the bank, as a result of a previous event, has a legal or actual commitment, and it is likely that future financial benefits will be deducted from the bank, and the commitment's value can be measured reliably.

Upon inclusion for the first time, assets and commitments are measured at fair value. However, tangible assets are measured at cost at the time of their first inclusion. Measurements subsequent to the first inclusion take place as described below for each accounting item.

Upon inclusion and measurement, attention is paid to predictable risks and losses that take place prior to the presentation of the annual report, and which either confirm or disprove conditions that prevailed on the balance-sheet date.

Income is included in the income statement at the time it was earned, while expenses are included in the amount that concerns the financial year. However, appreciation in the value of the bank's owner-occupied property, which does not correspond to earlier decreases in value, has been included directly in the comprehensive income.

Purchases and sales of financial instruments are included on the date they were traded. Inclusion ceases when the right to receive/furnish cash flows from the financial asset or liability expires, or if it has been transferred, and the bank has thus, in essence, transferred all risk and yield associated with the asset's/liability's property rights. The BANK of Greenland does not make use of the options for re-classification of certain financial assets from the fair value to an amortised cost.

---

## NOTES

---

### **Accounting Estimates, Assumptions and Uncertainties**

The annual report is prepared on the basis of certain special assumptions that require the use of accounting estimates. These estimates are made by the bank's management in accordance with accounting policies and based on historical experience as well as the assumptions that the management perceives as sound and realistic. Assumptions may be incomplete, and unexpected future events or circumstances may occur, just as others may arrive at different estimates. Those areas requiring a greater degree of judgment or complexity, or areas where assumptions and estimates are significant for the financial statements are listed below. During the year, the rules on impairments have been made more precise, but this has not affected impairments at The BANK of Greenland in any significant manner.

Impairments on loans and advances are made in accordance with accounting policies, and are based on a number of assumptions. In the event that these assumptions change, the presentation of accounts may also be affected.

Group impairments continue to be burdened with a certain degree of uncertainty. When calculating group impairments, The BANK of Greenland employs various models. Since these models are not valid for all relevant circumstances and since the bank continues to possess limited historical data on which to base calculations, such calculations are supplemented by a management estimate.

Provisions for loss on guarantees where there is a significant estimate associated with the quantification of the risk that payment will be made on a given guarantee.

Listed financial instruments which can have been priced on markets with a low turn-over, thus creating a degree of uncertainty about the use of stock exchange prices when measuring the fair value.

Unlisted financial instruments involving significant estimates when calculating the fair value.

For provisions on commitments, there is a significant estimate attached to the determination of future employee turnover as well as a determination of the interest commitment on savings accounts that receive an extra high interest from the government.

Evaluation of the bank's owner-occupied property is also associated with significant estimates.

### **Determination of Fair Value**

Fair value is that amount which an asset can be sold at or a commitment can be redeemed at by trading under normal circumstances between qualified, willing and independent parties.

The fair value of financial instruments for which there is an active market is determined at the closing price on the balance-sheet date or, if there is no closing price on the balance-sheet date, another publicly available price that can be assumed to be equivalent.

For financial instruments for which there is no active market, the fair value is determined by means of commonly recognized valuation techniques that are based on observable and up-to-date market data. In 2013, The BANK of Greenland has once again used a Mark to Model-model on its holdings of Scandinavian IV Mezzanine, owing to its small and few trades. During its work to change its accounting policies for its capital in BEC, the bank has used an internal model for assessing its fair value.

---

## NOTES

---

### **Hedge Accounting**

The bank employs special rules on hedge accounting in order to avoid the inconsistency that occurs when certain financial assets or financial liabilities (the hedged items) are measured at the amortised cost, while derivatives (hedge instruments) are measured at their fair value.

When the criteria for use of these hedging rules are fulfilled, the accounting value of the hedged assets and liabilities are regulated via the income statement for fair value changes impacting the hedged risks (fair value hedging). The bank uses fixed interest loans for hedging.

### **Derivatives**

Derivatives are measured at fair value. Derivatives are included under other assets or other liabilities.

Changes in the fair value of derivatives, classified as and fulfilling the conditions for securing an included asset or included commitment, are included in the income statement together with changes in the value of the secured asset or the secured commitment. Financial instruments are booked in the balance sheet on trading day.

### **Foreign Currency**

Transactions in foreign currency are recalculated at their first inclusion at the price on the day of transaction. Receivables, debt commitments and other monetary items in foreign currency, which are not settled on balance-sheet date, are recalculated at the closing price for the currency on balance-sheet date. The currency price differences that occur between the price on the day of transaction and the price on payment day are included in the income statement as a price adjustment.

### **Offsetting**

Assets and liabilities are offset when the bank has a legally enforceable right to set off included amounts and intends either to settle the balance on a net basis or to realise the asset and settle the liability simultaneously.

### **The Income Statement**

#### **Interest, Charges and Commissions**

Interest payable and interest receivable are included in the income statement in the periods they were incurred. Commissions and charges, which are an integral part of the effective interest of a loan, are calculated as part of the amortised cost and thus as an integral part of the financial instrument (loan) under interest receivable.

Commissions and charges, which are part of current interest and capital repayment, are accrued during the entire period of the loan. Other charges (e.g. setting up charges) are included in the income statement on the day of transaction.

For a loan that has been impaired, the income statement item, "Interest receivable", reflects the effective interest of the loan's impaired value.

#### **Staff Costs and Administrative Expenses**

Staff costs include wages and salaries as well as social security expenses, pensions, staff housing, etc. Services and benefits for the staff, including jubilee benefits, are included whenever the staff

---

## NOTES

---

member performs a job-related task that releases a benefit. Costs for incentive programs are included in the income statement in the financial year in which they were incurred.

### **Pension Schemes**

The bank has entered into contribution-based pension schemes with all its employees. In these schemes, a fixed contribution is paid to an independent pension company. The bank has no obligation to pay further contributions.

### **Other Operating Revenue**

Other operating revenue includes income of a secondary nature in relation to the bank's activities, e.g. profit and loss when selling the bank's property.

### **Other Operating Expenses**

Other operating expenses include expenses of a secondary nature in relation to the bank's activities, e.g. contributions to sector solutions.

### **Tax**

The tax for the year, consisting of current tax and changes in deferred tax, is included in the income statement as that amount referring to the profit for the year. It is included directly in the shareholders' equity as that amount referring to other total income and directly to entries in the shareholders' equity.

Greenland allows for deduction of dividend when calculating taxable income. The tax value of this deduction is therefore added to the shareholders' equity at the time of the general meeting's approval of the dividend.

Deferred tax is calculated on all temporary differences between accounting values and tax values of assets and liabilities.

Deferred tax assets, including the tax value of tax deficits that may be carried forward, are included in the balance sheet as that value at which the assets can be expected to be realised, either by offsetting in deferred tax commitments or as net assets.

### **The Balance Sheet**

#### **Cash Holdings and Deposits on Demand at Central Banks**

Include cash holdings and deposits on demand at central banks. The accounting item is calculated at its fair value.

#### **Claims on and Debts to Credit Institutions and Central Banks**

Include claims on other credit institutions and time deposits at central banks. Debt to credit institutions and central banks includes debts to other credit institutions and central banks.

Claims are calculated at fair value. Debt is measured at its amortised cost.

#### **Loans and advances**

Loans and advances are measured at their amortised cost, which usually is the same as their nominal value minus establishment charges, etc. and minus impairments to meet existing, but not yet realised, loss.

---

## NOTES

---

Impairments on loans and claims are done individually as well as in groups. When estimating impairment, the most recent clarification of the rules, found in appendix 10 of the Danish Executive Order no. 312 of 30 March 2012 concerning financial reports for credit institutions and stock broker companies, has been taken into account.

An evaluation is made to determine whether impairments should be made when an objective indication demonstrates that value deterioration has occurred.

For individual impairment, objectivity is presumed to have occurred when for example a borrower finds himself in significant financial difficulty. Impairments are made on the difference between the accounting value before the impairment and the current value of the expected future payments on the loan.

For loans that have not been impaired individually, an evaluation of the entire group is made to determine whether there is an indication of asset deterioration or improvement.

Group evaluation is made for groups of loans, advances and receivables that have identical credit risks. The bank operates with three groups: one group for public authorities, one group for retail customers and one group for commercial customers.

This group evaluation is based on a segmentation model developed by the Danish Association of Local Credit Institutions which is also responsible for the model's on-going maintenance and development. This model determines the relationship within the individual groups between realised loss and a number of significant explanatory macro-economic variables via a linear regression analysis. Some of these explanatory macro-economic variables are unemployment, housing prices, interest rates, number of bankruptcies and forced sales, etc.

This macro-economic segmentation model is based on loss data for the entire credit institution sector in Denmark. The bank has therefore evaluated whether the model's estimates should be adjusted to meet the credit risk for the bank's own lending portfolio. Furthermore, a management estimate has been made to determine whether the subsequently calculated model estimates have given rise to further corrections.

This evaluation has resulted in an adjustment of the model's estimates to local conditions. These adjusted estimates then form the basis for calculating group impairments. For each group of loans and receivables, an estimate is arrived at, which is an expression of the value deterioration in percentage which attaches to a given group of loans and receivables on the balance-sheet date. By comparing this percentage with the individual loan's original loss risk and the loan's loss risk at the end of the current accounting period, the individual loan's contribution to group impairments appears. The impairment is calculated as the difference between the accounting value and the discounted value of expected future payments.

### **Bonds**

Bonds traded on active markets are measured at their fair value. The fair value is calculated after the closing price for a particular market on the balance-sheet date. Drawn bonds are measured at their present value.

If the market for one or more bonds is not liquid, or if there is no publicly recognized price, the bank will determine the fair value by using recognized valuation techniques. These techniques include the use of

---

## NOTES

---

equivalent recent transactions between independent parties and analyses of discounted cash flows for anticipated interest and repayment, including anticipated losses.

### **Shares**

Shares are measured at their fair value, a price that is calculated after the closing price on the balance sheet date for shares that are actively traded.

The fair value of non-liquid and unlisted shares is based on available information about trades, etc., or alternatively, capital value calculations. Non-liquid and unlisted shares, deemed impossible to estimate at a reliable fair value, are measured at cost.

### **Tangible property**

All of the bank's property is defined as owner-occupied property, including staff housing. Staff housing is deemed necessary in order to recruit employees.

After its first inclusion, property is measured at a readjusted value. Readjustment takes place so frequently that there are no significant differences from fair values.

In October 2012, the bank had an independent evaluation of the market value of the bank's owner-occupied headquarters in Nuuk performed.

Increases in the readjusted value of owner-occupied property are included in the write-up reserves under shareholders' equity. A decrease in this value is included in the income statement unless the decrease is a reversal of previous years' write-ups.

Bank buildings are depreciated according to the straight-line method over 25 years. Staff housing is depreciated according to the straight-line method over 50 years. Owner-occupied property, newer branch office buildings and newer staff housing are depreciated to a scrap-value.

Machinery and equipment are measured at cost less accumulated depreciation. Machinery and equipment are depreciated according to the straight-line method based on the estimated life of the asset, although only up to a maximum of five years.

### **Other Assets**

Other assets include other assets that cannot be entered elsewhere under asset items. This item includes the positive market value of derivatives and earnings that are not payable until after the conclusion of the financial year; this includes payable interest. Apart from derivatives with a positive value on the balance sheet date and which are measured at their fair value, this accounting item is measured, at its first inclusion, at cost and subsequently, at the amortised cost.

### **Prepayments and accrued income**

Prepayments and accrued income under assets include realised expenses that refer to the coming financial year. Prepayments and accrued income are measured at cost.

### **Deposits and Other Debt**

Deposits and other debt include deposits from a counterpart that is not a credit institution or a central bank. At its first inclusion, deposits and other debt are measured at fair value and subsequently at amortised cost.



---

## NOTES

---

### **Other Liabilities**

Other liabilities include other liabilities that cannot be entered elsewhere under liability items. This item includes the negative market value of derivatives and expenses that are not payable until after the conclusion of the financial year; this includes payable interest. Apart from derivatives with a negative value on the balance sheet date and which are measured at their fair value, this accounting item is measured, at its first inclusion, at cost and subsequently, at the amortised cost.

### **Accruals and deferred income**

Accruals and deferred income under liabilities include earnings received before the balance-sheet date, but which refer to a later accounting period including pre-paid interest and commissions. Accruals and deferred income are measured at cost.

### **Provisions**

Provisions and guarantees that are uncertain either as to their size or the time frame for their settlement are included as provisions when it is likely that the commitment will lead to a drain on the bank's financial resources and that this commitment can be reliably measured. The commitment is stated at the current value of the expenses needed to redeem the commitment. A discounting of the commitments to staff that fall due more than 36 months after the period in which they were earned is also performed.

### **Dividend**

Dividend is included as a debt commitment at the time of its approval at the general meeting. The proposed dividend for the financial year appears as a separate item under shareholders' equity.

### **The Bank's Own Shares**

Purchase and sales sums as well as dividends from the bank's own shares are included directly in the profit brought forward under shareholders' equity.

### **Cash Flow**

The cash flow statement is presented according to the indirect method and shows the cash flow for operations, investments and financing as well as the bank's liquidity at the start and at the end of the year.

Liquidity includes cash in hand, claims on central banks, receivables from credit institutions as well as unencumbered securities which can be sold for liquid holdings.

### **Financial Highlights and Key Figures**

Financial highlights and key figures are listed in accordance with the requirements in the executive order on accounts.

### **Note 2**

#### **Financial Risks and the Policies and Goals for Managing Financial Risks**

#### **In General**

According to clause 19 in the Danish Executive Order on the Management and Control of Credit Institutions, the bank is obligated to appoint a risk manager to be responsible for risk management at The BANK of Greenland. The bank is not affected by this order since it has not been adopted in Greenland. However, the bank has decided to adhere to the order's principles when reporting the bank's risks to

---

## NOTES

---

the Board of Directors.

The Board of Directors at The BANK of Greenland has considered refraining from implementing an independent risk management function, because of the bank's size, simple structure and activities. The Board of Management is responsible for the risk management function.

The BANK of Greenland is exposed to a variety of risks. The purpose of the bank's policies on risk management is to minimize the losses that can arise as a result of unforeseen developments on financial markets. The bank operates with a balanced risk profile – on the credit side as well as on financial markets. The bank uses derivatives exclusively to hedge risks on customer exposures or to reduce the bank's interest risk.

The BANK of Greenland is involved in an ongoing process of developing tools for identifying and managing the risks that impact the bank every day. The Board of Directors has established the general framework and principles for risk and capital management and receives timely reports on risk development and use of the risk framework allowed the bank's employees. The daily management of risk is the province of the Credit Office, while the Accounts Department performs an independent check.

The most significant risks in The BANK of Greenland are credit risks. Therefore, the bank's risk management policies have been created with a view to ensuring that transactions with customers and credit institutions remain within the framework established by the Board of Directors and expected collateral. Policies have also been put in place to limit the bank's exposure to any credit institution that the bank does business with.

The BANK of Greenland manages its credit risks by means of policies and procedures established by the Board of Directors and lying within pre-established frameworks that ensure that the bank lends money to customers whose solidity and earnings ensure high credit quality in relation to price.

Credits and loans are made at several levels within the bank depending on the size and risk of the exposure. The bank keeps a constant eye on exposures in order to ensure that any signs of failing earnings and falling liquidity can be identified as soon as possible so that the bank can, in dialogue with the customer avoid loss.

The BANK of Greenland keeps individual tabs on all its loans and guarantees above previously set limits. Other loans and guarantees are monitored on a group basis; however, when objective criteria indicate that risk can be on the rise, these loans and guarantees are likewise evaluated on an individual basis.

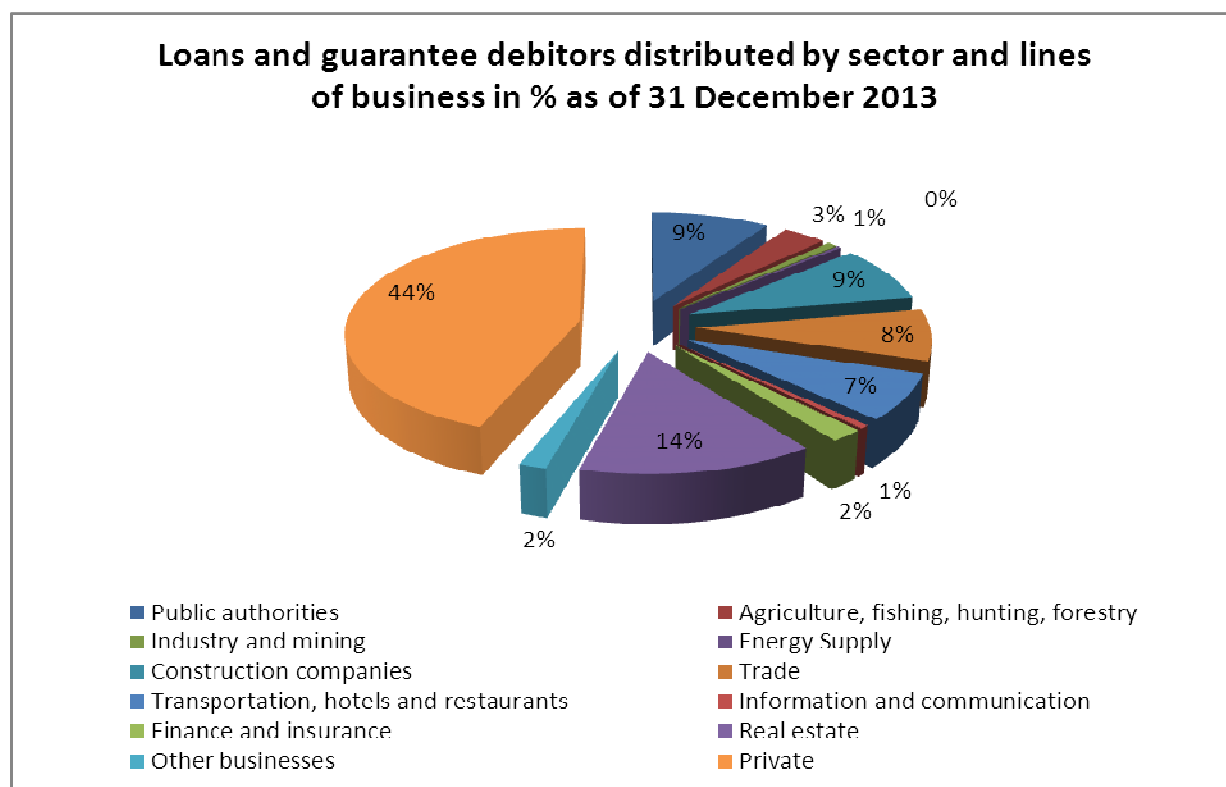
The BANK of Greenland classifies its customers into six groups in accordance with the risk deemed to be attached to loans to that particular customer. Retail customers constitute one group, while corporate customers are classified according to shareholders' equity (solvency), collateral and earnings.

To a great degree, the distribution of loans to different lines of business reflects the financing requirements and opportunities within these lines.

## NOTES

The Bank of Greenland lends money to the sector entitled Agriculture, Hunting and Fishing with approximately 3% of its total loans. However, loans in this segment are alone provided to fisheries. The Bank of Greenland provides no loans to agriculture.

Greenland is the bank's primary business area, and less than 5% of the bank's loans are granted to customers outside Greenland.



For more information about credit risks on loans and advances, please see note 11. For other financial instruments, including claims on other credit institutions, please see notes 11 and 28.

### Market Risk

The BANK of Greenland's market risk is managed by means of previously established limits on a large number of risk parameters. Monitoring of market risk and compliance with the established framework is the daily job of the Markets Department. The Board of Management receives daily reports in the event that risks approach these limits. The Board of Directors receives monthly reports on developments in market risk. These reports contain the figures for the end of the month and are drawn up by the Accounts Department, which is also responsible for reporting on a randomly chosen day in each month. This report is sent to the bank's internal auditors and the Board of management.

---

## NOTES

---

### **Interest Risk**

The Board of Directors' guidelines to the Board of Management contain a built-in maximum on the interest risk that the bank may run. The bank's objective is to maintain an interest risk of less than 1.5%. This risk is calculated in accordance with the Danish FSA's own guidelines.

The bank has established a smaller framework of Dkr 25m for making unsecured fixed interest loans and advances. Furthermore, all the bank's fixed interest loans and advances are hedged.

The BANK of Greenland has outsourced the management of its portfolio of bonds to an external firm. This firm is subject to the risk framework mentioned above and works on an 18 month time frame. The bank has entered into an interest swap of Dkr 35m as a partial hedge on the interest risk on the bank's bond holdings. For more information, please see note 22 and 24.

### **Share Price Risk**

The Board of Directors' guidelines to the Board of Management contain a built-in maximum on the risk that the bank may run on a particular shareholding (not including sector shares). This holding consists almost entirely of liquid share-based unit funds. For more information, please see note 13.

### **Foreign Currency Risk**

The BANK of Greenland has established guidelines for which currencies it allows itself to be exposed to as well as the maximum exposure in each currency. All significant currency exposures are hedged. For more information about foreign currency risk, please see note 21.

### **Liquidity Risk**

The BANK of Greenland's liquidity contingency is managed by maintaining sufficient quantities of liquid funds, ultra-liquid securities, adequate credit facilities as well as its ability to close market positions. This liquidity contingency is based on an objective of ensuring sufficient and stable liquid contingency. The bank seeks to maintain adequate liquidity contingency equivalent to 125% of the requirements stipulated in the Danish Act on Financial Business. Please see the key figure for excess coverage in relation to statutory requirements for liquidity and the key figure for loans and advances in relation to deposits on page 17.

### **Operational Risk**

In order to avoid loss as a result of operational risks, the bank has established policies and written procedures. The bank's policy is to limit operational risks, and the examples below will illustrate this policy.

The bank's procedures are reviewed at least once every second year unless there are changes in a procedure as a result of legislative changes, changes in procedures or internal rules, etc.

Operational risks are minimized by ensuring the existence of clearly defined organisational responsibility specifying requisite and adequate divisions of labour.

Dependence on key employees is a focus area for The BANK of Greenland. There are written procedures designed to minimise the bank's dependence on individuals. Work is ongoing to reduce the bank's dependence on individuals holding important jobs in the bank, and outsourcing of operational tasks that have no impact on the bank's competitiveness is constantly being evaluated. Moreover, the bank focuses on improving its basis for recruitment both internally as well as externally.

---

## NOTES

---

The BANK of Greenland wishes to have a strong control environment, and has therefore written a number of standards for the manner in which control is to take place.

The BANK of Greenland has set up policies and a contingency plan for physical disasters and for IT shutdowns. As a main rule, an IT shutdown will cause all operations to cease. If the shutdown is limited geographically within the branch offices, business can be carried on at the other branches. In the event of a shutdown at the head office, emergency plans and contingency plans will ensure that temporary operations can be established within a very short time from a backup center (known as Center II) set up at an external location. Center II was set up in 2012, and it has reduced the risk of shutdowns in vital areas significantly. Customer operations can resume within one day.

The bank's IT operations are run from BEC, located in Denmark, and the bank follows the instructions and recommendations issued by BEC. The bank does not develop its own IT systems.

The BANK of Greenland has entered into a cooperative agreement on internal auditing with Danske Andelskassers Bank A/S; the bank has also hired a legal expert who is responsible for compliance issues. These measures will help to ensure that the Bank can continue to live up to external as well as internal demands.

## NOTES ON THE INCOME STATEMENT

(DKr 1,000 )	2013	2012
<b>3 Interest receivable</b>		
Claims on credit institutions and central banks	325	1.377
Loans, advances and other receivables	209,002	213,969
Bonds	13,999	16,672
Total derivatives	-4,626	- 2,930
<i>Of which</i>		
<i>Foreign currency contracts</i>	0	0
<i>Interest contracts</i>	-4,626	- 2,930
<b>Total interest receivable</b>	<b>218,700</b>	<b>229,088</b>
<b>4 Interest payable to</b>		
Credit institutions and central banks	518	864
Deposits and other debt	14,115	20,344
Issued bonds	0	339
<b>Total interest payable</b>	<b>14,633</b>	<b>21,547</b>
<b>5 Charges and commissions payable</b>		
Securities and depositories	4,108	3,036
Payment transfers	30,596	30,498
Charges on loan proceedings	9,864	10,735
Guarantee commission	14,831	14,599
Other charges and commissions	11,657	12,293
<b>Total charges and commissions payable</b>	<b>71,056</b>	<b>71,161</b>
<b>6 Price adjustments of</b>		
Loans and advances at fair value	10,704	16,603
Bonds	-519	10,080
Shares	3,073	- 425
Foreign currency	1,540	1,698
Derivatives	-10,759	- 16,709
<b>Total price adjustments</b>	<b>4,039</b>	<b>11,247</b>

## NOTES ON THE INCOME STATEMENT

(DKr 1,000 )

2013 2012

### 7 Staff costs and administrative expenses

Salaries and remuneration to Boards of Directors and Management

Board of Directors

Chairman, Gunnar í Liða	200	200
Deputy Chairman, Kristian Lennert	150	150
Member, Frank Bagger	100	100
Member, Anders Brøns	100	100
Member, Allan Damsgaard	100	100
Member, Yvonne Kyed	100	100
Member, Jette Radich	100	100
Member, Vagn T, Raun	100	100
Member, Jørn Skov Nielsen, retired 2012	0	67
Member, Lida Skifte Lennert, elected 2013	75	0
<b>Total</b>	<b>1,025</b>	<b>1,017</b>

Remuneration for the Board of Directors is fixed

Board of Management

Managing Director, Martin Kviesgaard

Fixed remuneration	2,604	2,535
<b>Total, Boards of Directors and Management</b>	<b>3,629</b>	<b>3,552</b>

Apart from the Deputy Managing Director, there are no significant risk takers.

Staff costs

Wages and salaries	52,564	50,328
Other staff costs	3,689	3,201
Pensions	6,557	5,845
Social security costs	494	481
<b>Total</b>	<b>63,304</b>	<b>59,855</b>
Other administrative expenses	63,489	63,229
<b>Total staff costs and administrative expenses</b>	<b>130,422</b>	<b>126,636</b>

Number of employees

The average number of employees during the financial year calculated as full-time employees

114.0 112.3

## NOTES ON THE INCOME STATEMENT

(DKr 1,000 )	2013	2012
<b>8 Auditing Fee</b>		
Fee paid to the auditing firm elected at the general meeting		
Statutory audit	564	562
Other secured declarations	0	0
Tax advising	20	20
Other services	37	60
<b>Total</b>	<b>621</b>	<b>642</b>
<b>9 Tax on the profit for the financial year</b>		
Tax on the profit for the financial year is calculated as follows:		
Current tax	10,195	23,990
Deferred tax	- 2,426	1,931
Tax value of paid out dividend	31,482	17,172
Regulation of previous years' tax	0	0
<b>Total</b>	<b>39,251</b>	<b>43,093</b>
Tax on the profit for the financial year can be explained as follows:		
Calculated 31.8% tax on the profit on ordinary activities	39,273	43,103
Other adjustments	- 22	-10
<b>Total</b>	<b>39,251</b>	<b>43,093</b>
Effective tax rate	31.8 %	31.8 %
Paid corporate and dividend tax in 2013 amount to DKr 64,295		



**NOTES ON THE BALANCE SHEET**

(DKr 1,000)

2013

2012

<b>10</b>	<b>Claims on credit institutions and central banks</b>		
	Claims on demand	446,620	428,788
	Up to and including 3 months	50,000	0
	3 months – 1 year	0	0
	<b>Total</b>	<b>496,620</b>	<b>428,788</b>
	Claims on notice at central banks	0	0
	Claims on credit institutions	496,620	428,788
	<b>Total</b>	<b>496,620</b>	<b>428,788</b>
<b>11</b>	<b>Loans and Advances</b>		
	Impairment of loans and claims		
	Loans and advances	7,279	17,557
	Guarantees	7,907	- 235
	<b>Total impairment during the year</b>	<b>15,186</b>	<b>17,322</b>
	Of which, lost but not previously impaired	331	364
	Loans at amortised cost	2,874,931	3,044,942
	Aggregate loans and advances listed by remaining maturity:		
	On demand	438,112	687,734
	Up to and including 3 months	217,717	254,564
	3 months – 1 year	541,247	519,984
	More than one year and up to and including 5 years	1,143,671	1,112,709
	More than 5 years	534,184	469,951
	<b>Total</b>	<b>2,874,931</b>	<b>3,044,942</b>
	<b>Impairment of loans</b>		
	<b>Individual impairment:</b>		
	At the start of the year	49,248	50,957
	Impairment during the year	22,999	21,928
	Reversal of impairment made in prior accounting years	9,920	7,950
	Irreversibly lost (depreciated) previously individually impaired	5,390	15,841
	Other movements	422	154
	<b>Total individual impairment on loans and advances</b>	<b>57,359</b>	<b>49,248</b>
	<b>Group impairments:</b>		
	At the start of the year	14,528	8,026
	Impairment during the year	4,162	6,636
	Reversal of impairment made in prior accounting years	8,064	0
	Other movements	0	- 134
	<b>Total group impairment on loans and advances</b>	<b>10,626</b>	<b>14,528</b>

**NOTES ON THE BALANCE SHEET**

(DKr 1,000)

2013

2012

**11 Loans and Advances**
**Standard conditions**

Commercial customers: An exposure can typically be terminated without notice by the bank. The customer is required to provide the bank with financial information on an on-going basis.

Retail customers: An exposure can typically be terminated by the bank with three months' notice. The customer is normally required to provide the bank with financial information when taking a new loan or when making changes in an existing loan.

**Loans and guarantee debtors distributed by sector and lines of business in % as of 31 December 2013.**

<b>Public Authorities</b>	<b>9</b>	<b>10</b>
<b>Industry</b>		
Agriculture, fishing, hunting, forestry	3	3
Industry and mining	1	0
Energy supply	0	1
Construction	9	9
Trade	8	10
Transportation, hotels and restaurants	7	6
Information and communication	1	0
Finance and insurance	2	2
Real estate	14	13
Other types of commerce	2	2
<b>Total commercial customers</b>	<b>47</b>	<b>46</b>
<b>Retail customers</b>	<b>44</b>	<b>44</b>
Total	100	100

**12 Bonds at fair value**

Government bonds	0	0
Mortgage bonds	562,525	623,306
Other bonds	92,008	97,749
<b>Total</b>	<b>654,533</b>	<b>721,055</b>

of which Dkr 50,000,000 has been deposited as security at Danmarks Nationalbank

**NOTES ON THE BALANCE SHEET**

(DKr 1,000)

2013

2012

<b>13</b>	<b>Shares, etc.</b>		
	Shares/unit trusts listed on Nasdaq OMX Copenhagen A/S	16,145	10,164
	Unlisted shares noted at fair value	30,681	27,356
	Unlisted shares noted at cost	1,000	1,000
	<b>Total</b>	<b>47,826</b>	<b>38,520</b>
<b>14</b>	<b>Owner-occupied property</b>		
	Re-assessed value at start of year	187,447	191,478
	Inflow, including improvements	10,790	3,188
	Outflow during the year	0	- 1,300
	Depreciation	- 5,143	- 5,036
	Change in value included in Comprehensive Income	- 2,323	1,152
	Change in value included in Income Statement	-1,500	- 2,035
	<b>Re-assessed value at end of the year</b>	<b>189,271</b>	<b>187,447</b>
	There is no public assessment of land and buildings in Greenland.		
<b>15</b>	<b>Other tangible assets</b>		
	Total cost price at start of year	<b>35,986</b>	<b>32,765</b>
	Inflow	1,331	3,221
	<b>Total acquisition price at end of the year</b>	<b>37,318</b>	<b>35,986</b>
	Depreciation and impairments at start of year	27,139	23,372
	Depreciation for the year	3,741	3,767
	<b>Total depreciation and impairments at end of the year</b>	<b>30,880</b>	<b>27,139</b>
	<b>Booked holdings at end of the year</b>	<b>6,438</b>	<b>8,847</b>

**NOTES ON THE BALANCE SHEET**

(DKr 1,000)

2013

2012

<b>16</b>	<b>Debt to credit institutions and central banks</b>		
	Debt on demand	23,412	25,486
	Up to and including 3 months	0	0
	More than 3 months and up to and including one year	0	0
	More than one year and up to and including 5 years	0	0
	More than 5 years	25,000	25,000
	<b>Total</b>	<b>48,412</b>	<b>50,486</b>
	Debt to central banks	23,350	25,478
	Debt to credit institutions	25,062	25,008
	<b>Total</b>	<b>48,412</b>	<b>50,486</b>
<b>17</b>	<b>Deposits and other debt</b>		
	On demand	3,585,630	3,315,764
	Deposits on notice:		
	Up to and including 3 months	290,222	278,318
	More than 3 months and up to and including one year	44,404	112,803
	More than one year and up to and including 5 years	61,978	55,164
	More than 5 years	13,935	15,400
	<b>Total</b>	<b>3,996,169</b>	<b>3,777,449</b>
	On demand	3,193,056	2,914,436
	Deposits on notice	287,401	425,228
	Time deposits	416,201	337,165
	Special categories of deposits	99,511	100,620
	<b>Total</b>	<b>3,996,169</b>	<b>3,777,449</b>
<b>18</b>	<b>Reserves for deferred tax</b>		
	Movements for the year in deferred tax are calculated as follows:		
	Deferred tax at start of year	56,291	53,998
	Deferred tax for the year included in the Income Statement	- 2,427	1,931
	Regulation of deferred tax concerning items from shareholders' equity	3,529	362
	<b>Total</b>	<b>57,393</b>	<b>56,291</b>
	Deferred tax for:		
	Owner-occupied property	56,800	59,608
	Operating equipment	788	1,146
	Bank's own shares	- 195	- 4,463
	<b>Total</b>	<b>57,393</b>	<b>56,291</b>

**NOTES ON THE BALANCE SHEET**

(DKr 1,000)

2013

2012

**19 Share Capital**

The bank's share capital consists of 1,800,000 DKr 100 shares

**Own shares**

At the start of the year

Number of own shares	39,475	39,475
Nominal value in DKr 1,000	3,948	3,948
Percentage of share capital	2.19	2.19

Inflow

Number of own shares	215	0
Nominal value in DKr 1,000	461	0
Percentage of share capital	0.25	0
Total purchase price	138	0

Outflow

Number of own shares	21,363	0
Nominal value in DKr 1,000	2,576	0
Percentage of share capital	1.43	0
Total sales price	13,550	0

At the end of the year

Number of own shares	18,327	39,475
Nominal value in DKr 1,000	1,833	3,948
Percentage of share capital	1.01	2.19

During the year, the bank acquires its own shares only in connection with its customers' purchase and sale through the bank and to cover trades as part of a market-maker agreement.

The following own more than 5% of the bank's share capital:

TF Holding P/F	Kongabrugvin, Torshavn	14.58 %
The Government of Greenland	Nuuk	13.70 %
Nuna Fonden	Nuuk	13.33 %
AP Pension Life Insurance Company	Copenhagen	8.00 %
Unit Trust Nielsen Global Value	Copenhagen	5.56 %

According to the bank's major shareholder announcement of 1 February 2012, Wellington Management Company, USA, manages assets in The BANK of Greenland for a number of shareholders equivalent to 9.85% of the bank's share capital. None of these shareholders own more than 5% or more of the bank's share capital.

## SUPPLEMENTARY NOTES

(DKr 1,000)

	2013	2012
<b>20 Off-balance sheet items</b>		
Financial guarantees	9,071	14,236
Loss guarantees on mortgage credit loans	531,686	434,677
Registration and conversion guarantees	86,571	150,473
Other potential commitments	243,174	289,208
<b>Total</b>	<b>870,502</b>	<b>888,594</b>
<b>Other commitments</b>		
Irrevocable standby letters of credit	2,610	750
<b>Total</b>	<b>2,610</b>	<b>750</b>
<b>21 Foreign currency exposure</b>		
Total assets in foreign currency	60,097	266,492
Total liabilities in foreign currency	30,048	42,211
Foreign exchange exposure indicator 1	32,210	54,687
Foreign exchange exposure indicator 1 in percentage of core capital	4.02	7.14
Foreign exchange exposure indicator 2	76	34
<b>22 Interest risk</b>		
The bank holds fixed interest assets only in Danish Kroner.		
Interest risk on instruments of debt, etc.	4,495	9,263

## SUPPLEMENTARY NOTES

(DKr 1,000)

23	<b>Loans to Management</b>	<b>2013</b>	<b>2012</b>
	Loans, liens, collateral or guarantees for:		
	Board of Management:		
	Loans, etc.	200	200
	Board of Directors		
	Loans, etc.	3,404	3,956
	Collateral	2,002	2,795
	The average interest amounts to:	4.0 %	4.0 %

## 24 Derivatives

### **Fixed interest loans hedged by interest swaps**

The BANK of Greenland uses derivatives to hedge the interest risk of its fixed interest assets and commitments; these are measured at their amortised cost. When certain criteria are fulfilled, this hedge is treated, in the accounts, as coverage of the current value. The interest risk of the hedged assets and commitment is included in its fair value as an adjustment of the items covered. If the criteria for coverage are no longer fulfilled, the accumulated adjustment of values of the hedged item is re-deemed over the remaining life of the item.

### **Loans and Advances**

Amortised nominal value	120,682	114,689
Book value	142,965	143,582

### **Hedged by interest swaps**

Synthetic principal / nominal value	114,461	110,124
Book value	10,704	16,603

### **Fixed interest loans without hedging**

Amortised nominal value	14,712	24,314
Book value	17,698	30,580

Furthermore, The BANK of Greenland has entered into an agreement for an interest swap of DKr 35m for partial hedging of the interest risk on the bank's bond holdings.

---

**SUPPLEMENTARY NOTES**


---

 (DKr 1,000)
 

---

**25 Derivatives**
**Unsettled spot transactions**

<b>2013</b>	<b>Nominal value</b>	<b>Positive market value</b>	<b>Negative market value</b>	<b>Net</b>
<b>Bond spot</b>				
Purchases	0	0	0	0
Sales	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Share spot</b>				
Purchases	17	0	1	1
Sales	17	1	0	1
<b>Total</b>	<b>34</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Total spot transactions</b>	<b>34</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2012</b>				
<b>Bond spot</b>				
Purchases	0	0	0	0
Sales	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Share spot</b>				
Purchases	377	1	3	2
Sales	376	3	1	2
<b>Total</b>	<b>753</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>Total spot transactions</b>	<b>753</b>	<b>4</b>	<b>4</b>	<b>0</b>

**26 Fair value of financial assets and liabilities**

Financial instruments are measured on the balance sheet at fair value or amortised cost.

The fair value is that amount which a financial asset can be traded at, or that amount which a financial commitment can be redeemed at between willing and independent parties. For financial assets and commitments priced on active markets, the fair value is calculated on the basis of observing the market price at the balance sheet date. For financial instruments which are not priced on active markets, the fair value is calculated on the basis of commonly recognised pricing methods.

In the accounts, shares, etc. and derivatives are measured at their fair value so that included values are equivalent to fair value. Unlisted capital holdings are measured at cost with a deduction for impairments.

For loans and advances, impairments are judged to be equivalent to changes in the quality of the credit. The difference between impairments and fair value is deemed to be two-fold: 1) charges and provisions receivable which do not become due until after the end of the financial year, and 2) for fixed-interest loans, the price adjustments which are dependent on interest rates which are, in turn, calculated by comparing the current market interest with the nominal interest on the loan.



## SUPPLEMENTARY NOTES

(DKr 1,000)

The fair value of claims on credit institutions and central banks is calculated by the same method as for loans, since the bank has not yet impaired any claims on credit institutions and central banks.

The difference between variable-rate financial obligations such as deposits and debt to credit institutions measured at amortised cost and fair value is deemed to be interest owed which does not come due until after the end of the financial year.

Financial instruments included at amortised cost:

	2013	2013	2012	2012
	Amort. cost	Fair value	Amort. cost	Fair value
Claims on credit institutions and central banks	496,620	496,715	428,788	428,847
Loans, advances and other claims	2,874,931	2,886,304	3,044,942	3,057,396
Debt to credit institutions and central banks	48,412	48,522	50,486	50,592
Deposits and other debt	3,996,169	3,997,303	3,777,449	3,778,749

### 27 Sensitivity indicators

In connection with the bank's monitoring of market risk and the calculation of an adequate capital base, a number of sensitivity calculations are made including the following market risk variables:

#### Interest risk:

Sensitivity calculations of the bank's interest risk are based on the interest risk key figure that is reported to the FSA. This key figure demonstrates the effect on core capital after deduction by changing the interest rate 1 percentage point, equivalent to 100 base points. This calculation demonstrates that if the average interest on 31 December 2013 had been 100 basis points higher, the profit would, all things being equal, have been DKr 4,495,000 lower (in 2012, DKr 9,263,000 lower) primarily as a result of a negative regulation of fair value of the bank's holdings of fixed interest bonds.

#### Foreign currency risk:

Sensitivity calculations of the bank's foreign currency risk are based on foreign currency indicator 1 that is reported to the FSA. Foreign currency indicator 1 is an expression of a simplified measurement of the bank's positions in foreign currency, and it is calculated as the largest of the sum of all short foreign currency positions and the sum of all long foreign currency positions. If, on 31 December 2013, the bank had had a loss on its foreign currency positions of 2.5% on foreign currency indicator 1, the profit on ordinary activities would, all things being equal, have been DKr 805,000 lower (2012 DKr 1,367,000 lower) primarily as the result of foreign currency regulation on the bank's holdings of foreign currency.

#### Share risk:

If the value of the bank's share holdings on 31 December 2013 had been 10% lower, the profit on ordinary activities for the year would, all things being equal, have been DKr 4,783,000 lower (2012 DKr 3,852,000 lower) as the result of negative regulation of the fair value of the share portfolio.

#### Property risk:

If the value of the bank's property on 31 December 2013 had been 10% lower, the negative value regulation of property would have, all things being equal, amounted to DKr 18,927,000 before tax (2012 DKr 18,745,000 lower).

## SUPPLEMENTARY NOTES

(DKr 1,000)

### 28 Credit Risk

#### Maximum credit exposures

	2013	2012
Cash on hand and claims on demand with central banks	696,491	314,246
Claims at credit institutions and central banks	496,620	428,788
Loans and advances at amortised cost	2,874,931	3,044,942
Bonds at fair value	654,533	721,055
Shares, etc.	47,826	38,520
Other assets including derivatives	88,125	79,834
Off-balance sheet items		
Guarantees	870,502	888,594
Letters of credit	2,610	750

The allocation of the items “Loans, advances and other claims at amortised cost” and “guarantees” appears in note 11.

#### Description of collateral:

The majority of The BANK of Greenland’s loans and advances has been secured by means of liens in real estate (private housing, office buildings, and other commercial property), in movable property (vehicles, operating equipment and the like), in fishing rights, in securities (shares, bonds and unit trusts), in cash deposited in banks, guarantees from other credit institutions or public authorities and by means of exposures in companies and sureties from the companies’ owners.

In principle, collateral is assessed on the basis of an estimated trade value at the following rates unless there are significant indicators justifying a lower assessment.

- Private apartment houses – approximately 75% depending on the condition of the building, its location and assessed marketability
- Commercial property – approximately 60% depending on the type of property, its condition, location and assessed marketability
- Easily sold securities – 50-90% of the official price
- Movable property, vehicles, boats, etc. – approximately 75% depending on type, age and condition
- Fishing vessels – approximately 60% depending on type, age and use
- Fishing rights – 0-60% depending on the lifetime of the right and the species of fish.

An evaluation of the value of the collateral is made on an on-going basis.

The risk-weighted assets are not reduced by the value of the liens in real estate because, in Greenland, there is no public assessment of land and buildings.

#### Credit quality on loans that are neither in arrears nor impaired:

For loans where no individual impairments have been made, group impairments are made. They are made on the basis of a model developed by the Danish Association of Local Credit Institutions. Apart from the calculated impairment, a further impairment is made as part of a management estimate. The aggregate impair-

## SUPPLEMENTARY NOTES

(DKr 1,000)

ment shows the value regulation required to arrive at the value of the loans that have not been impaired individually.

An on-going evaluation is made of the value of those credit exposures that would be in arrears or impaired if the conditions attached to the credit were not re-negotiated. If the bank judges that the value of the credit exposure has deteriorated, a value regulation will be made. Thus, there is no reason to reevaluate the value of those credit exposures that have not already been value regulated by individual evaluation.

### Amounts in arrears for unimpaired loans

	2013	2012
0-90 days	12,656	12,944
> 90 days	1,382	1,319
Total	14,038	14,263
Value of the collateral for loans in arrears	2,905	2,390

### Impaired loans:

Allocation of individually impaired loans (% allocation)	2013	2012
Public Authorities	0	0
Corporate	51.7	46.7
Retail	48.3	53.3

Impairments are made on individually evaluated loans when there is an objective indication that the loan will deteriorate in value, thus effecting the expected future payments. Objective indication that value deterioration is presumed to have occurred at least when 1) a borrower finds himself in significant financial difficulty, 2) a borrower breaches his contract, e.g. by not paying principal and interest as agreed, 3) the borrower has been granted easing of the conditions in his contract which would not have been considered if the borrower had not found himself in financial difficulty, 4) it is probable that the borrower will go bankrupt or be subjected to a other form of financial reconstruction. Most of the individual impairments are the result of the debtor's significant financial difficulties.

### Value of loans and advances on which individual impairments have been made

Reason for Impairment	2013			2012		
	Credit exposure before impairment	Impairment	Collateral	Credit exposure before impairment	Impairment	Collateral
Bankruptcy	4,342	3,270	800	5,353	4,490	750
Debt collection	23,122	19,162	3,960	29,139	25,612	2,648
Financial difficulties	150,313	43,675	50,469	78,053	19,988	41,750
Total	177,777	66,107	55,229	112,545	50,090	45,148

### Concentration risk:

The bank's risk concentration for loans and guarantees is part of its credit risk management. The bank wishes to find an appropriate spread of loans and guarantees to commercial as well as retail customers, with max 65 % to commercial customers. Furthermore, the bank seeks a balanced spread of its loans and guarantees among the various lines of business among its commercial customers, and where no sector of trades is larger than 15 %. The bank finds this spread appropriate in light of the potential range of business opportunities in the bank's market area.

## SUPPLEMENTARY NOTES

(DKr 1,000)

Exposures with one customer or a group of associated customers may not, after deduction of special secured claims, exceed 25% of the bank's basis capital in accordance with the Danish Financial Business Act §145. The FSA receives quarterly reports of these figures.

### Credit exposures accounting for 10% or more of the capital base:

	2013	2012
Major exposures – number	5	7
Larger than 20% of capital base	0	0
15-20% of capital base	0	2
10-15% of capital base	5	5
Percentage of capital base	58.7	93.2

### Loans and other claims with objective likelihood of value deterioration included in the balance sheet with an accounting value greater than zero

in DKr 1.000	2013	2012
Loans before impairment	188,655	255,001
Impairments	57,359	26,748
Balance of loans after impairments	131,296	228,253

---

## MANAGERIAL POSITIONS

---

In accordance with the Executive Order on Accounts clause 132a, the annual report must contain information about the managerial positions held by the members of the listed credit institution's Board of Directors and the Board of Management in other companies.

In accordance with the Danish Financial Business Act clause 80, section 8, the bank must, at least once every year, publish information on the positions approved by the Board of Directors for persons who, by law or articles of association, have been employed by the Board of Directors, cf. Danish Financial Business Act clause 80, section 1. There is more information about these matters on [www.banken.gl](http://www.banken.gl).

Concerning the members of the Board of Directors and the Board of Management at The BANK of Greenland, the following information was available at the time of the publication of the annual report:

### **Gunnar í Liða, Managing Director**

Born 13 April 1960

Elected to the Board of Directors 6 April 2005. Most recently re-elected in 2013

Member of the Board at:

TF Holding P/F (chairman)

Tryggingarfelagið Føroyar P/F (chairman)

Eik Bank P/F (deputy chairman)

Hotel Føroyar P/F (chairman)

Gunnar í Liða has a degree in political science and has, from 1988 until 2010, been employed in the financial sector on the Faroe Islands. He was managing director in the Faroes' largest insurance company until 2010 at which point he resigned. Furthermore, Gunnar í Liða has broad experience as board member in a number of Faroese companies with particular insight into North Atlantic economy and financing.

### **Kristian Lennert, Managing Director at INUPLAN A/S**

Born 30 November 1956

Elected to the Board of Directors 8 April 2003. Most recently re-elected in 2012

At the end of 2013, he held ten shares in The BANK of Greenland.

Managing Director at the real estate company Issortarfik Aps

Member of the Board of Directors at:

Nuna Consult A/S Ingeniørret Siunnersuisartut

Royal Arctic Line A/S (deputy chairman)

Kristian Lennert (MSc – construction engineer) and, since 1984, an employee at INUPLAN A/S; since 2002, its managing director. Furthermore, Kristian Lennert has a great deal of experience from his board work in Greenlandic companies, and, through his various positions, he has acquired insight into Greenland's economic and social situation, in particular within the areas of building and construction.

---

## MANAGERIAL POSITIONS

---

**Frank Olsvig Bagger,  
Managing Director at Ilulissat TV & Radio ApS**

Born 22 April 1970

Elected to the Board of Directors on 2 April 2008. Most recently re-elected in 2012

At the end of 2013, he held 25 shares in The BANK of Greenland

Member of the Board and Managing Director at:

Tankeeraq ApS

Ilulissat Marine Service ApS

Frank Olsvig Bagger founded Ilulissat Radio & TV in 1994. Since then, Frank Olsvig Bagger has been commercially active in Greenland, particularly in retail sales but also in several other lines of business.

**Anders Brøns, Managing Director at  
Polar Seafood Greenland A/S**

Born 22 December 1949

Elected to the Board of Directors 10 April 1997. Most recently re-elected in 2012

At the end of 2012, he held 12,687 shares in The BANK of Greenland.

Member of the Board of Directors and Managing Director at:

Polar Seafood Greenland A/S

Nilak ApS

Member of the Board of Directors at:

Minikka A/S (chairman)

Polar Raajat A/S (chairman)

Polar Seafood Denmark A/S

Polar Salmon A/S

Imartuneq Trawl A/S

Qalut Vónin A/S

Upernavik Seafood A/S (chairman)

Sigguk A/S (chairman)

Uiloq Trawl A/S (chairman)

Narsaq Seafood A/S (chairman)

Qajaq Trawl A/S (chairman)

Maniitsoq Raajat ApS (chairman)

Nuuk Fish ApS (chairman)

Polar Pelagic A/S (chairman)

Ejerforeningen B2216

Anders Brøns is commercially trained, and, since 1984, has worked primarily in the deep-sea fishing business as managing director in the Polar Seafood Group since 1984 and as a member of the fishing industry's organisations since 1977.

---

## MANAGERIAL POSITIONS

---

### **Allan Damsgaard, Head of Customer Services The BANK of Greenland A/S**

Born 13 November 1951  
Elected to the Board of Directors 23 March 2011

At the end of 2013, he held 363 shares in The BANK of Greenland.

### **Yvonne Kyed, Customer Advisor The BANK of Greenland A/S**

Born 29 January 1970  
Elected to the Board of Directors 23 March 2011

### **Jette Radich, Controller The BANK of Greenland A/S**

Born 26 January 1953  
Elected to the Board of Directors 28 March 2007. Most recently re-elected in 2011.

At the end of 2013, she held 12 shares in The BANK of Greenland.

### **Vagn T. Raun, Managing Director**

Born 23 April 1950  
Elected to the Board of Directors 23 March 2011. Most recently re-elected in 2013.

At the end of 2013, he held 150 shares in The BANK of Greenland.

Vagn T. Raun has a degree in Advanced Economics and Finance from Aarhus University. From 1973 to 1977, he was employed at Danske Bank and from 1977 to 2011, he was employed at Danske Andelskassers Bank and Sammenslutningen af Danske Andelskasser – most recently as Managing Director until 1 August 2011. At the end of 2011, Mr. Raun retired. Moreover, he has been a member of a number of boards of directors at Danish financial institutions. Over the years, Mr. Raun has acquired significant insight into the financial sector and the special challenges facing the sector.

### **Lida Skifte Lennert, Head of Department**

Born 2 December 1971  
Elected to the Board of Directors 20 March 2013

Member of the Board of Directors at:  
Nuna Oil A/S

Lida Skifte Lennert graduated with a degree in Law from the University of Copenhagen in 1998 and has, since 2008, been Head of Department at the Government of Greenland's Representation in Brussels. Lida Skifte Lennert has gained considerable insight into the mining sector and into Greenland's international relations through her work at the Board of Directors of Nunaoil A/S, and through her experience from the Bureau of Mining and Petroleum, where she was stationed at DONG A/S and Phillips Petroleum's legal departments as well as through her Master of Laws degree from the Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee in Scotland.

---

## MANAGERIAL POSITIONS

---

**Martin Kviesgaard, Bank Manager**  
**The BANK of Greenland A/S**

Born 23 May 1966

Appointed to the Board of Management on 1 March 2006

At the end of 2013, he held 680 shares in The BANK of Greenland.

Member of the Board of Directors at:

Posthuset A/S

BEC, a.m.b.a.

Bird Protection Foundation



---

## INFORMATION ABOUT THE BANK OF GREENLAND

---

### **The BANK of Greenland**

Imaneq 33  
Postboks 1033  
3900 Nuuk

AS-reg.no. 39.070  
GER-no. 80050410

Domicile: Nuuk/Kommuneqarfik Sermersooq

Telephone: +299 70 12 34  
Telefax: +299 34 77 20

[www.banken.gl](http://www.banken.gl)  
[banken@banken.gl](mailto:banken@banken.gl)

### **Board of Directors**

Managing Director Gunnar í Liða, chairman  
Managing Director Kristian Lennert, deputy chairman  
Managing Director Frank Olsvig Bagger  
Managing Director Anders Brøns  
Head of Customers Services Allan Damsgaard \*)  
Customer Advisor Yvonne Kyed \*)  
Head of Department Lida Skifte Lennert  
Controller Jette Radich \*)  
Managing Director Vagn T. Raun

\*) Elected by the employees of The BANK of Greenland

### **Board of Management**

Martin Kviesgaard, Bank Manager

### **Accounting Committee**

Consists of the entire Board of Directors

### **Remuneration Committee**

Consists of the Chairman and Deputy Chairman of the Board of Directors and one employee-elected Board member.

### **Nomination Committee**

The Committee of Nomination consists of the Chairman and Deputy Chairman of the Board of Directors and one external member.

### **Auditors**

#### **Deloitte**

State Authorised Public Accountants  
Imaneq 33, Nuuk

---

## FINANCIAL CALENDAR AND ANNOUNCEMENTS TO NASDAQ OMX COPENHAGEN

---

### Financial calendar for 2014

Annual Report 2013	19 February
General meeting in Nuuk	19 March
Interim Report for first three months of 2014	23 April
Interim Report for the first six months of 2014	13 August
Interim Report for the first nine months of 2014	22 October

### Announcements to Nasdaq OMX Copenhagen in 2013

19 February	Annual Report 2012
1 March	Invitation to annual general meeting
6 March	Revised invitation to ordinary general meeting
15 March	Announcement of the Granting of Power of Attorney to the Board of Directors
20 March	Excerpts from minutes of the general meeting of The BANK of Greenland
23 April	Report for the first three months of 2013
14 August	Interim Report for the first six months of 2013
15 August	Financial calendar for 2014
23 October	Interim Report for the first nine months of 2013