

**ANNUAL REPORT 2016**

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GER no. 80050410

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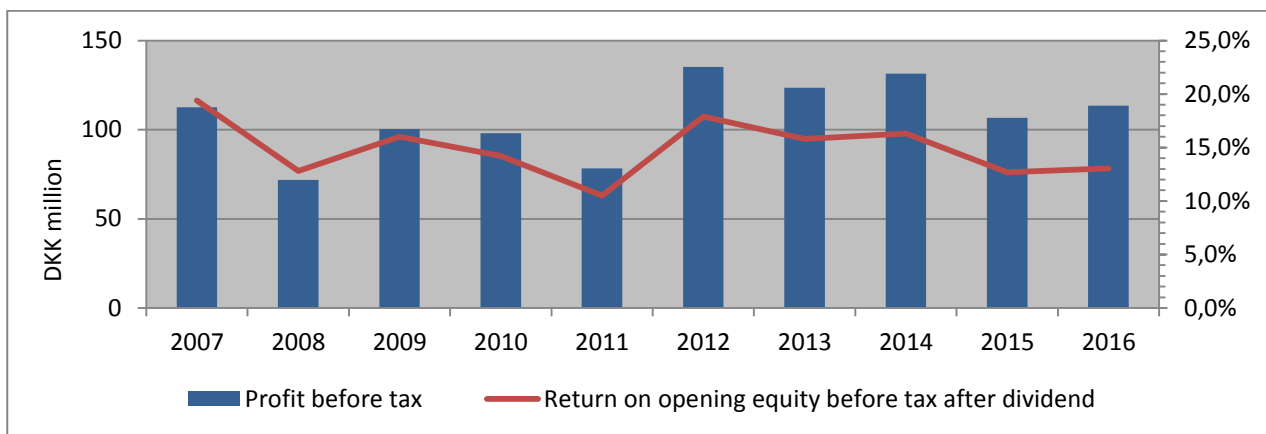
## ANNUAL REPORT IN BRIEF

### Satisfactory result for the BANK of Greenland in 2016 – Return on equity of 13.4% p.a.

The negative GDP development in Greenland in 2013-2014 has been followed by an economic upswing in 2015, and especially in 2016.

The BANK of Greenland achieved a profit of DKK 113.4 million before tax for 2016, compared to DKK 106.6 million in 2015. The return on opening equity after dividend and before tax was 13.4% p.a., which is considered to be satisfactory.

The profit before value adjustments and write-downs was DKK 140.3 million, with an increase of DKK 3.5 million from 2015. The result is thus at the high end of the estimate of DKK 125-145 million given by the Bank at the beginning of the year.



### Basic operations

From the start of the year, the Bank's basic operations were challenged by declining bond interest income, which for the full year was DKK 4.7 million lower than in 2015. At the same time, the negative interest rates in the money market and at Danmarks Nationalbank continued in 2016. The Bank was therefore obliged to impose negative interest rates on some of the Bank's largest deposits, which to some extent has compensated for the loss on placing liquidity in the money market.

For the first time in several years, the development in the Bank's lending gained momentum, but since this did not take place until Q4, the operating effect in the annual financial statements is limited. Increasing lending, improved deposit margins, higher dividend and expanding activity throughout the Bank have together improved revenue, quarter by quarter. Overall, there is a satisfactory increase of DKK 5.6 million in net interest and fee income.

On the cost side, the Bank is affected by rising IT costs and a number of costs related to a digitisation project, the conversion of two branches, and a major strategy project. On the other hand, write-downs and other operating expenses are declining, so that overall costs only increased by 0.6%.

### Limited losses and write-downs – but capital losses

Write-downs and provisions decreased from DKK 19.4 million to DKK 13.9 million. This reflects a low level of individual write-downs and an increase in group write-downs. For a number of years, total write-downs have thus been at a very moderate level, which documents the considerable financial robustness of the Bank's retail and business customers.

The Bank's liquidity is placed in the money market and in bonds, and in view of the prevailing negative interest rates, this leads to capital losses that are fully expected. In the first half-year, the Bank also suffered capital losses on its shareholding in Sparinvest Holding A/S. The total capital loss increased from DKK 10.8 million in 2015 to DKK 12.9 million in 2016.

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## ANNUAL REPORT IN BRIEF

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### **An exciting 2016**

There is no doubt that 2016 was a challenging year, and that the negative interest rates presented particular challenges. On the other hand, the Bank succeeded in significantly increasing its business scope. This is naturally very satisfactory, and proves the Bank's competitiveness and very strong market position in Greenland.

The first half-year was also affected by the Danish Financial Supervisory Authority's ordinary inspection in June 2016. It was the first inspection for four years and the inspection was extremely positive, with a final report which among other things documented the financial resilience of the Bank's customers.

In mid-2016, the Bank undertook major digitisation of a number of processes for the Bank's customers. We are convinced that this has contributed to the customers' experience of an active bank which also delivers a good customer experience via digital channels. This has also paved the way for further measures to streamline the Bank's processes.

In November, Inatsisartut (Greenland Parliament) approved that private citizens may establish tax-deductible pension savings schemes in banks, and also that pension savings schemes will be compulsory as from 2018. This is an important initiative in Greenland and, as for Danish banks, this is an area in which we must be a bank that can create good solutions for customers, with the potential for a significant new line of business for the Bank. In the last part of 2016 there was thus a strong focus on building up the pension area. On the other hand, we expect that this will not have a significant impact on our earnings until during 2017, and in particular as from 2018.

The economic upswing gained serious momentum during 2016. This resulted in the highest lending in the Bank's history. A number of major construction projects in large towns, increasing tourism and a strong fisheries industry contributed to the surge of optimism during the year.

2016 was also devoted to work on the BANK of Greenland's new strategy, with focus on growth and business development, and with the particular aim of developing the Bank, together with customers and society, to the even greater benefit of Greenland.

### **Balance sheet, capital and dividend**

Not only lending, but also deposits and guarantees, were at an "all-time high" at the end of 2016. Overall, this gave a business volume of DKK 9.1 billion, as a good basis for the new year.

For the fifth consecutive year, the Board of Directors recommends payment of dividend of DKK 55 per share, or a total of DKK 99 million. Despite paying the highest dividend rate in the sector, equity and the Bank's capital ratio are increased to 21.2%. The solvency requirement is 10.1% at the end of 2016. As the Bank expects to be designated as an SIFI institution in 2017, we assess that the capital ratio is appropriate and adequate at this level.

### **Outlook for 2017**

The economic development in Greenland is expected to show further improvement in 2017. The increase in activity at the end of 2016 is expected to lead to higher average lending in 2017. Continued uncertainty concerning the capital markets, declining bond yields and negative interest rates at Danmarks Nationalbank are still expected to affect the Bank, however.

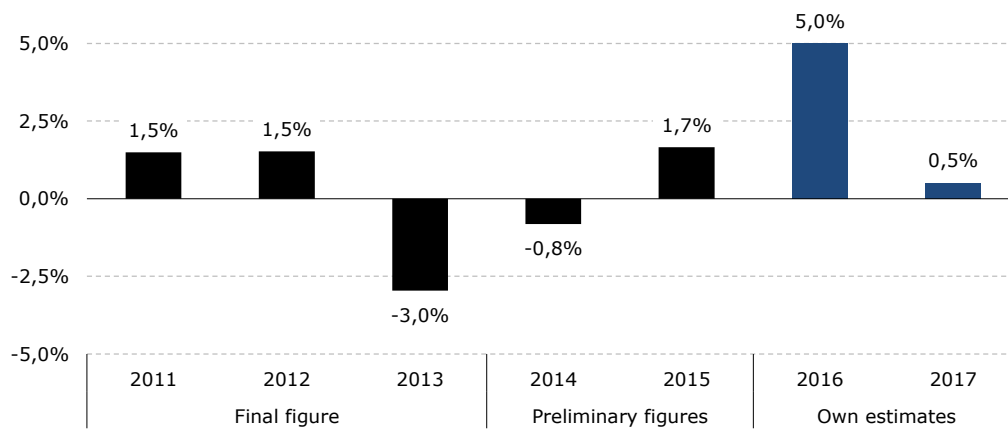
We also expect a number of costs related to IT development, including the pension concept. In addition, the Bank will celebrate its 50th anniversary in 2017. The Bank has the conservative expectation of a profit before value adjustments and write-downs at the level of DKK 125-145 million, while a moderate to low level of losses and write-downs is still expected.

Nuuk, 28 February 2017  
Martin Kviesgaard, Bank Director

## GREENLAND'S SOCIETY AND ECONOMY

Greenland is currently enjoying an economic upswing. The extent of the upswing is still uncertain, but the BANK of Greenland assesses that GDP increased by around 5.0% in 2016, equivalent to the latest forecasts from the Economic Council (4.6%) and the Government of Greenland (5.0% in FFL2017). The high level of activity appears to be continuing in 2017, with a growth rate in GDP terms of around 0.5% in 2017, cf. Figure 1.

**Figure 1 The economic development in Greenland**



Note: The Figure shows the real growth in GDP as a measure of value creation in Greenland. The real growth in GDP does not take account of income and transfers to and from abroad, or changes in purchasing power due to e.g. rising export prices compared to import prices.

Source: Statistics Greenland and own estimates.

The upswing is a consequence of three factors. *Firstly*, the prawn quota off West Greenland has been increased from 73,000 tonnes in 2015 to 85,000 tonnes in 2016 and 90,000 tonnes in 2017. The quota increase is to a small extent set off by a decline in prawn prices. 2016 was also a good year for halibut fishing, with increasing catches and stable prices. Mackerel and cod fishing made only a moderate contribution to growth in 2016. Overall, fisheries are estimated to have increased GDP by around 4% in 2016.

*Secondly*, increasing municipal construction budgets and the construction of, for example, a port in Nuuk, as well as the government-financed construction of a prison in Nuuk and court buildings in several coastal towns, contributed to activities in 2016. Once these projects are completed in 2017 and 2018 a small decline in construction activity is expected. Overall, construction is assessed to have contributed 0.5% points of GDP growth in 2016.

*Thirdly*, there are indications that private consumption and tourism contributed positively to GDP growth in 2016, and will continue to do so in 2017. Increasing operating costs under the Finance Act and municipal budgets may also have an expansionary effect in 2016 and 2017.

The upswing as such is positive and contributes to greater value creation in society and better public finances. It is nonetheless apparent that variable revenue, such as favourable fisheries prices and government-financed construction projects, leads to cost increases for both the Government and the municipalities, which use the extra revenue to increase consumption. This is problematic for two reasons.

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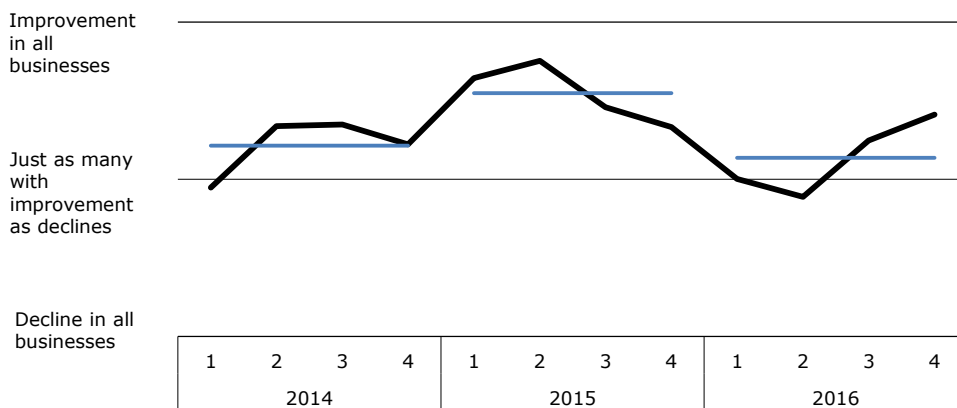
Firstly, the public-sector activity increases the pressure on the labour market during an economic upswing, which can lead to inappropriately high pay and price increases. Secondly, opportunities to handle downturns in less favourable years are reduced unless public finances are bolstered in the good years. The biggest concern is therefore that long-term sustainability is undermined. It is therefore surprising that, with the broad support of Inatsisartut (the Greenland Parliament), Naalakkersuisut (the Government of Greenland) has adopted a Finance Act for 2017 with a deficit over a four-year period. This gives particular grounds for concern in view of the demographic challenges which lie ahead, with large cohorts on their way out of the labour market and the great dependence on high fisheries taxes.

**Fisheries**

After historically high profits in the largest companies in 2015, it must be expected that fisheries will be affected by lower prawn prices during 2016. The increase in volume terms nonetheless has a positive effect, which is reflected in the feedback from the industry in the first half of 2016, cf. **Fejl!**

**Henvisningskilde ikke fundet.**Figure 2.

**Figure 2 Indicator of the development in fisheries**



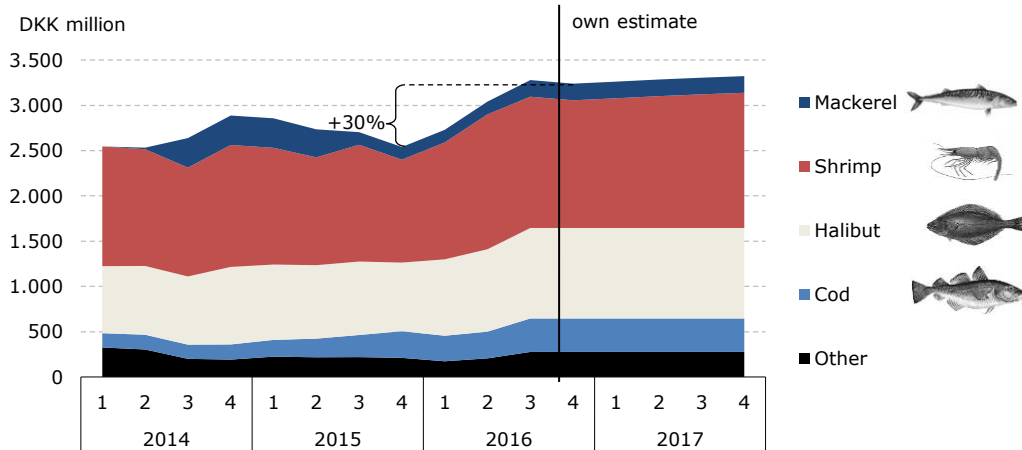
Note: A positive indicator means that more of the respondent companies indicated an improvement, rather than a reversal, in the current and coming quarter. The indicator does not show the extent of the improvement, but a higher figure implies that an increase was more probable. Every three months, 350 enterprises in Greenland are asked about the latest development in their activities. The indicator is calculated as an average of the net figures for the questions concerning the companies' "actual revenue", "expected revenue" and "investment plans". The net figure indicates the difference between the percentage figures for the "greater" and "smaller" responses. In the calculation, the companies are weighted according to their size, measured in terms of employment, and the companies are requested to take customary seasonal fluctuations into consideration in their responses. The blue lines indicate the annual average.

Source: Copenhagen Economics for the BANK of Greenland.

However, the latest statistical data indicates a significant upturn for fisheries in 2016 compared to 2015. Increasing catch volumes for all of the commercially largest species have overall increased the export value of fisheries by around 30% in 2016 compared to 2015, cf. Figure 3.

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**Figure 3 Annual value of fish exports**



Note: The Figure shows the total during the last four quarters, measured in current prices. Mackerel fishing takes place in Q3. For prawns, the estimate is based on unchanged prices, and a volume in Q4 2016 that gives an increase of 16% for 2016 overall compared to 2015, and a 6% increase in 2017. For all others, the estimate is based on the expectation of retained volumes and prices compared to the same quarter of the previous year.

Source: Statistics Greenland and own estimates.

This increase from 2015 to 2016 alone has generated extra revenue for the country that is equivalent to more than the overall annual revenue from foreign tourists in Greenland. This clearly illustrates the vital importance of fisheries to the economy, and thereby the importance of sound biological and economic management of the fishing industry.

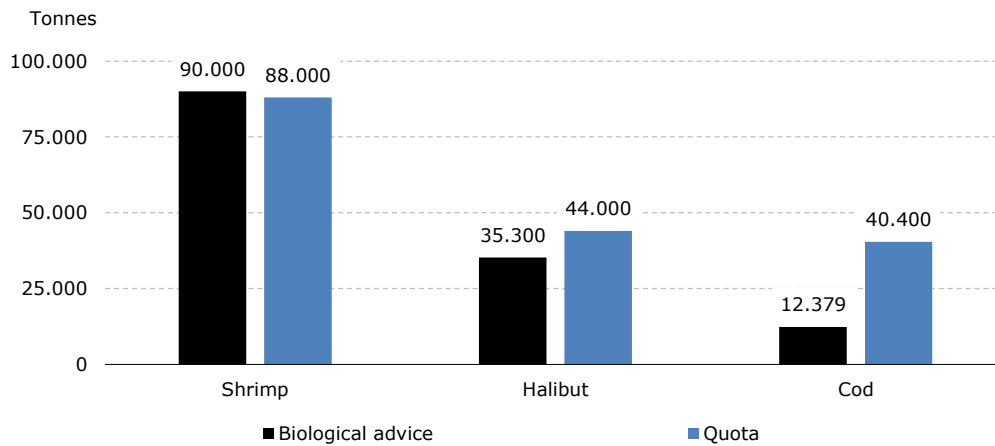
It is a source of concern that in just five years there have been six different Ministers of Fisheries, with different strategy courses for fisheries policy, without any significant changes having taken place. Changing political objectives, a lack of clarity and sudden announcements of changes to the framework conditions may discourage investors and make it more difficult to finance the industry.

It is positive that the advice of biologists is being followed in the two vital areas of prawn fishing and deep-sea halibut fishing. It is alarming, however, that the quotas for inshore halibut fishing and cod fishing have increased to a level which far exceeds the biological recommendations. The overall quota for halibut off West Greenland exceeded the biologists' recommendations by 25% in 2016. Within the inshore management areas quota-free areas with free fishing have also been created, and these are a further burden on stocks. For cod fishing off West Greenland, the quota was no less than 3.3 times greater than the biologists' recommendation in 2016, cf. Figure 4.

The long-term economic value of sustainable management is thereby undermined, in favour of short-term economic benefits. Another, perhaps overlooked, effect is that doubts concerning the sustainability of certain elements of fisheries may lead to financing restrictions.

GREENLAND'S SOCIETY AND ECONOMY

**Figure 4 Advice and quotas off West Greenland in 2016**



Note: The prawn quota consists of the actual quota of 85,000 tonnes and 3,000 tonnes for trial fishing in the Melville Bay. The halibut quota consists of the original inshore quota of 28,500 tonnes and the deep-sea quota of 15,000 tonnes, plus a 500-tonnes extra inshore quota allocated in December 2016. The cod quota consists of the original inshore quota of 26,000 tonnes plus an 8,000-tonnes extra inshore quota granted in October 2016, plus a 1,400-tonnes extra inshore quota granted in December 2016, and plus 5,000 tonnes for trial fisheries.

Source: Ministry of Fisheries and Hunting

For the second consecutive year, mackerel fishing off East Greenland was disappointing, with a catch of only 35,000 tonnes out of the year's quota of 85,000 tonnes. There may be a number of reasons for this, including the tax level, the timing of the quota allocations and inappropriate allocation criteria. Overall, there may thus be good reason to implement a new allocation model. It is positive that Greenland has now become a coastal nation in terms of participating in mackerel fishing. Ensuring the possibility of individually transferable quotas will give greater security and continuity, creating a basis for improved profitability.

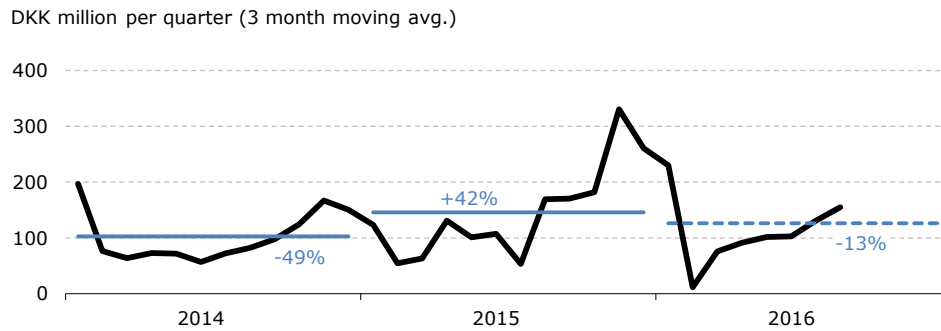
**Construction and the labour market**

Like 2015, 2016 was a good year for construction, with several major ongoing construction projects. Most of the construction activities are financed by the municipalities, the Danish State and the Greenlandic Government's capital expenditure. While the municipalities overall increased their construction budgets by as much as DKK 124 million or 38% from 2015 to 2016, consumption from the Construction and Renovation Fund appears to have fallen during the same period, according to the information so far, cf. Figure 5.



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**Figure 5 Consumption from the Construction and Renovation Fund**

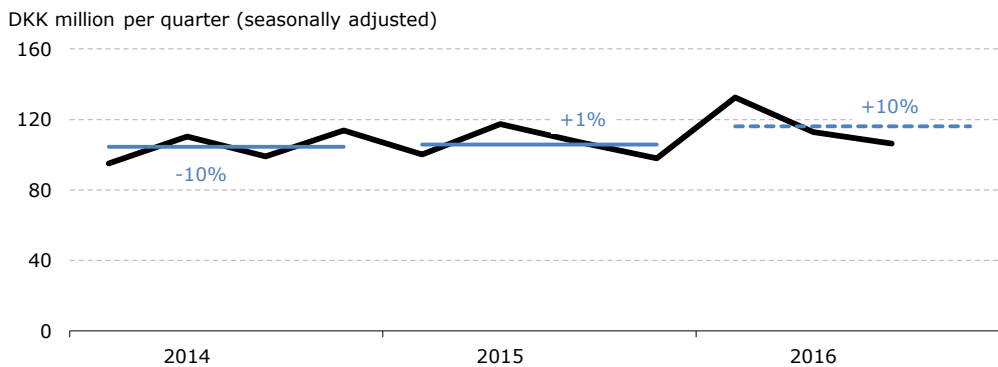


Note: The Figure shows the development in current prices. The blue lines indicate the annual average and the dashed line shows an annual average for 2016, if the development is level for the rest of the year.

Source: Statistics Greenland.

So far, the value of imports of construction materials indicates significant growth in overall construction in 2016 compared to 2015, cf. Figure 6.

**Figure 6 Import of construction materials**



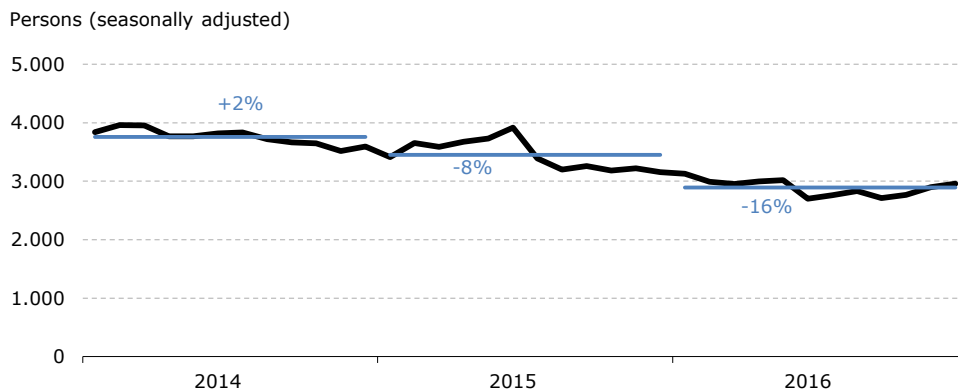
Note: The Figure shows the development in current prices in the value of goods imports classified by Statistics Greenland as "primarily for building and construction". Due to port and prison construction in Nuuk, the import element may be lower than normal, so that the actual growth in construction in 2016 may be even greater than the Figure indicates. The blue lines indicate the annual average and the dashed line shows an annual average for 2016, if the development is level for the rest of the year.

Source: Statistics Greenland and Copenhagen Economics for the BANK of Greenland.

The increased construction and fisheries activity increase the demand for manpower. The number of registered job seekers has consequently decreased significantly since mid-2015, adjusted for the customary seasonal fluctuations, cf. Figure 7.

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**Figure 7 Number of registered job seekers**

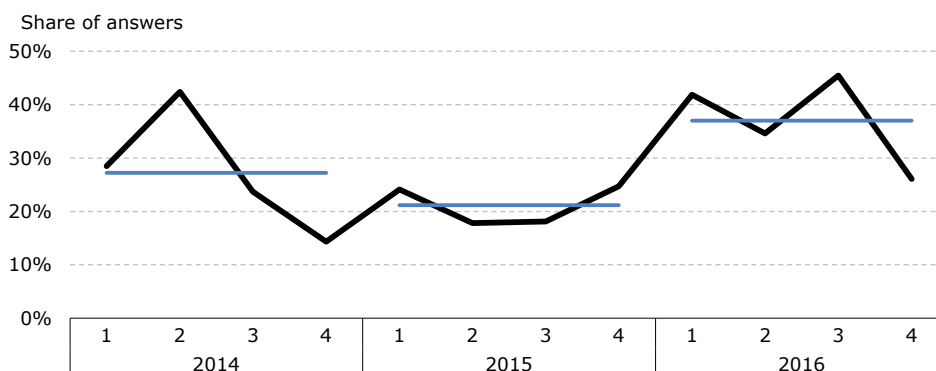


Note: The blue lines indicate the annual average.

Source: Statistics Greenland and Copenhagen Economics for the BANK of Greenland.

In view of the decrease in the number of registered job seekers, the actual unemployment of skilled workers and the unemployed with higher education and vocational training must today be expected to be close to zero. For example, less than 100 job seekers were registered as ready to take employment in Nuuk in the second half of 2016, which corresponds to less than 1% of the workforce. The remaining share of the registered job seekers are either not actually available to the labour market (in match groups 2 and 3), or do not have sufficient incentives to take a job or relocate to be able to take a job. This also clearly shows that there is the significant problem of a low level of education, since the rest of the unemployed are unskilled or part of the youth target group. One indication of these structural challenges in the labour market is that companies increasingly state a "shortage of manpower" as an impediment to increased production, cf. Figure 8.

**Figure 8 Companies' shortage of manpower**



Note: The Figure shows the proportion of participating companies (from all sectors) in Copenhagen Economics' quarterly questionnaire survey who state "Shortage of manpower" as a factor limiting growth. The responses are weighted according to the companies' size, measured by the number employed. The blue lines indicate the annual average.

Source: Copenhagen Economics for the BANK of Greenland.

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If there is a lack of adequately qualified manpower, this can mean that jobs can go to outsiders, pay levels are pushed up, international competitiveness is undermined, and construction prices can increase. Overall, more than ever before there is a need for reforms that make it more financially attractive to take a job, and to relocate to other towns where jobs are available, and to ease the influx of foreign manpower in periods when the labour market is under pressure, and raise the level of education.

A shortage of housing, especially in large towns, particularly Nuuk, is a major impediment to labour market mobility and thereby companies' access to skilled employees. This is reflected in the long waiting lists for rented housing. If there is a lack of available homes for the low- and medium-income groups in the larger towns, employees will be less inclined to move to where there are jobs. This will keep people on public benefits or in less productive jobs, and impede commercial development. A shortage of homes for young people and halls of residence for students may also prevent young people from gaining educational qualifications.

The shortage of housing is a direct consequence of the significant direct and indirect subsidies that are currently given for all types of housing. The artificially low rent levels for some publicly owned housing make it impossible in practice to maintain balance between supply and demand. Comprehensive housing and social reforms to ensure more cost-aligned rent levels and also compensate the lowest income groups by, for example, increasing housing benefits, would make private investment in both owner-occupied and rented homes more attractive. The supply of housing is not generally a task for the public sector, neither directly nor indirectly via subsidies. Reforms in this area would release considerable public funds for other areas such as education, social services and healthcare.

According to the 2017 Draft Finance Act, the Greenland Government expects to propose a housing reform in 2018, with the primary objective of reducing the overall subsidies in this area and also targeting public residential construction at the most disadvantaged groups.

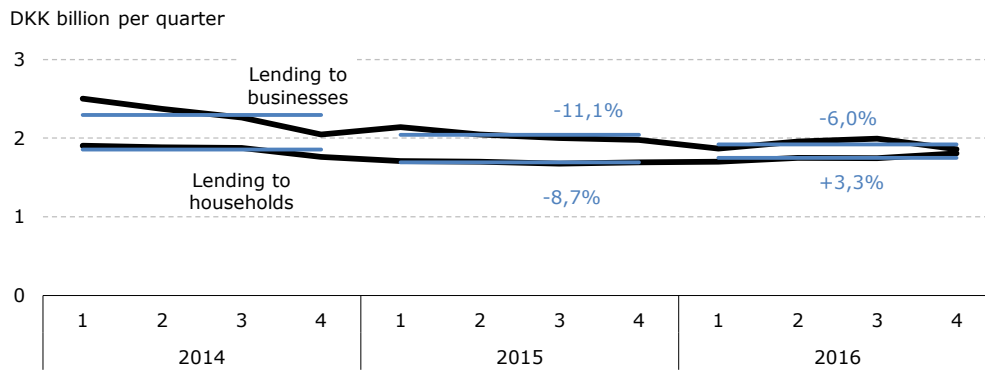
The construction of a new port in Nuuk and the Danish State's construction of a prison have had a great impact on construction activity in 2015 and 2016. Since both these and other projects are expected to be completed in 2017 and 2018, the BANK of Greenland expects a minor decline in construction, despite the trend for increased private construction. With the prospect of the completion of several major projects within a short time, it is vital that there are new, financially profitable projects ready to take their place. Opportunities exist, even though several are still subject to uncertainty. Urban development in Nuuk, the extension of airport runways in Ilulissat and Nuuk, and a new airport in Qaqortoq, are some of the potential new construction projects. On the other hand, there is the risk of a situation similar to 2013 and 2014, when construction employment declined by 580 people in the course of two years. To reduce fluctuations, it is vital that the municipal construction projects, as well as the Greenland Government's procurement tenders and publicly-owned enterprises' investments are, as far as possible, adapted to the prevailing cyclical situation. This makes high demands of the management of the Construction and Renovation Fund, coordination across government ministries, and cooperation with the municipalities.

### **Private consumption and tourism**

All indicators point to an increased propensity for consumption in Greenland in 2016. Private customers' demand for lending from the banks increased by a few per cent in 2016, cf. Figure 9. The decline in business lending continued in 2016, however, which may be due to a companies' low investment level. The bank believes, however, that in the last part of the year there are indications of an increased propensity for investment and borrowing.

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**Figure 9 The banks' lending**

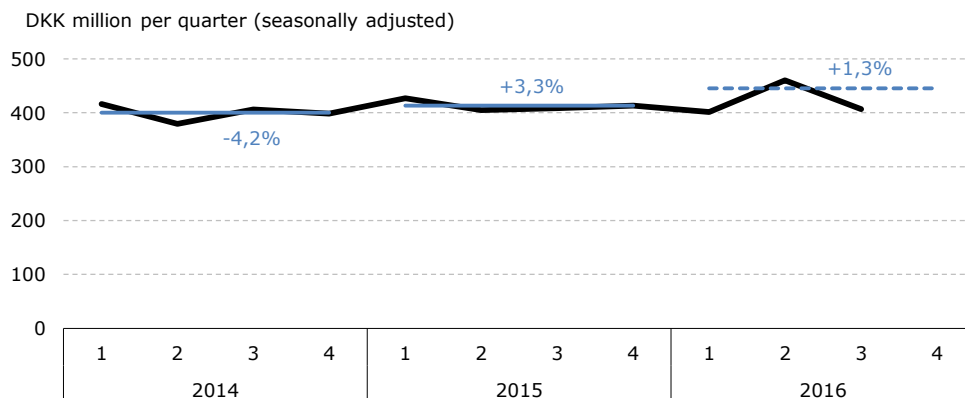


Note: The Figure shows the development in current prices in business lending (non-financial companies) and private residents in Greenland from banks in Denmark and Greenland. The blue lines indicate the annual average and the dashed lines show the annual average for 2016, if the development is level for the rest of the year.

Source: Statistics Greenland.

An increase in current settled income taxes of around 10% from 2014 to 2016 also indicates an increase in incomes, just as imports of consumer goods show that the increased incomes have pushed up consumption, cf. Figure 10.

**Figure 10 Import of goods for consumption**



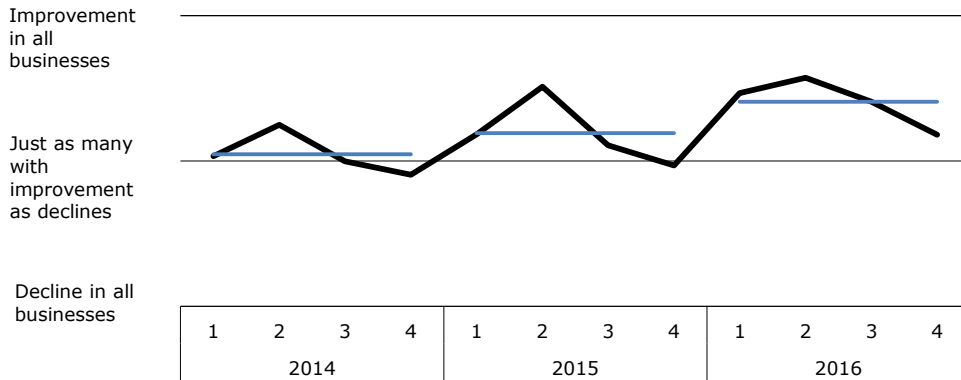
Note: The Figure shows the development in current prices in the value of goods imports, classified by Statistics Greenland as "primarily for direct consumption". Vehicles are not included in this classification. The blue lines indicate the annual average and the dashed line shows an annual average for 2016, if the development is level for the rest of the year.

Source: Statistics Greenland and Copenhagen Economics for the BANK of Greenland.

The increased propensity for consumption can be noted in the utility and service industries. More companies have indicated improvement in 2016 than in 2015, cf. Figure 11.

**GREENLAND'S SOCIETY AND ECONOMY**

**Figure 11 Indicator of the development in the private service industries**

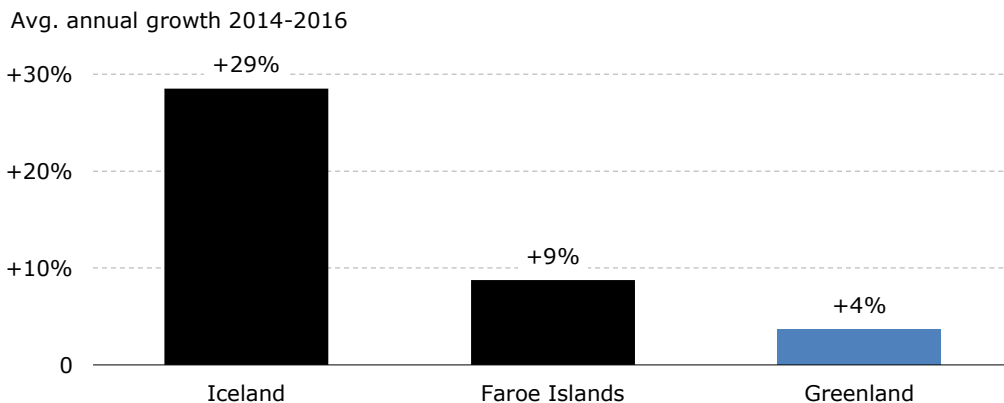


Note: Cf. the Note to Figure 2 "Private service industries" concern utility supplies, trade, hotels and restaurants, transport, telecom, financing and insurance, leasing and property intermediation, and business service and consulting.

Source: Copenhagen Economics for the BANK of Greenland.

Royal Arctic Line noted increased consumption in 2016 and expects the increased consumption to continue into 2017. Air Greenland reports expanded cross-Atlantic air travel and expects further increases in 2017. A large proportion of the growth in air travel is attributable to an increase in tourism. The number of foreign airline passengers to Greenland increased by 7.2% in the 2016 tourist season compared to 2015. The number of foreign-visitor hotel stays increased by 6% in the same period, and the key operators in the main tourist area in the Disko Bay all report record-high activity. There was a very modest increase in land-based tourism in Greenland, however, compared to recent years' development in Iceland and the Faroe Islands, cf. Figure 12.

**Figure 12 Growth in the number of foreign-visitor hotel stays**



Note: The Figure shows the average annual growth in the number of foreign-visitor hotel stays from the 2014 tourist season to the 2016 tourist season. The 2016 tourist season is from 1 October 2015 to 30 September 2016. While the occupation rate for hotels in Greenland was around 20% off-season and 50-60% in high season, the occupation rate has been consistently 20-30% points higher in Iceland, and exceeded 90% in the summer of 2016.

Source: Statistics Greenland, Statistics Faroe Islands and Statistics Iceland.

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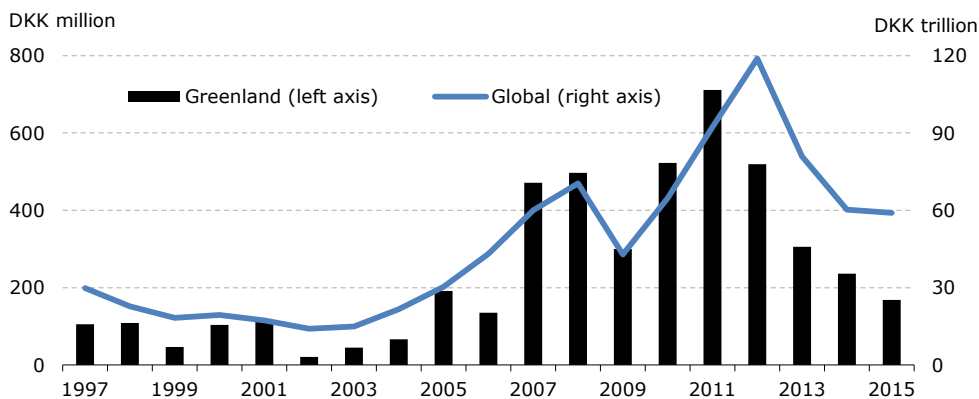
There is broad consensus that airport investments can significantly boost tourism. Yet the airports cannot do this alone. Companies must have access to qualified manpower, including from abroad. Private investment in hotels, restaurants and event and activity products are also needed, in order to utilise the potential. In the wake of new airports, new business opportunities can arise, as well as increased competition and completely new industries. In the longer term, this commercial development will finance the billion-krone investments. However, the investments must take place with due consideration of the Debt and Investment Strategy, and on a well-informed basis. The burden on the Treasury and the municipalities must be stated clearly, including the risks undertaken by the public sector for each investment.

**Natural resources**

In October 2016, LNS Greenland A/S took over the ruby project at Appaluttoq from the failed company TNG Greenland A/S. LNS Greenland A/S expects to be in operation at the start of 2017. Hudson Resources A/S expects to establish an anorthosite mine near Kangerlussuaq, with the opportunity for commissioning in the second half of 2017. It is positive that these two smaller projects are getting under way. This sends a signal to investors that Greenland can be a contender in the international competition. Finally, Ironbark has gained an exploration permit for the extraction of zinc and lead at Citronen Fjord in Northeast Greenland and efforts are now being made to establish financing.

With exploration activity currently on the back burner, however, there are less likely to be new mining projects not known to us today, in the short- and medium-term. It is not only in Greenland that exploration is on the back burner, as this is a global trend, cf. Figure 13.

**Figure 13 Mineral exploration costs**



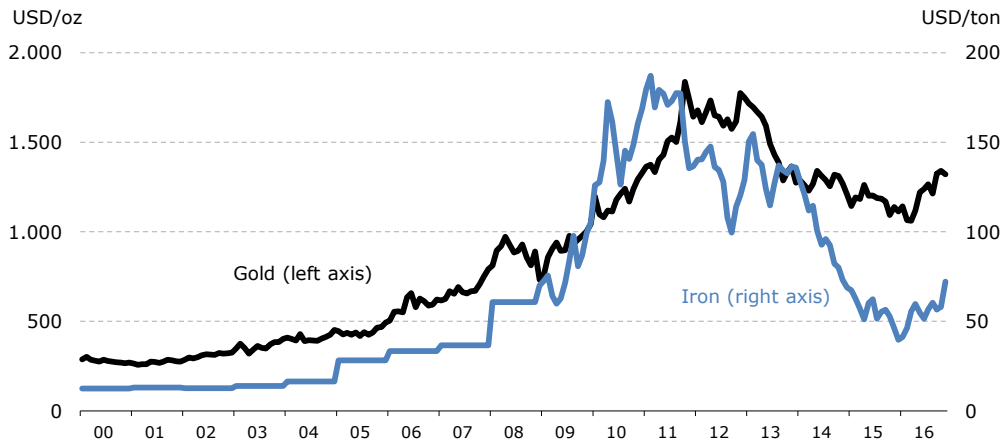
Note: The Figure shows the development in current prices.

Source: Statistics Greenland, Ministry of Mineral Resources and S&P Global Market Intelligence

The low level of exploration in the mining industry is due to how low global market prices for metals currently make exploration a less attractive investment proposition. During 2016, however, price declines were reversed to price increases. As rule of thumb, investments match prices with a lag of one year. Since gold and iron prices, for example, were both reversed during 2016, cf. Figure 14, this indicates increased exploration activity in 2017.

GREENLAND'S SOCIETY AND ECONOMY

**Figure 14 Mineral prices**



Note: Gold is among the metals that react first, and is thus a good indicator of the general development.  
 Source: bullionvault.com and indexmundi.com

The Government of Greenland's coalition agreement emphasises the necessity of *"creating optimum framework conditions for the minerals sector, to make the country attractive to investors"* (p. 9), and that this objective must be supported by an international team of experts as the advisory body in the minerals sector. It is vital to put the ideas into practice and make a targeted and unbiased effort to make Greenland an attractive mining country.

A targeted strategy may also entail attractive taxation rules exceeding those applying to other industries, and effective and transparent public administration. There must also be terms and a framework that make exploration particularly attractive. The BANK of Greenland will clearly recommend explicit action to ensure that we are attractive to foreign investors. The countries with which we compete are currently engaged in improving their competitiveness and Greenland must not be left at the back of the queue in the next investment wave within the minerals sector. Yet it is then even more important that investors can operate and have the opportunity to ensure attractive investment returns. Greenland will only be able to achieve a breakthrough as a minerals country if Greenland can document mines with attractive returns for investors.

For a layman, it is impossible to assess whether the authorities impose excessively stringent requirements on the mining companies. On the one hand, the authorities must safeguard society's interests and ensure the greatest possible benefits from our natural resources. On the other hand, the companies report that they encounter mistrust, excessively stringent requirements and protracted case processing times.

Yet both the authorities and the companies report that case processing *has* improved in recent years. The mining companies are regarded as partners to a greater extent than before. Part of the solution, going forward, may be to clarify the statutory framework under which the authorities operate. Today, the Natural Resources Act is widely open to interpretation. The legislation can be made more specific, for example, via orders or model exploration licences, to reduce uncertainty as to the interpretation of legislation.

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## GREENLAND'S SOCIETY AND ECONOMY

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### Foreign investments

It is positive that the new coalition agreement appears to include increased openness towards external investors. Yet there is a need to walk the talk, whether this concerns the minerals area, fisheries, tourism, infrastructure or housing. An example to illustrate this issue is the marketing of Greenland to foreign investors, while the same investors encounter a wall of mistrust when the investment situation becomes more specific. Another example is the opportunity to increase investment in residential construction, for instance by using foreign pension companies' significant assets, yet the current housing policy framework prevents ordinary business investments in this area.

Foreign investments in Greenland increase the capital stock and productivity, and thereby the country's welfare. In addition, foreign investors often have specific know-how and new knowledge that can be transferred to the local workforce. As a society, we will miss out on major benefits if we are not sincerely open to the world around us and to foreign investment.

### The national economy

The fluctuations in economic activity can be noted particularly among the municipalities, which receive 75% of personal income tax revenue and account for the largest share of social transfers. After several years with a constrained economic situation in the municipalities, in 2016 and 2017 all of the municipalities have budgeted for increasing revenue and positive results, despite increasing capital expenditure, cf. Table 1.

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**Table 1 The municipalities' budgets**

DKK million	2015	2016	2017	2018	2019
Revenue	4,073	4,183	4,244	4,189	4,192
Operating expenditure	-3,672	-3,700	-3,746	-3,744	-3,756
Capital expenditure	-329	-453	-427	-402	-368
<b>Result</b>	<b>+73</b>	<b>+31</b>	<b>+71</b>	<b>+43</b>	<b>+68</b>

Note: Positive figures reflect a profit.

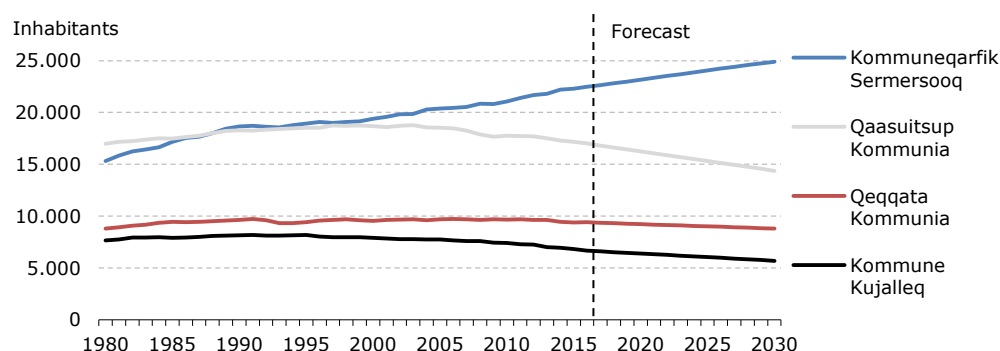
Source: Kommuneqarfik Sermersooq and Qeqqata Kommunia's 2017 budgets, Kommune Kujalleq's 2016 budget, and Qaasuitsup Kommunia's 2015 budget report and 2016 budget.

In view of the latest cyclical outlook, there is every indication that the municipalities will come out of 2016 with higher surpluses than budgeted. This will allow for increased consolidation, or long-term investments. With the prospect of continued population growth, cf. Figure 15, Kommuneqarfik Sermersooq in particular faces major investments in housing, institutions and infrastructure.



## GREENLAND'S SOCIETY AND ECONOMY

**Figure 15 Population settlement**



Note: Kommuneqarfik Sermersooq's objective is to reach a population of 30,000 in 2030, cf. the municipality's capital city strategy. From July 2015 to July 2016 the population of Nuuk increased by 440 people.

Source: Statistics Greenland's 2016 projection

The economic upswing creates a basis for a Treasury surplus. For example, the revenue from fisheries taxes developed from DKK 49,000 in 2005 to a total of DKK 211 million in 2015. In FL2017, the assumption for 2017-2020 is total revenue from the prawn tax and taxes on halibut and other pelagic species of no less than DKK 288 million per annum.

Nonetheless, the politicians have not succeeded in fulfilling the Government of Greenland's objective for the OI balance to be at equilibrium over a four-year period. While the previous coalition budgeted for zero on the OI balance from 2017 to 2020 in the Finance Bill for 2017 (FFL2017), in the Finance Act for 2017 (FL2017) the new coalition budgets for a deficit of DKK 145 million from 2017 to 2020, cf. Table 2.

**Table 2 OI balance in FFL2017 and FL2017**

DKK million	2014	2015	2016	2017	2018	2019	2020	2014-2017	2017-2020
FFL2017	-222	+137	-57	+33	-27	+36	-42	-109	+0
FL2017	-222	+137	-57	+22	-55	-14	-98	-120	-145

Note: Negative figures (in red) reflect a deficit.

Source: FL2017 and FFL2017

Considering the 2014-2017 period retrospectively, on the basis of the actual figures, there is also a four-year deficit of DKK 120 million in FL2017.

Even though there is much to indicate that 2016 will end with a considerably better result, we find it both extremely surprising and alarming that there is a lack of political decision-making power to achieve a budgeted surplus over four years, even during an economic upswing, when tax revenue is high and the costs of public subsidies are low. This gives particular cause for concern in view of the challenges that lie ahead, with an increasing number of elderly people and fewer of working age, and it also reduces the scope for long-term investment in infrastructure, education, housing, etc. The considerable structural imbalance also clearly emphasises the need for reforms.

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## GREENLAND'S SOCIETY AND ECONOMY

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It is positive, on the other hand, that the public debt is still very modest. The municipalities and Government do not have net debt, but including government-owned enterprises, the net interest-bearing debt totalled approximately DKK 1.9 billion in 2015, which corresponds to approximately 13% of GDP. New indebtedness is moderate, particularly in view of companies' ongoing consolidation. New settlement vessels for Royal Arctic Line, marine cable extension and expansion of the radio chain at Tele Greenland, together with the completion of the new port in Nuuk, will increase the overall new indebtedness in the future, to DKK 3 billion in 2018, cf. Table 3.

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**Table 3 Public net interest-bearing debt**

DKK million	2015	2018
Companies	2,687	3,384
Municipalities	-56	-259
Greenland Government	-719	-124
<b>In total</b>	<b>1,912</b>	<b>3,001</b>

Note: The Table does not include the Greenland Government's capital contribution to Kalaallit Airports A/S of DKK 200 million in 2016.

Source: FFL2017

There is still considerable uncertainty concerning how the financing of the airport expansion will be structured, and what is realistically possible, even though the extremely low level of interest rates ensures a good climate for long-term infrastructure investments. So far, the total construction costs are unknown, but are estimated at around DKK 2.5 billion, and it is uncertain whether the Treasury will have to raise loans for the construction work.

We need to avoid a situation in which problems with deficits and debts dictate the economic policy, while the problems increase in magnitude and become more difficult to resolve. This makes it vital that any further raising of loans, including for the planned airport construction, adheres to the principles in the Greenland Government's Debt and Investment Strategy, and that the public sector only raises loans which contribute to improving fiscal sustainability. With a few revisions, these principles are expected to become statutory in a new Budget and Accounting Act for the entire public sector.

By setting a tighter framework, the new Budget Act will be able to contribute to a clearer discussion of priorities. The Act will counter the under-prioritisation of construction investments and maintenance, and increase the probability that extraordinary revenue (e.g. from oil exploration, construction activities in the natural resources area, or proceeds from the sale of the Greenland Government's assets) is reserved for long-term investment purposes.

To ensure the credibility of the Budget Act, it is vital that it receives broad based political support. If the Budget Act is implemented and respected in practice, this can provide the basis for a change of economic policy regime. Yet there is a risk that the Budget Act is weakened or diluted and does not have real significance, as has been the case to a greater or lesser degree for the Tax and Welfare Commission's recommendations, the Debt and Investment Strategy, the Growth and Sustainability Plan and, most recently, the 2016 National Planning Report.

The issues have thus been considered from every aspect, but without setting up concrete solutions for the politicians to consider. One example is that the largest financing contribution to closing the "Jaws of Death" in the Growth and Sustainability Plan is a reduction of public consumption by DKK 650 million from the current DKK 7,400 million. This is an example of a future non-implemented saving that it is

## GREENLAND'S SOCIETY AND ECONOMY

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easy to adopt, but impossible to implement when politicians need to set priorities and must, of necessity, reduce the service level for some citizens.

### **Clarity concerning the dilemmas**

For several years The BANK of Greenland in its annual reports, and in several other contexts highlighted the socio-economic challenges and possibilities of solving them. The same has the Economic Council, commissions and others with heaviness of professionalism and argumentation. This year's section on "The Greenlandic society and economy," pointing to actual current themes, while other themes are dealt with earlier. But it is the hallmark of the economic reports and political debates, that there are a number of socio-economic, human and development retardant dilemmas that are not new.

- On the one hand, there are unemployed in Greenland, and on the other there are positions that remain unfilled and manpower brought in from elsewhere.
- On the one hand, the landing obligation gives more workplaces, and on the other it reduces competitiveness by imposing costs on the fisheries companies.
- On the one hand, we spend vast amounts on our education and training, but on the other there are still many who do not gain an education, and too few who progress in the education system.
- On the one hand, we wish to create competition where there are monopolies today, but on the other hand this must not affect outlying areas.
- On the one hand, we grant subsidies, and on the other we remove economic responsibility.
- On the one hand, we would like to attract mining companies, but on the other we must ensure that the country achieves a high return from its minerals, while investors must be prevented from reaping excessive returns.

We are of course aware of the demand for politically balancing and severe politically dilemmas, but economic self-sufficiency will require serious reforms that will enable Greenland to realise financial and humane growth potential. This will create opportunities for a strong social development, but requires political courage.

## ABOUT THE BANK OF GREENLAND

### About the BANK of Greenland

The BANK of Greenland was established in 1967 by a group of Danish banks. The founding general meeting was held on 26 May 1967 at Danske Bankers Fællesrepræsentation's premises in Copenhagen. This marked the birth of the first bank in Greenland. The Bank opened on 1 July 1967.

Nine months before, Bikuben (in 1985 restructured as Nuna Bank) established a branch in Nuuk. In 1997 the BANK of Greenland and Nuna Bank merged.

### The BANK of Greenland's mission

*"The BANK of Greenland creates value through advisory services and other services in the financial area for all citizens of Greenland. We support society by promoting financial understanding, cooperating with educational institutions and the business community, and supporting sustainable local initiatives and development."* The Bank's mission was reworded in 2016 and to a greater extent than before must be viewed in a broader perspective whereby the BANK of Greenland can be seen as the *Bank for all of Greenland*. This entails an enhanced responsibility to participate positively and actively in society's development and to help to create opportunities in Greenland, while also ensuring sound financial activities. The BANK of Greenland is extremely aware of this vital role.

### The BANK of Greenland's values

The BANK of Greenland's values are firmly anchored in the Bank and its employees. The values are **Commitment, Decency, Customer-oriented** and **Development-oriented**. These values serve as a guide for how we act and wish to be seen within and outside the Bank.

### The BANK of Greenland's strategy, vision and objectives

In 2015, a new "Strategy 2020" was drawn up to support the vision and objective to be "Greenland's best company – for the benefit of Greenland". The strategy is considered by the Board of Directors and determines the Bank's key development areas for the coming years, as well as setting out an overall action plan. The Bank seeks to involve all employees in supporting the Bank in achieving the specific goal of being "Greenland's best company – for the benefit of Greenland".

The BANK of Greenland hereby wishes to ensure continued favourable development of the Bank through balanced focus on the four main areas: **Greenland's best customer experience, best at employee development, best at business development, and we create growth in Greenland**. The main areas are annually included in objectives which are continuously adjusted.

The objectives are related to the long-term strategy and vision for 2020 and will therefore reflect balanced objectives based on the four traditional main areas: **Customers** (*Greenland's best customer experience*), **Employees** (*best at employee development*), **Social responsibility** (*best at business development and growth in Greenland*) and **Economy** (*we create growth in Greenland*). The BANK of Greenland will thereby ensure that we continue to give value to society and are the preferred bank for customers, shareholders and employees, and thereby fulfil the vision of being "Greenland's best company – for the benefit of Greenland".



Figure 1 The Bank's vision 2020 - Greenland's best company – for the benefit of Greenland

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**SUMMARY OF FINANCIAL HIGHLIGHTS AND KEY FIGURES 2016**


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<b>Selected operating items:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net interest and fee income	289,760	284,174	293,457	275,750	277,818
Value adjustments	-12,899	-10,775	7,687	4,039	11,247
Other operating income	4,854	6,002	5,657	5,617	7,134
Staff and administration expenses	144,207	139,414	136,440	130,422	126,636
Depreciation and impairment of tangible assets	5,981	6,150	9,160	10,385	10,838
Other operating expenses	4,136	7,780	4,961	5,912	5,862
Impairment of loans, etc.	13,971	19,432	24,807	15,186	17,322
<b>Profit before tax</b>	<b>113,420</b>	<b>106,625</b>	<b>131,433</b>	<b>123,501</b>	<b>135,541</b>
Tax	36,029	33,899	41,776	39,251	43,093
<b>Profit for the year</b>	<b>77,391</b>	<b>72,726</b>	<b>89,657</b>	<b>84,250</b>	<b>92,448</b>
<b>Selected balance sheet items:</b>					
Lending	3,073,861	2,822,572	2,814,547	2,874,931	3,044,942
Deposits	4,822,362	4,741,477	3,739,768	3,996,169	3,777,449
Equity	926,210	914,282	909,872	876,235	850,954
Balance sheet total	5,911,496	5,846,450	4,849,621	5,057,050	4,826,104
Guarantees	1,216,537	1,122,842	1,091,249	870,502	888,594
<b>Key figures for the Bank (in per cent)</b>					
The period's return on equity before tax and after dividend	13.4	12.7	16.3	15.8	17.9
The period's return on equity after tax and after dividend	9.1	8.6	11.1	10.8	12.2
Capital ratio	21.2	20.8	20.3	21.0	20.2
Individual solvency requirement	10.1	10.4	10.2	10.4	9.9
<b>Key ratios per share in DKK</b>					
Profit for the year per share, before tax	63.0	59.2	73.0	68.6	75.3
Profit for the year per share, after tax	43.0	40.4	49.8	46.8	51.3
Net book value per share	515	508	505	494	482
Dividend per share	55	55	55	55	55
Closing share price	614	625	612	662	567

## MANAGEMENT'S REVIEW

### Statement of income

Net interest income of DKK 201.5 million is almost unchanged from 2015. The increase in lending in 2016 was greatest in Q4 and thereby has only a limited impact on the interest income for the year. The positive effect of increasing lending was also more than set off by an expected decline in interest income on bond holdings. The impact of the negative return on the Bank's certificates of deposit at Danmarks Nationalbank and on deposits with other banks was reduced during 2016, since some of the Bank's largest deposits are subject to negative deposit interest rates.

Dividend on the Bank's shareholdings increased by TDKK 3,137 to TDKK 3,634, as a consequence of extraordinarily high dividend from Sparinvest Holding A/S.

Fee and commission income showed a sound increase of TDKK 2,438 to TDKK 85,879. Securities trading income decreased, while guarantee commission was at an unchanged level compared to 2015. It must be noted that the increase in guarantees primarily took place in Q4 and thereby only affected the Bank's revenue to a limited extent. All other fee items showed a good increase.

Other operating income, primarily rental income on the Bank's homes, amounted to TDKK 4,854, compared to TDKK 6,002 in 2015.

Staff and administration expenses increased by TDKK 4,793 to TDKK 144,207. The increase is due among other things to pay adjustments under collective agreements and besides this there is primarily an increase in other administration expenses totalling TDKK 3,940. The increase is due to such factors as the Bank's investment in digital solutions, increased costs for BEC (Bankernes EDB Central), and the work on strategy 2020.

Depreciation of property and fixtures and fittings was by and large unchanged from 2015, at TDKK 5,981.

Other operating expenses decreased by TDKK 3,644 to TDKK 4,136. 2015 was primarily affected by expenses related to payment to the Danish Guarantee Fund by TDKK 2,759 and furthermore expenses related to the extensive conversion of the Bank's head office, and costs relating to the temporary location of the employees in Qaqortoq, where the branch was undergoing extensive renovation.

### Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest and fee income	74,514	73,383	71,972	69,891	70,398	71,639	70,439	71,698
Costs and depreciation	39,964	38,268	36,817	39,275	39,782	37,512	37,458	38,592
Other operating income	1,191	1,245	1,121	1,297	2,213	1,205	1,144	1,440
Profit before value adjustments and write-downs	35,741	36,360	36,276	31,913	32,829	35,332	34,125	34,546
Value adjustments	-2,779	1,399	-5,150	-6,369	-4,001	-2,906	268	-4,136
Write-downs on loans, etc.	2,036	2,997	4,875	4,063	5,011	4,687	4,558	5,176
Profit before tax	30,926	34,762	26,251	21,481	23,817	27,739	29,835	25,234

The result before value adjustments and write-downs thereby increased satisfactorily by TDKK 3,458 to TDKK 140,290 from 2015. The result before value adjustments and write-downs thus lies at the top end

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## MANAGEMENT'S REVIEW

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of the range estimated at the beginning of the year of DKK 125-145 million. In isolated terms, Q4 2016 showed a result before value adjustments and write-downs of TDKK 35,741, compared to TDKK 32,829 for the same period of 2015 and thereby confirms the positive development in basic operations during the year.

Considering Q4 in isolation, net interest income amounts to TDKK 52,618, compared to TDKK 50,050 for the same period of 2015. Fee and commission income is also higher than for Q4 2015, at TDKK 22,413, compared to TDKK 21,202. Total costs are at the same level as the equivalent period of 2015, and write-downs and provisions are TDKK 2,974 lower in Q4 2016 than in Q4 2015. Overall, this development is very positive, with a profit before tax of TDKK 30,926, compared to TDKK 23,818 in 2015.

Value adjustment of securities and currencies resulted in a loss of TDKK 12,899, compared to a loss of TDKK 10,775 in 2015. The value adjustment comprises a loss on the Bank's bond holdings of TDKK 14,103, among other things due to "automatic losses" as a consequence of the zero-interest-rate environment. The Bank's shareholdings gave a loss of TDKK 1,704. In Q2 2016, the Bank booked a capital loss of TDKK 5,420 on its holdings of shares in Sparinvest Holding A/S, while there are capital gains on other shares.

Impairment of loans, etc. amounted to TDKK 13,971, after a decrease of TDKK 5,461 from 2015. The total impairment has thus declined, as expected, and amounts to a modest 0.3% of the Bank's loans and guarantees.

The profit before tax is a satisfactory TDKK 113,420, compared to TDKK 106,625 in 2015. The profit before tax gives a return of 13.4% p.a. on opening equity before tax and after disbursement of dividend.

Tax is calculated at 31.8% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses. The profit before tax is TDKK 77,391 in 2016.

### **Balance sheet and equity**

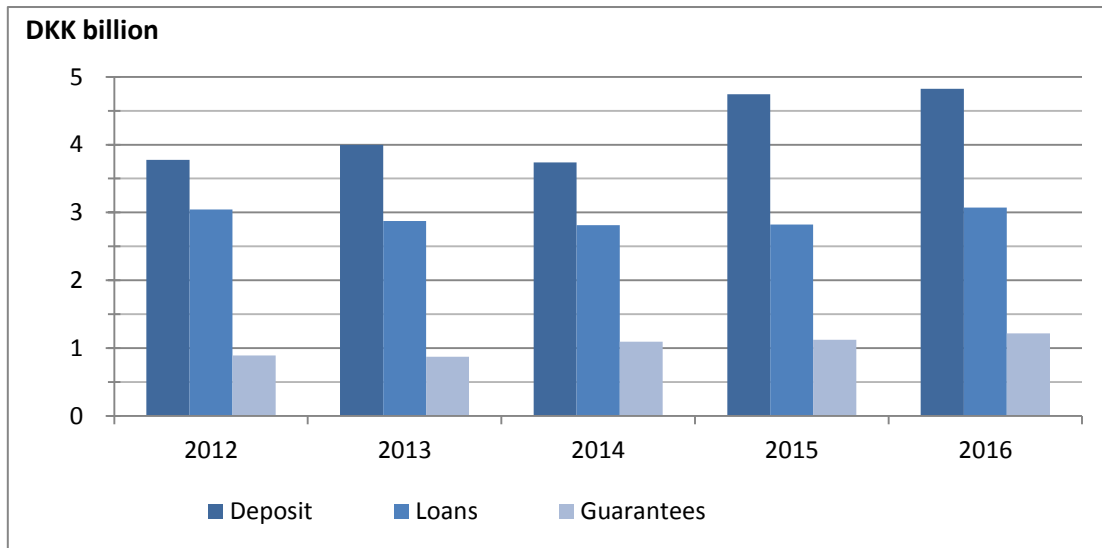
The BANK of Greenland's balance sheet totals TDKK 5,911,496, which is an increase of TDKK 65,046 from 2015. Deposits were at a very high level in 2016, and amounted to TDKK 4,822,362 at the end of 2016, which was an increase of TDKK 80,885. The Bank had expected deposits to fall to a lower level during 2016. The bank's deposits are mainly held on demand.

During 2016 lending increased by a very satisfactory TDKK 251,289 to TDKK 3,073,861, or by 8.9%. The increase primarily took place in Q4, however, and thus did not affect revenue significantly in 2016.

Guarantees increased satisfactorily by TDKK 93,695 to TDKK 1,216,537.

Deposits, lending and guarantees are thus all at an all-time high for the BANK of Greenland, and the overall business scope thereby shows a very satisfactory increase of TDKK 425,869 to the highest level ever of TDKK 9,112,760.

## MANAGEMENT'S REVIEW



*Development in business scope*

Net capital amounts to TDKK 926,210, compared to TDKK 914,282 at the end of 2015. Share capital amounts to TDKK 180,000. The Bank has not raised any hybrid or other subordinate loan capital.

The capital ratio is calculated at 21.2, compared to 20.8 in 2015.

### Uncertainty of recognition and measurement

The main uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees, the valuation of financial instruments, and properties. The management believes that the presentation of the accounts for 2016 is subject to an appropriate level of uncertainty that is unchanged from previous years.

### Financial risks

The BANK of Greenland is exposed to various financial risks, which are managed at different levels of the organisation. The Bank's financial risks consist of:

**Credit risk:** Risk of loss as a consequence of debtors' or counterparties' default on actual payment obligations.

**Market risk:** Risk of loss as a consequence of fluctuation in the fair value of financial instruments and derivative financial instruments due to changes in market prices. The BANK of Greenland classifies three types of risk within the market risk area: interest rate risk, foreign exchange risk and share risk.

**Liquidity risk:** Risk of loss as a consequence of the financing costs increasing disproportionately, the risk that the Bank is prevented from maintaining the adopted business model due to a lack of financing/funding, or ultimately, the risk that the Bank cannot fulfil agreed payment commitments when they fall due, as a consequence of the lack of financing/funding.

**Operational risk:** The risk that the Bank in full or in part has financial losses as a consequence of inadequate or deficient internal procedures, human errors, IT systems, etc.



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## MANAGEMENT'S REVIEW

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### Capital base

The BANK of Greenland must by law have a capital base that supports the risk profile. The BANK of Greenland compiles the credit and market risk according to the standard method and the operational risk according to the basic indicator method. It is still the Bank's assessment that there is no need for more sophisticated methods to be used. Concerning risk management, reference is made to Note 2.

In accordance with the Danish Financial Business Act, the Board of Directors and the Executive Management must ensure that the BANK of Greenland has an adequate capital base. The capital adequacy requirement is the capital which, according to the management's assessment, as a minimum is needed to cover all risks.

The individual solvency requirement is compiled on the basis of the Order on the calculation of risk exposure, capital base and solvency requirement, as well as the Danish Financial Supervisory Authority's guide in this respect. On the basis of the calculated capital requirement, the Bank has calculated surplus cover of TDKK 446,417, which comprises the difference between the current capital requirement (solvency requirement) and the actual capital (capital ratio).

The management assesses that the capital is adequate to cover the risk related to the Bank's activities.

The Bank compiles the individual solvency requirement on the basis of the 8+ model. The calculation method for this model is based on 8%, as well as any additions calculated for e.g. customers in financial difficulties.

The BANK of Greenland meets the requirements in full, so that the annual financial statements are presented on a going-concern basis.

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

In DKK 1,000	2016		2015	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Pillar I requirement	324,152	8.0 %	325,659	8.0 %
Credit risk	65,587	1.6 %	68,123	1.7 %
Market risk	12,212	0.3 %	14,169	0.4 %
Operational risk	5,500	0.1 %	5,500	0.1 %
Other risk	3,600	0.1 %	9,038	0.2 %
<b>Capital and solvency requirement</b>	<b>411,051</b>	<b>10.1 %</b>	<b>422,489</b>	<b>10.4%</b>

Reference is made to the BANK of Greenland's website for a description and amplification of the method of calculation of the capital and solvency requirement for 2016. Reference is also made to the Bank's risk management report for 2016 at <http://www.banken.gl/report/>

### Ordinary inspection by the Danish Financial Supervisory Authority

The Danish Financial Supervisory Authority paid an ordinary inspection visit to the BANK of Greenland in June 2016. The Authority's inspection did not lead to further write-downs or provisions, and no changes in the Bank's valuations besides those identified by the Bank and included in Q1 and Q2. Individual mandatory orders of an administrative nature were given, and these have already been incorporated in the Bank's procedures.

## MANAGEMENT'S REVIEW

The Financial Supervisory Authority's report is published at:  
<https://www.banken.gl/en/investor/memorandums-from-fsa.aspx>

### Liquidity

The BANK of Greenland has a comfortable deposit surplus, with liquidity according to the current Section 152 key figures of 193.6% at the end of 2016, equivalent to TDKK 1,901,867. The Bank's funding is based solely on deposits.

Up to 2018, new liquidity management rules, the liquidity coverage ratio (LCR) for credit institutions, will be phased in. LCR is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio. The LCR in 2018 must be at least 100% for non-SIFI institutions. For SIFI institutions, as of 1 October 2015 the coverage ratio must already be 100%.

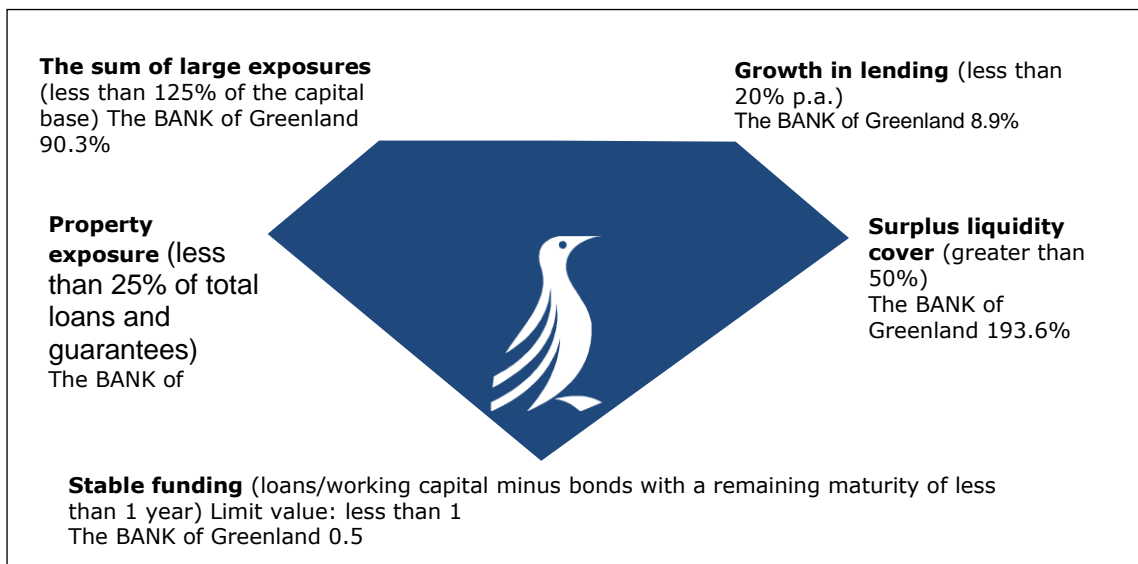
Since the BANK of Greenland expects to be designated as an SIFI during 2017, the Bank already wishes to adhere to the same rules as apply to SIFI institutions. At the end of 2016, the Bank had an LCR of 207.4% and thereby already fulfilled the LCR requirement once it is fully phased in.

For Danish banks, as of 31 December 2016 the LCR replaced the Section 152 statutory requirement, with the latter requirement being phased out. For Greenland and the Faroe Islands, the liquidity requirement pursuant to Section 152(1)-(3) of the Financial Business Act still applies.

### The Supervisory Diamond

The BANK of Greenland has considered the benchmarks set out in the Danish Financial Supervisory Authority's Supervisory Diamond for banks. The Supervisory Diamond states five benchmarks for banking activities, which the Bank aims to fulfil. At the end of 2016, the BANK of Greenland lies within all of the threshold values in the Supervisory Diamond.

The Bank's business model states that the sum of large exposures should not exceed 100% of the capital base. The sum of large exposures amounted to 90.3% at the end of 2016, of which 32.9%, concerns exposures with sector-owned companies or publicly-owned enterprises. The sum of large exposures is expected to be reduced in 2017. As of 1 January 2018, the benchmark for the calculation of large exposures was amended. The BANK of Greenland today already complies with the new benchmark.



## MANAGEMENT'S REVIEW

### Shareholders

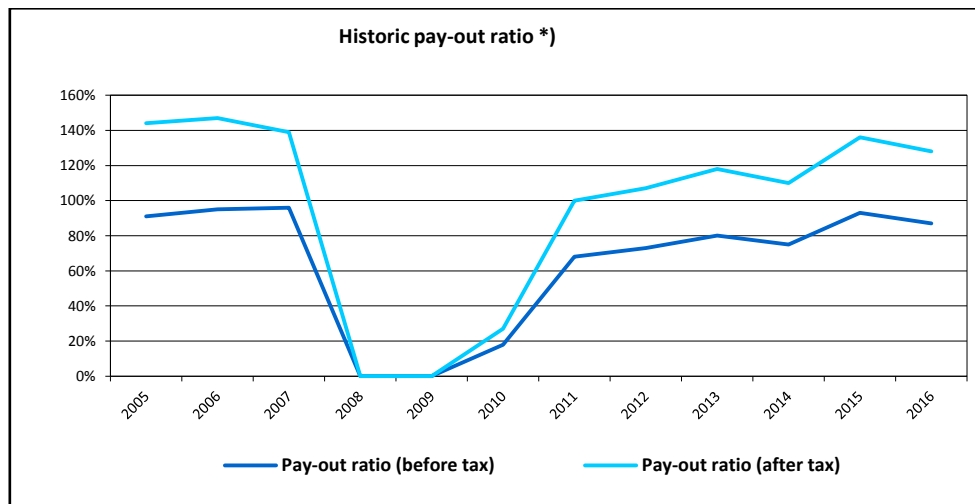
The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders.

During 2016, the price of the BANK of Greenland's shares decreased from 625 to 614, while dividend of DKK 55 per share was disbursed. The BANK of Greenland recommends to the annual general meeting that the dividend rate for 2016 be the same as in the preceding four years, so that DKK 55 per share, or a total of DKK 99 million, is paid. It should be noted that in Greenland dividend is tax deductible for the dividend-paying company.

At the end of the year, the BANK of Greenland had 2,833 shareholders, of whom 969 were resident in Greenland. In accordance with Section 28a of the Danish Companies Act, six shareholders have notified shareholdings in excess of 5% cf. Note 21.

### Dividend policy

The BANK of Greenland's objective is to continue to distribute dividend to its shareholders, according to the expected development in the Bank's operations and balance sheet, tax optimisation, regulatory solvency requirements, and shareholders' cash-flow expectations. Until further, the objective of the Board of Directors is for the BANK of Greenland's capital ratio to be approximately 8-10% points above the Bank's individual solvency requirement. Based on the expected SIFI designation during 2017, the Board of Directors assesses that surplus cover of 11.1 is acceptable, until the new requirements have been implemented and a new capital adequacy and solvency target can be assessed. It is the Board of Directors' clear assessment, however, that the Bank's current solvency ratio will also be satisfactory after any SIFI designation.



\*) According to Greenland's tax legislation, the distribution of dividend is fully tax-deductible.

### Events occurring after the close of the financial year

As from the balance sheet date and up today's date no events have occurred to change the assessment of the Annual Report.

## MANAGEMENT'S REVIEW

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### **Expected development in 2017**

Negative GDP development in Greenland in the 2012-2014 period was followed by a cyclical reversal in 2015 and a further relatively strong cyclical upswing in 2016, primarily driven by increased fish volumes and good fish prices. Towards the close of the year, the Bank noted increased activity, leading to a good increase in loans and guarantees. In 2017, a further small increase in GDP is expected, which will also affect the Bank's customers.

With the expectation of average higher lending and declining deposits in 2017, an improved deposit interest rate margin and an expected continuing extremely low level of interest rates and falling bond interest income, total income is expected to show a small increase compared to 2016.

The total costs including write-downs are expected to increase in 2017 due to higher IT and development costs and, finally, costs are expected for the celebration of the BANK of Greenland's 50th anniversary in 2017.

Based on the opportunity for customers, as from 2017, to establish tax-exempt pension savings plans in banks, the Bank expects an increase in its business scope in this important area. Since the pension area is expected to be built up slowly, with derived costs for the establishment of advisory systems, training, etc. this area is not expected to make any significant contribution to the Bank's earnings in 2017.

The bank assesses that the quality of the loan portfolio is satisfactory. Write-downs on lending are therefore expected to continue to be at a moderate to low level.

In view of the low level of interest rates, capital losses on the Bank's bond portfolio must be expected.

A profit before value adjustments and write-downs at the level of DKK 125-145 million is hereafter expected.

### **The Bank and society**

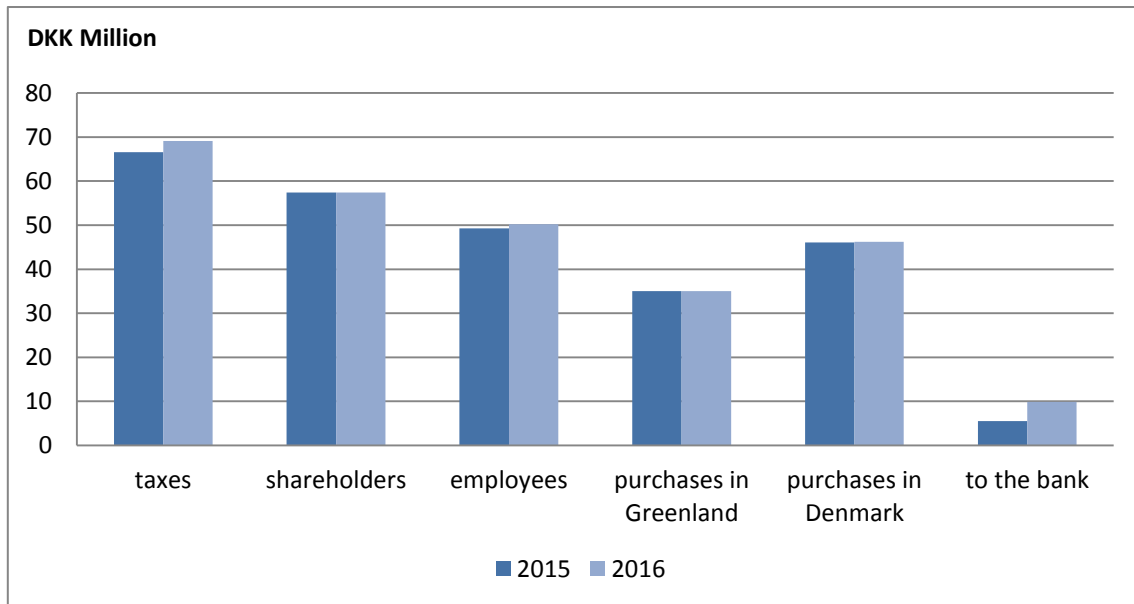
The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 268 million, compared to DKK 260 million in 2015. Income is the sum of net interest and fee income, other operating income and value adjustments, after deduction of write-downs on loans.

The Greenland Government and the municipalities receive corporate tax, dividend tax and tax on personal remuneration. Employees receive salary and pension contributions, etc., after deduction of PAYE tax. The purchases made by the Bank from Danish suppliers are mainly IT services from Bankens EDB-central and Nets.

The BANK of Greenland makes a significant contribution to society, since tax payments in recent years amount to almost DKK 70 million per year.

The development in tax paid, net dividend to shareholders, salaries, etc. to employees, the Bank's consolidation, and procurement in Greenland and Denmark, respectively, are presented below.

## MANAGEMENT'S REVIEW



### Customers

The Bank is a professional partner to business enterprises throughout Greenland. Ongoing contact with customers takes place from and to the customer advisers in the business department in Nuuk. These advisers also - via frequent visits to coastal towns - have the necessary local knowledge of the business conditions in the town in question. The customer adviser is also the link to the Bank's specialist functions.

As a supplement to personal advisory services, business enterprises are offered a number of self-service systems, of which the most-used is Netbank Erhverv. The Bank has Lync (Skype) at each workstation in the commercial department. This technology is being used to hold video meetings with commercial customers in coastal areas.

Private customers increasingly use the electronic services offered. Online banking and Mobile banking are used especially.

In mid-2016, the Bank undertook major digitisation of a number of processes for the Bank's customers. This has opened up new ways for customers to contact their advisers at the Bank. For example, loan/credit applications can be filed digitally, after which the customer's adviser can immediately process the customer's application. Customers can also order cards and open new accounts, etc. The Bank expects to gradually increase options for customers using digital channels.

In 2015 and 2016, the BANK of Greenland's branches in Qaqortoq and Maniitsoq underwent extensive renovation. This has significantly improved opportunities for privacy during advisory meetings, and we have also gained brighter and more pleasant customer service areas. We believe that our customers welcome the new, improved conditions. During the last five years, all of the Bank's departments have thus undergone full refurbishing.

The Bank still has strong focus on customers' assessment of the Bank's availability and here in 2017 will open up new opportunities to meet the Bank's representatives outside normal opening hours.

## MANAGEMENT'S REVIEW

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The Bank wishes to be seen as the BANK for All of Greenland and it is therefore extremely positive that customers to a great extent assess our presence in coastal areas to make a positive difference for the individual local area.

The BANK of Greenland has strong focus on customer satisfaction, which is measured by an annual customer satisfaction survey. On this basis, measures are being initiated in areas where customers believe that the Bank can do better. The general picture is that there is a good level of customer satisfaction.

### **Employees**

Employees are part of the Bank's public image, and it is our employees who create and maintain close relationships with our customers on a day-to-day basis.

The BANK of Greenland has strong focus on competence development via trainee programmes, trainee courses, supplementary training, leadership development and "on the job training".

The BANK of Greenland considers it important to ensure the recruitment of qualified banking professionals, and as of 1 August 2016, eight financial trainees completed their training, of whom four from the head office and four from the branches.

Besides the actual trainee programme, the Bank has very successfully created trainee positions for young people with a background as financial economists. So far, five trainees have qualified as banking advisers. A trainee in the marketing area also qualified in 2016.

In 2016, it was possible to keep 98.1% of the positions in the Bank filled via active HR work, relevant online media, and sustained focus on employee development.

The total number of employees was 115 at the end of 2016. The average age is just over 18, and the average length of service is 10 years and five months. 81 women and 34 men are employed. Of the total number of employees, 79 have financial or extended higher educational qualifications.

In 2017, there will be stronger focus on employee development in relation the Bank's strategic course and need for employee skills and focus.

### **Partners**

The Bank of Greenland is a full-service bank in Greenland. Via cooperation agreements with the best operators within financial IT systems, mortgage credit, insurance, payment settlement, pension and investment, the Bank wishes to continuously offer a wide-ranging, flexible and competitive selection of products.

The BANK of Greenland is part of the Danish and international payment infrastructure.

In accordance with a service contract with the Greenland Government, the Bank contributes to ensuring that the service level for payment settlement required by the Greenland Government is established at the locations in Greenland where there is no commercial background for the establishment of bank branches.

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## MANAGEMENT'S REVIEW

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On the bases of the adoption by Inatsisartut of a Pension Savings Act to allow the establishment of tax-deductible pension savings schemes in banks, the BANK of Greenland expects to establish a full pension concept for the Bank's customers, including insurance opportunities and opportunities for direct investment and via pool schemes. The concept is being established in cooperation with Danish pension insurance providers and the Bank's business partners in the investment area.

### **Board of Directors and Executive Management Board**

Details must be given of the management positions in other business enterprises held by the members of the Bank's Board of Directors and Management Board. Reference is made to Note 32.

### **Corporate Social Responsibility Policy (CSR)**

*"The basis for the Bank of Greenland's CSR activities is to create value for both society and the company. Via the Bank's commercial activities and CSR initiatives, we will support sustainable development in Greenland and contribute to Greenland achieving the new global development goals (Sustainable Development Goals), for the benefit of society and of the BANK of Greenland.*

*A key aspect is to live up to our fundamental social responsibility as Greenland's largest bank and the Bank for All of Greenland, by ensuring balance between development, growth and stability in Greenland's society.*

### **Focus area: Financial understanding**

*On the basis of our stakeholders' requirements and expectations, and the Bank's strategic goals, we have chosen an overall focus area for our CSR initiatives, which is to create **financial understanding**.*

*Creating financial understanding for the individual customer, company or citizen opens up new opportunities and gives insights in order to make the best choices. This is the fundamental principle for our advisory services. Where possible and relevant, we will enter into partnerships with the public sector, other companies, organisations and associations with the same interests.*

*To support our efforts to achieve financial understanding, we will work to expand the availability of our advisory services and financing of loans outside our primary market area, including by making our know-how available in order to create financial understanding.*

### **Involvement of employees**

*We wish to involve our employees on a broad basis in our efforts to create financial understanding and to give support for other CSR-related projects by making it possible for employees to work on CSR projects during working hours, within a defined framework.*

### **Our obligations**

*As a signatory to the UN Global Compact, the BANK of Greenland has endorsed ten principles for corporate sustainability with focus on human rights, employee rights, environmental protection and measures to prevent corruption. We will actively manage our obligation to respect the ten principles, including our obligation to handle human rights in accordance with the UN Guiding Principles on Business and Human Rights, particularly in relation to our customers, employees and Greenland's society.*

### **What we expect of others**

*We expect our employees, partners, suppliers and other business contacts to comply with the legislation in force at any time, to respect the internationally recognised principles for the UN Global*

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## MANAGEMENT'S REVIEW

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*Compact, and to show through their actions that they expect others to apply the same standard. If these principles are not respected, we will seek through dialogue to find the necessary solutions, but reserve the option to terminate our cooperation.*

### **Dialogue and access**

*To ensure that the Bank fulfils our objectives we will continuously measure our activities and report on them in our annual report and on our website, in order to ensure that our stakeholders have access to information on the Bank's CSR activities. We also have a number of procedures to ensure that we receive continuous input from our stakeholders that can influence our actions and initiatives."*

### **CSR on a day-to-day basis**

The aforementioned are extracts from the BANK of Greenland's CSR policy. Pursuant to this, a new strategy and action plan for the coming years' activities have been drawn up.

The overall responsibility for the Bank's CSR work lies with the managing director.

The BANK of Greenland's Statutory Corporate Social Responsibility Report, cf. Sections 135 and 135 a of the Order on the financial reporting of credit institutions and stockbroking companies, etc., is available on the Bank's website: <http://www.banken.gl/csr/>

### **Evaluation of the Board of Directors**

The Board of Directors of the BANK of Greenland performs an annual evaluation of the Board, with external assistance. This evaluation is the basis for an assessment of several matters concerning the Board of Directors: working method, cooperation internally and with the Executive Management, the Chairman's planning of meetings, and the quality of the Board material. The most recent evaluation was at a high level, and concluded that the Board of Directors use each other's knowledge to ensure insights into special conditions. It was also concluded that the Board of Directors has a good overall combination of competences in relation to the Bank's business model.

### **Corporate governance – and statutory corporate governance statement**

The BANK of Greenland's objective is to adhere to the recommendations, at all times and to the greatest possible extent. The Bank's Corporate Governance Statement can be found on the Bank's website: <http://www.banken.gl/corporate/>

### **Policy and target levels for the under-represented gender**

In August 2013, the BANK of Greenland's Board of Directors adopted 'Policy and target levels for the under-represented gender'. The gender distribution of the members of the Bank's Board of Directors elected by the annual general meeting at the end of 2016 was 17% women and 83% men, respectively. The Board of Directors' revised objective is for the ratio of female members of the Board of Directors elected by the annual general meeting to increase to 33% by 2020 at the latest.

At the other management levels, the Bank's overall objective is to achieve and maintain an equal distribution of men and women in its management. Irrespective of gender, the Bank's employees must experience that they have equal opportunities for career development and management positions. At the end of 2016, the distribution ratio was 50% women and 50% men. The Bank's objective is for the ratio of managers of the under-represented gender to be held at minimum 40% at any time.



## MANAGEMENT'S REVIEW

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### **Audit and Risk Committee**

The Audit and Risk Committee consists of the overall Board of Directors, and therefore it has been found most appropriate to maintain the same structure as in the Board of Directors, so that the Chairman of the Board of Directors is also the Chairman of the Audit and Risk Committee.

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

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

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

The committee meets immediately prior to the meetings of the Board of Directors.

It must be noted that Greenland is not subject to the Danish rules for the appointment of audit committees, but that the rules are adhered to in practice.

The remit of the Audit and Risk Committee is presented here:

<http://www.banken.gl/auditandriskcommittee/>

### **Remuneration Committee**

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

The Remuneration Committee determines the remuneration policy, which is approved by the annual general meeting.

The remit of the Remuneration Committee is presented here:

<http://www.banken.gl/remunerationcommittee/>

### **Nomination Committee**

The Nomination Committee consists of the Chairman and Vice Chairman of the Board of Directors.

In 2016, the committee worked on a description, the composition and evaluation of the competences of the Executive Management and Board of Directors, as well as the recommendation of new candidates for election to the Board of Directors. The Bank assesses that the composition of the Board of Directors reflects the objective of the diversity policy.

The remit of the Nomination Committee is presented here: <http://www.banken.gl/nominationcommittee/>

The numbers of meetings in 2016 and attendance of the meetings of the Board of Directors and all three committees can be seen here: [https://www.banken.gl/media/534554/Moedeoversigt-2016\\_ENG.pdf](https://www.banken.gl/media/534554/Moedeoversigt-2016_ENG.pdf)

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## MANAGEMENT STATEMENT

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The Board of Directors and Executive Management have today considered and approved the Annual Report for the financial year from 1 January to 31 December 2016 for the limited liability company, GrønlandsBANKEN A/S.

The Annual Report is presented in accordance with the Danish Financial Business Act. The Annual Report is furthermore prepared in accordance with Danish disclosure requirements for listed financial companies.

It is our opinion that the Annual Financial Statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2016, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2016.

It is our opinion that the Management's Review gives a true and fair review of the development in the Bank's activities and financial affairs, as well as a description of the significant risks and uncertainties to which the Bank is subject.

The Annual Report is submitted for approval by the annual general meeting.

Nuuk, 28 February 2017

### **Executive Management**

Martin Birkmose Kviesgaard

### **Board of Directors**

Gunnar í Liðá  
Chairman

Kristian Frederik Lennert  
Vice Chairman

Frank Olsvig Bagger

Anders Jonas Brøns

Christina Finderup Bustrup

Allan Damsgaard

Lars Holst

Yvonne Jane Poulsen Kyed

Arne Ilannguaq Guldmann Petersen

## AUDIT STATEMENT

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### The independent auditor's report

#### To the shareholders of the BANK of Greenland

##### **Audit statement**

We have audited the annual financial statements of the BANK of Greenland, limited liability company, for the financial year from 1 January to 31 December 2016, which comprise the statement of income and the statement of comprehensive income, the balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies applied. The annual financial statements are prepared in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies.

##### **The management's responsibility for the annual financial statements**

The management is responsible for the preparation of annual financial statements that present a true and fair view, in accordance with the Danish Financial Business Act and the Danish disclosure requirements for listed financial companies. The management is also responsible for the internal control considered necessary by the management in order to prepare annual financial statements that are free of material misstatement, whether this is due to fraud or error.

##### **Responsibility of the auditor**

Our responsibility is to express an opinion on the annual financial statements, on the basis of our audit. We conducted our audit in accordance with international auditing standards and additional requirements under Greenland's auditing legislation. This requires that we comply with ethical requirements and plan and perform the audit to achieve a high degree of certainty that the annual financial statements are free of material misstatement.

An audit includes performing the audit procedures to obtain audit evidence of the amounts and information in the annual financial statements. The audit procedures chosen depend on the auditor's assessment, including assessment of the risks of material misstatement in the annual financial statements, whether this is due to fraud or error. On the risk assessment, the auditor considers internal controls that are relevant to the Bank's preparation and submission of annual financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express any opinion concerning the effectiveness of the Bank's internal control. An audit also includes an assessment of the appropriateness of the management's choice of accounting policies, whether the management's accounting estimates are fair, and the overall presentation of the annual financial statements.

It is our view that the audit evidence obtained is an adequate and appropriate basis for our opinion.

The audit has not led to any qualifications.

##### **Opinion**

It is our opinion that the annual financial statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2016, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2016, in accordance with the Danish Financial Business Act and the Danish disclosure requirements for listed financial companies.

## AUDIT STATEMENT

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### **Statement concerning the Management's Review**

The Management is responsible for the Management's Review.

Our opinion concerning the annual financial statements does not include the Management's Review, and we do not express any opinion concerning the Management's Review.

In connection with our audit of the annual financial statements our responsibility is to read the Management's Review and consider whether the Management's Review has significant inconsistencies with the annual financial statements or the knowledge we have obtained from the audit, or otherwise appears to contain material misstatements.

It is also our responsibility to consider whether the Management's Review includes the information required in accordance with the Financial Business Act.

On this basis it is our view that the information in the Management's Review is in accordance with the annual financial statements and has been prepared in accordance with the requirements of the Financial Business Act. We have not found any material misstatements in the Management's Review.

Nuuk, 28 February 2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR no. 33963556

Jens Ringbæk

**State-Authorised Public Accountant**

## AUDIT STATEMENT

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### Internal auditor's report

#### Opinion

It is our opinion that the Annual Financial Statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2016, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2016, in accordance with the Danish Financial Business Act and the Danish disclosure requirements for listed financial companies.

#### The audit performed

We have audited the annual financial statements of the BANK of Greenland, limited liability company, for the financial year from 1 January to 31 December 2016. The annual financial statements are prepared in accordance with the Danish Financial Business Act.

Our audit is performed in accordance with the Danish Financial Supervisory Authority's Order on the auditing of financial enterprises, etc. and financial Groups, international auditing standards concerning the planning and execution of the audit, and additional requirements under Danish auditing legislation.

The audit was planned and performed in order to achieve a high degree of certainty and audit evidence that the annual financial statements are free of material misstatement, whether this is due to fraud or error. We took part in the audit of all significant and risk-entailing areas.

It is our view that the audit evidence obtained is an adequate and appropriate basis for our opinion.

#### Statement concerning the Management's Review

The Management is responsible for the Management's Review.

Our opinion concerning the Annual Financial Statements does not include the Management's Review, and we do not express any opinion concerning the Management's Review.

In connection with our audit of the Annual Financial Statements our responsibility is to read the Management's Review and consider whether the Management's Review has significant inconsistencies with the Annual Financial Statements or the knowledge we have obtained from the audit, or otherwise appears to contain material misstatements.

It is also our responsibility to consider whether the Management's Review includes the information required in accordance with the Financial Business Act.

On this basis it is our view that the information in the Management's Review is in accordance with the Annual Financial Statements and has been prepared in accordance with the requirements of the Financial Business Act. We have not found any material misstatements in the Management's Review.

Nuuk, 28 February 2017

Kristian Thorgaard Sørensen

Audit Manager

(DKK 1,000)

**STATEMENT OF INCOME**

Notes		2016	2015
<b>3</b>	Interest income	212,965	215,458
<b>4</b>	Negative interest income	-11,783	-8,719
<b>5</b>	Interest expenses	2,611	4,531
<b>6</b>	Positive interest expenses	+ 2,953	0
	<b>Net interest income</b>	<b>201,524</b>	<b>202,208</b>
	Share dividend, etc.	3,634	497
<b>7</b>	Fee and commission income	85,879	83,441
	Fees paid and commission expenses	1,277	1,972
	<b>Net interest and fee income</b>	<b>289,760</b>	<b>284,174</b>
<b>8</b>	Value adjustments	-12,899	-10,775
	Other operating income	4,854	6,002
<b>9, 10</b>	Staff and administration expenses	144,207	139,414
	Depreciation and impairment of tangible assets	5,981	6,150
	Other operating expenses	4,136	7,780
<b>13</b>	Write-downs on loans and receivables, etc.	13,971	19,432
	<b>Profit before tax</b>	<b>113,420</b>	<b>106,625</b>
<b>11</b>	Tax	36,029	33,899
	<b>Profit for the year</b>	<b>77,391</b>	<b>72,726</b>
	<b>Proposed allocation of profit</b>		
	Profit for the year	77,391	72,726
	Taxation value of dividend allocated	31,482	31,482
	<b>In total available for allocation</b>	<b>108,873</b>	<b>104,208</b>
	Proposed dividend	99,000	99,000
	Retained profit	9,873	5,208
	<b>Total allocation</b>	<b>108,873</b>	<b>104,208</b>

(DKK 1,000)

**STATEMENT OF COMPREHENSIVE INCOME**

2016      2015

**Statement of comprehensive income**

Profit for the year	77,391	72,726
Other comprehensive income:		
Value adjustment of properties	3,013	-1,170
Tax on value adjustment of properties	- 958	372
<b>Other comprehensive income after tax</b>	<b>2,055</b>	<b>-798</b>
<b>Comprehensive income for the year</b>	<b>79,446</b>	<b>71,928</b>

**BALANCE SHEET**  
**(Year-end)**

(DKK 1,000)

Notes	2016	2015
	153,750	336,618
<b>12</b> Cash balance and demand deposit with central banks	1,371,201	1,454,983
<b>13</b> Amounts receivable from credit institutions and central banks	3,073,861	2,822,572
<b>14</b> Loans and other receivables at amortised cost	925,514	835,754
<b>15</b> Bonds at fair value	86,281	84,750
<b>16</b> Shares, etc.	197,128	194,709
<b>17</b> Land and buildings in total, domicile properties	7,443	8,036
Other tangible assets	93,401	106,225
Other assets	2,917	2,803
Accruals and deferred expenses	<b>5,911,496</b>	<b>5,846,450</b>
<b>Total assets</b>		
<b>18</b> Liabilities to credit institutions and central banks	21,238	45,572
<b>19</b> Deposits and other liabilities	4,822,362	4,741,477
Current tax liabilities	4,107	2,769
Other liabilities	61,162	67,530
Accruals and deferred income	4,796	5,096
<b>Total debt</b>	<b>4,913,665</b>	<b>4,862,444</b>
Provisions for pensions and similar obligations	245	0
<b>20</b> Provisions for deferred tax	55,823	55,060
Provisions for losses on guarantees	8,994	7,620
Other provisions	6,559	7,044
<b>Total provisions</b>	<b>71,621</b>	<b>69,724</b>
Equity		
<b>21</b> Share capital	180,000	180,000
Revaluation reserves	17,446	15,207
Retained earnings	661,246	651,557
Proposed dividend	99,000	99,000
Taxation value of proposed dividend	-31,482	-31,482
<b>Total equity</b>	<b>926,210</b>	<b>914,282</b>
<b>Total liabilities</b>	<b>5,911,496</b>	<b>5,846,450</b>
1 Accounting policies applied		
2 Financial risks and policies		
22-32 Other notes		



**STATEMENT OF CHANGES IN EQUITY**

(DKK 1,000)

	Share capital	Re-valuation reserves	Retained earnings	Proposed dividend, net	Equity total
<b>Equity, 1 January 2015</b>	<b>180,000</b>	<b>16,547</b>	<b>645,807</b>	<b>67,518</b>	<b>909,872</b>
Dividend paid	-	-	-	-99,000	-99,000
Taxation value of dividend paid	-	-	-	31,482	31,482
Other comprehensive income	-	-1,340	542	-	-798
Profit for the year	-	-	5,208	-	5,208
Proposed dividend	-	-	-	99,000	99,000
Taxation value of proposed dividend	-	-	-	- 31,482	-31,482
<b>Equity, 31 December 2015</b>	<b>180,000</b>	<b>15,207</b>	<b>651,557</b>	<b>67,518</b>	<b>914,282</b>
<b>Equity at the end of the preceding financial year</b>	<b>180,000</b>	<b>15,207</b>	<b>651,557</b>	<b>67,518</b>	<b>914,282</b>
Dividend paid	-	-	-	- 99,000	- 99,000
Taxation value of dividend paid	-	-	-	31,482	31,482
<b>Equity, beginning of 2016, after distribution of dividend</b>	<b>180,000</b>	<b>15,207</b>	<b>651,557</b>	<b>0</b>	<b>846,764</b>
Other comprehensive income	-	2,239	-184	-	2,055
Profit for the year	-	-	9,873	-	9,873
Proposed dividend	-	-	-	99,000	99,000
Taxation value of proposed dividend	-	-	-	-31,482	-31,482
<b>Equity, 31 December 2016</b>	<b>180,000</b>	<b>17,446</b>	<b>661,246</b>	<b>67,518</b>	<b>926,210</b>

## CASH FLOW STATEMENT

(DKK 1,000)	2016	2015
Profit for the year	77,391	72,726
Write-downs on loans	13,971	19,432
Depreciation and impairment of tangible assets	5,981	6,150
Accruals and deferred expenses, net	-414	28
Tax effect of deductibility of dividend	31,482	31,482
<b>Profit for the year after adjustment for non-cash operating items</b>	<b>128,411</b>	<b>129,818</b>
Liabilities to credit institutions and central banks	-24,334	1,318
Deposits	80,885	1,001,709
Lending	-265,259	-27,457
Other working capital	157,026	-523,855
Other liabilities	-4,091	-10,237
<b>Change in working capital</b>	<b>-55,773</b>	<b>441,478</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>72,638</b>	<b>571,296</b>
Sale of tangible assets	0	1,072
Purchase, etc. of tangible assets	-4,795	-15,647
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>-4,795</b>	<b>-14,575</b>
Dividend paid	-99,000	-99,000
Trade in own shares	0	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-99,000</b>	<b>-99,000</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-31,157</b>	<b>457,721</b>
Cash and cash equivalents, beginning of year	1,933,024	1,475,303
<b>Cash and cash equivalents, end of year</b>	<b>1,901,867</b>	<b>1,933,024</b>
Cash balance	79,713	87,048
Deposit on demand at Danmarks Nationalbank	74,037	249,570
Certificates of deposit with Danmarks Nationalbank	618,000	723,000
Fully secured and liquid cash and cash equivalents in credit institutions	287,240	201,983
Non-mortgaged securities	842,877	671,423
<b>Cash and cash equivalents, end of year</b>	<b>1,901,867</b>	<b>1,933,024</b>

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## OVERVIEW OF NOTES

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## NOTES

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### Note 1

#### **Accounting policies applied**

The annual financial statements are presented in accordance with the Danish Financial Business Act, including the Order on financial reports for credit institutions and investment service companies, etc. The Annual Report is furthermore presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial companies.

The Annual Report is presented in Danish kroner, rounded to the nearest DKK 1,000.

The accounting policies applied are unchanged compared to the Annual Report for 2015.

#### **About recognition and measurement in general**

Assets are recognised in the balance sheet when it is probable, due to a previous event, that future economic benefits will accrue to the Bank, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank, due to a previous event, has a legal or actual obligation, and it is probable that future economic benefits will divest from the Bank, and the value of the liability can be measured reliably.

On first recognition, assets and liabilities are measured at fair value. However, tangible assets are measured at cost price at the time of first recognition. Measurement after first recognition takes place as described for each accounting item below.

On recognition and measurement, account is taken of predictable risks and losses arising before the presentation of the Annual Report, and which confirm or refute conditions existing as of the balance sheet date.

Income is recognised in the income statement as it is earned, while costs are recognised at the amounts concerning the financial year. However, increases in the value of head office properties that do not match previous impairment are recognised directly to the statement of comprehensive income.

Purchase and sale of financial instruments is recognised on the trading date, and recognition ceases when the right to receive/cede cash flows from the financial asset or liability has expired, or has been assigned, and the Bank has in principle transferred all risks and yields related to the property ownership. The BANK of Greenland does not apply the rule on reclassification of certain financial assets from fair value to amortised cost.

#### **Significant accounting estimates, assumptions and uncertainties**

The annual financial statements are prepared on the basis of certain special assumptions which entail the use of accounting estimates. These estimates are made by the Bank's management in accordance with accounting policies, and on the basis of historical experience, as well as assumptions which the management considers to be responsible and realistic.

The assumptions may be incomplete, and unexpected future events or circumstances may arise, just as other parties might be able to make other estimates. The areas which entail a higher degree of assessment or complexity, or areas where assumptions and estimates are significant to the accounts, are stated below.

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- Write-downs on loans are made in accordance with accounting policies and are based on a number of assumptions as stated in 'Loans and other receivables'. If these assumptions are changed, the presentation of the accounts may be affected, and this may be significant. Changes may arise as a change in practice by the authorities, and also on any changed principles from the management.
- Group write-downs are still subject to some uncertainty. On the calculation of group write-downs, the BANK of Greenland uses a model developed by the 'Local Banks' association. As the model does not include all relevant conditions and the calculations are still based on a limited historical data basis, the calculations are supplemented with a managerial estimate.
- Provisions for losses on guarantees where there are significant estimates related to the quantification of the risk that the given guarantee will be paid.
- Listed financial instruments that may be priced in markets with low turnover, which means that the use of the stock exchange prices when measuring fair value may be subject to some uncertainty.
- Unlisted financial instruments may involve significant estimates in connection with the measurement of fair value. See note 15 and 29.
- For provisions, there are significant estimates related to the determination of the future rate of employee turnover, as well as determining the interest obligation on tax-free savings accounts.
- The measurement of the fair value of head office properties is likewise subject to significant estimates and assessments, including expectations of the properties' future returns and fixed rates of return. A change in the percentage yield of e.g. 0.5% would change the valuation by DKK 8 million. On the valuation of the Bank's head office property in Nuuk, different prices per square metre are used in relation to market rent and potential use.

### **Determination of fair value**

The fair value is the amount at which an asset can be traded or a liability can be redeemed, in a trade under normal conditions between qualified, willing and mutually 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 not available, another published price that must be assumed to be most equivalent.

For financial instruments for which there is no active market, the fair value is determined with the help of generally recognised valuation techniques, which are based on observable current market data.

### **Hedge accounting**

The Bank applies the special hedge accounting rules to avoid the inconsistency which arises when certain financial assets or financial liabilities (the hedged items) are measured at amortised cost, while derivative financial instruments (the hedging instruments) are measured at fair value.

When the criteria for the application of the hedge accounting rules are fulfilled, the accounting value of the hedged assets and liabilities is subject to adjustment via the income statement for changes in fair value concerning the hedged risks (fair value hedging). Hedging is established by the Bank for lending

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## NOTES

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at fixed interest rates.

### **Derivative financial instruments**

Derivative financial instruments are measured at fair value, which in principle is based on listed market prices. With regard to unlisted instruments, the fair value is compiled according to generally recognised principles. Derivative financial instruments are recognised under other assets, or other liabilities.

Changes in the fair value of derivative financial instruments which are classified as and fulfil the conditions for hedging the fair value of a recognised asset or liability, are recognised in the income statement together with changes in the value of the hedged asset or liability. Other changes are recognised in the income statement as financial items.

### **Translation of foreign currencies**

On first recognition, transactions in foreign currencies are translated at the exchange rate on the transaction date. Receivables, debt and other monetary items in foreign currency which are not settled as of the balance sheet date, are converted at the closing rate for the currency on the balance sheet date. Exchange-rate differences arising between the rate on the transaction date and the rate on the payment date, or the rate on the balance sheet date, are recognised as value adjustments in the income statement.

### **Set-offs**

The Bank sets off receivables and liabilities when the Bank has a legal right to set off the recognised amounts and also intends to net set off or realise the asset and redeem the liability at the same time.

### **Statement of income**

#### **Interest, fees and commission**

Interest income and interest expenses are recognised in the statement of income for the period which they concern. Commission and fees which are an integrated element of the effective interest rate on a loan are recognised as part of the amortised cost and thereby as an integrated element of the financial instrument (lending) under interest income.

Commission and fees which are part of the ongoing servicing of the loan are accrued over the term to maturity. Other fees (e.g. establishment fees) are recognised in the income statement as of the transaction date.

Interest income from loans that are written down either in full or in part is included under 'Net write-downs on loans and receivables, etc.' with regard to the interest on the element of the loans which is written down.

#### **Staff and administration expenses**

Staff costs comprise salaries and social security expenses, pensions, staff accommodation, etc. Costs of services and benefits to employees, including anniversary bonuses, are recognised in step with the employees' performance of the work which entitles them to the services and benefits in question. Costs of incentive programmes are recognised in the statement of income in the financial year to which the cost can be attributed.

#### **Pension schemes**

The Bank has established a defined benefit severance/pension scheme for the Bank's managing director. Under this scheme, the Bank is obliged to pay a fixed benefit for a period after the managing

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director's retirement. Obligations of this type are compiled as the present value of the amounts which, according to the best possible estimate, must be expected to be paid. This obligation, which is earned over the 2016-2024 period, may comprise 0-24 months' salary, cf. Note 9.

The Bank has established contribution-based pension schemes with all employees. Under the contribution-based pension schemes, fixed contributions are paid to an independent pension institution.

### **Other operating income**

Other operating income includes income of a secondary nature in relation to the Bank's activities, including external rent income, and profit and loss on sale of the Bank's properties.

### **Other operating expenses**

Other operating expenses include expenses of a secondary nature in relation to the Bank's activities, including operation and maintenance of the Bank's head office properties, and contributions to sector solutions.

### **Tax**

Tax for the year, which consists of current tax and changes in deferred tax, is recognised in the income statement when it relates to the result for the period, and in other comprehensive income or directly to equity when it relates to items recognised directly in other comprehensive income or directly to equity, respectively.

On calculating the taxable income, Greenland allows tax deduction of dividends for the dividend-paying company. The taxation value of this is therefore added to equity at the time of the annual general meeting's approval of the dividend.

Deferred tax is recognised on all temporary difference between accounting values and taxable values of assets and liabilities.

### **Balance sheet total**

#### **Cash balances and demand deposits at central banks**

Comprises cash balances and demand deposits at central banks and are measured at fair value on first recognition, and subsequently measured at amortised cost.

#### **Amounts receivable and debt from credit institutions and central banks**

Comprises receivables from credit institutions and time deposits with central banks. Debt to credit institutions and central banks comprises debt to other credit institutions and central banks. Amounts receivable is at fair value. Debt is at amortised cost.

#### **Loans and other receivables at amortised cost**

Loans are measured at amortised cost, which is usually equivalent to nominal value less establishment fees, etc., and write-downs to meet losses that have arisen, but have not yet been realised.

Loans and receivables are written down either individually or on a group basis. If an objective indication of impairment is found on an individually assessed loan, an impairment charge is made to cover the bank's loss on the basis of expected future payments series based on an assessment of the most likely outcome.

## NOTES

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For individual write-downs, objective indication is considered to have occurred when

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

Write-down is made as the difference between the accounting value before write-down and the present value of the expected future payments on the loan.

When measuring security in fully or partly leased commercial properties or residential properties, the required rate of return is one of the assumptions applied. The value of properties is determined on the basis of an assessment of the required rate of return that an investor is likely to require for a property in the relevant category. The required return on these properties currently lies mainly in the range of 6% to 10%. The measurement of the required return depends among other things on geography, development opportunities (business/residential), maintenance standard and any re-letting risk and thereby the risk of standing vacant, etc. In the calculations, the collateral security is valued in accordance with the Danish FSA's practice, based on a price at which it is assumed that they can be sold within a short time (6 months). As a result of normal cyclical uncertainties, the valuation of the collateral security remains subject to uncertainty and the collateral security in commercial real estate is to a great extent affected by the current estimates of the required rates of return in the real estate market.

For loans that are not written down individually, a group assessment is made of whether for the group there is indication of impairment/appreciation.

The group assessment is made for groups of loans and receivables that have uniform characteristics in terms of credit risk. Three groups are used, as one group of public authorities, one group of private customers and one group of business customers.

The group-based assessment is made via a segmentation model developed by the Local Banks association, which undertakes ongoing the maintenance and development. The segmentation model determines the relation in the individual groups between actual losses and a number of significant explanatory macroeconomic variables. via a linear regression analysis. The explanatory macroeconomic variables include unemployment, housing prices, interest, number of failures and enforced sales, etc.

The macroeconomic segmentation model is in principle calculated on the basis of loss data for the entire banking sector in Denmark. The Bank has therefore assessed whether the model estimates must be adapted to the credit risk for the Bank's own loan portfolio.

This assessment has led to an adjustment of the model estimates to own conditions, according to which the adjusted estimates form the basis for the calculation of the group-based write-down. For each group of loans and receivables an estimate is found which expresses the percentage impairment related to a given group of loans and receivables on the balance sheet date. Due to the BANK of Greenland's primary market area, which is different from banks in Denmark, the calculated percentage loss ratio is generally increased by 25%. By comparison of the individual loan's original loss risk and the loan's loss



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## NOTES

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risk at the end of the accounting period in question, the individual loan's contribution to the group-based write-down is found. Write-down is calculated as the difference between the accounting value and the discounted value of the expected future payments on the loan.

A management estimate has furthermore been made of whether the model estimates thereafter calculated have led to further corrections. The estimate is based on cyclical conditions, etc.

Write-downs on loans are made to a correction account that is set off under loans. Write-downs are recognised in the statement of income under "Write-downs on loans".

### **Bonds at fair value**

Bonds which are traded in active markets are measured at fair value. Fair value is calculated at the closing price for the market in question on the balance sheet date. Drawn bonds are measured at present value.

If the market for one or several bonds is not liquid, or if there is no publicly recognised price, the Bank determines the fair value by using recognised valuation techniques. These techniques include the use of equivalent recent transactions between independent parties, and analyses of discounted cash flows and other models based on observable market data.

### **Shares, etc.**

Shares are measured at fair value. The fair value of shares traded in active markets is compiled at the closing price on the balance sheet date.

The fair value of unlisted and non-liquid shares is based on the available information on trades and similar or alternative capital value calculations. Non-liquid and unlisted capital investments for which it is not assessed to be possible to calculate a reliable fair value are measured at cost.

### **Head office properties**

All of the Bank's properties are defined as head office properties, including staff accommodation. Staff accommodation is assessed to be necessary, to ensure the recruitment of new staff.

Properties are measured according to first recognition at re-assessed value. Re-assessment is made sufficiently frequently to avoid significant differences from fair value.

Every second year (at the latest in mid-2016) an independent assessment is obtained of the market value of the Bank's head office property in Nuuk.

Increases in head office properties' reassessed value are recognised in revaluation reserves under equity. Any decrease in value is recognised in the statement of income, except in the case of reversal of write-ups in previous years.

Straight-line depreciation over 25 years is applied to bank buildings, and over 50 years to staff accommodation. The head office property and newer bank buildings and staff accommodation are written down to scrap value.

### **Other tangible assets**

Machinery and fixtures and fittings are measured at cost less accumulated depreciation. Depreciation is made on a straight-line basis over the assets' expected lifetime, but maximum five years.

## NOTES

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### **Other assets**

Other assets are other assets not included under other asset items. The item includes the Bank's capital contribution to BEC, and the positive market value of derivative financial instruments and income that do not fall due for payment until after the end of the financial year, including interest receivable. With the exception of derivative financial instruments that have a positive value as of the balance sheet date, and which are measured at fair value, the accounting item is measured at cost on first recognition, and thereafter at amortised cost.

### **Accruals and deferred expenses**

Accruals and deferred expenses recognised under assets comprise defrayed costs concerning subsequent financial years. Accruals and deferred expenses are measured at cost.

### **Deposits and other liabilities**

Deposits and other liabilities comprise deposits with counterparties that are not credit institutions or central banks. Deposits and other liabilities are measured at fair value on first recognition, and are subsequently measured at amortised cost.

### **Other liabilities**

Other liabilities are other liabilities not included under other liability items. The item includes the negative market value of derivative financial instruments and expenses that do not fall due for payment until after the end of the financial year, including interest payable. With the exception of derivative financial instruments that have a negative value as of the balance sheet date, and which are measured at fair value, the accounting item is measured at cost on first recognition, and thereafter at amortised cost.

### **Accruals and deferred income**

Accruals and deferred income recognised under liabilities comprise income received prior to the balance sheet date, but which concerns a subsequent accounting period, including accrued interest and commission. Accruals and deferred income are measured at cost.

### **Provisions**

Obligations and guarantees which are uncertain in terms of size or time of settlement are recognised as provisions when it is probable that the obligation will lead to a claim on the Bank's financial resources, and the obligation can be measured reliably. The obligation is calculated at the present value of the costs that are necessary in order to redeem the obligation. Obligations concerning staff which fall due more than 36 months after the period in which they are earned are discounted.

### **Dividend**

Dividend is recognised as a liability at the time of its adoption by the annual general meeting. The proposed dividend for the financial year is shown as a separate item in relation to equity.

### **Own shares**

Acquisition and divestment amounts and dividend from own shares are recognised directly to retained earnings under equity.

### **Cash flow statement**

The cash flow statement is presented according to the indirect method and shows cash flows concerning operations, investments and financing, and the Bank's liquid assets at the beginning and end of the year.

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Liquid assets comprise cash balances and demand deposits with central banks and receivables from credit institutions, as well as uncollateralised securities which can be immediately converted to cash funds.

### **Financial highlights and key figures**

Financial highlights and key figures are presented in accordance to the definitions and guidelines of FSA.

### **Coming accounting regulations**

At the time of publication of this Annual Report, a number of provisions are subject to amendment in the Danish IFRS-compatible accounting order.

The overall provisions of IFRS 9 will be incorporated in the Danish accounting order and supplemented with special Danish impairment rules in Annex 10 of the accounting order that fulfil the overall principles in IFRS 9.

The IFRS 9 Accounting Standard significantly changes the current rules for the classification and measurement of financial assets, and the current impairment rules.

The adjusted Danish accounting order is expected to enter into force for accounting periods commencing on 1 January 2018.

With IFRS 9, the current impairment model, based on incurred losses (the "incurred loss" model), is replaced by an impairment model based on expected losses (the "expected loss" model). The new, expectations-based impairment model entails that on first recognition a financial asset is written down by an amount equivalent to the expected credit loss over 12 months (stage 1). On any subsequent significant increase in the credit risk from the time of first recognition, the asset is written down by an amount equivalent to the expected credit loss during the asset's expected remaining term to maturity (stage 2). If active impairment is found (stage 3) the asset is written down unchanged, as an amount equivalent to the expected credit loss in the asset's remaining term to maturity, but based on an increased probability of loss.

There is ongoing development work that is anchored in the BANK of Greenland's data centre, BEC, with the participation of the affiliated member institutions, as well as LOPI (the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark), in order to develop an IFRS 9-compatible impairment model.

It is not currently possible to make a reasonable estimate of the accounting effect of the initial use of IFRS 9 in terms of the impairment rules. It is generally expected, however, that in overall terms the new impairment rules for the banks will lead to increased impairments and thereby a greater correction account, since according to the new regulations all loans and guarantees will be subject to impairment equivalent to the expected credit loss over 12 months, or the expected credit loss in the asset's remaining term to maturity on any significant increase in the credit risk.

Group impairment according to the current rules will not be continued under the new rules, and to some extent this will diminish the effect of IFRS 9.

A negative accounting effect of the new expectation-based IFRS impairment rules will in principle have an equivalent effect on the capital base. To avoid an unintended effect on the capital base and thereby the Bank's opportunity to support credit extension, as an element of the reform package presented by

## NOTES

the European Commission on 23 October 2016 (the capital requirement package) the Commission has proposed a five-year transition scheme, so that a negative effect of the new IFRS impairment rules will not have a full impact on the capital base until after five years.

Overall, the BANK of Greenland assesses that the effect of IFRS 9 on the surplus cover will be insignificant at the time the rules enter into force in 2018, while the effect on the surplus cover going forward will be more dampened, as the effect of the transition scheme is phased out.

### Note 2

#### Financial risks and policies and targets for management of financial risks

##### General

In accordance with Section 19 of the Order on the management and control of banks, banks must e.g. designate a person responsible for risk management. The BANK of Greenland is not subject to the Order, since it has not entered into force for Greenland. However, the BANK of Greenland has decided to follow the Order's principles in relation to reporting the Bank's risks to the Board of Directors.

The Board of Directors of the BANK of Greenland has assessed that the Bank's size, simple structure and uncomplicated activities do not justify a separate risk management function. The risk management function is anchored in the Executive Management.

The BANK of Greenland is exposed to various types of risk. The objective of the Bank's risk management policies is to minimise the losses which may arise as a consequence of e.g. unforeseen development in the financial markets. The Bank works with a balanced risk profile, both in credit terms and on the financial markets. The Bank solely uses derivative financial instruments (derivatives) to cover risks on customer transactions, or to reduce the Bank's interest rate risk.

The BANK of Greenland continuously develops its tools for the identification and management of the risks which affect the Bank on a day-to-day basis. The Board of Directors determines the overall framework and principles for risk and capital management, and receives ongoing reports on the development in risks and use of the allocated risk framework. The day-to-day risk management is undertaken by the Credit Office, with independent control by the Accounting Department.

#### Maximum credit exposure (DKK 1,000

	2016	2015
Cash balances and demand deposits at central banks	153,750	336,618
Amounts receivable from credit institutions and central banks	1,371,201	1,454,983
Loans and other receivables at amortised cost	3,073,861	2,822,572
Bonds at fair value	925,514	835,754
Shares, etc.	86,281	84,750
Other assets, including derivative financial instruments	96,318	106,225
Off-balance-sheet items		
Guarantees	1,216,537	1,122,842
Credit undertakings	50,000	180

The distribution of "Loans and other receivables at amortised cost" and "Guarantees" is shown in Note 13 and 23.

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### **Credit risks**

The most significant risks at the BANK of Greenland concern credit risks. The Bank's risk management policies are therefore arranged in order to ensure that transactions with customers and credit institutions always lie within the framework adopted by the Board of Directors, and the expected level of security. Policies have furthermore been adopted to limit the exposure in relation to any credit institution with which the Bank has activities.

### **Credit granting**

The Bank's Board of Directors has set a framework to ensure that the Bank's lending takes place to customers that, in view of their solvency, earnings and liquidity are able to fulfil their obligations to the Bank. It is sought to maintain credit quality at a high level, to ensure a stable basis for the future development, and it is sought to achieve a balance between assumed risks and the return achieved by the Bank.

Credit granting is based on responsible risk taking and risk diversification, whereby risk exposure is matched to the borrower's circumstances.

Among other things, as a

- general rule loans, etc. are only granted to customers that are full customers of the Bank;
- as a general rule, lending, etc. to business customers is only granted to customers with business activities in Greenland;
- as a general rule, lending, etc. to private customers is only granted to customers resident in Greenland, or to customers formerly resident in Greenland; and
- lending, etc. to both private and business customers is solely to customers with satisfactory creditworthiness. Credit granting to customers with OII or material indications of weakness will only take place in exceptional cases. The BANK of Greenland is, however, aware of its size and importance to the local area and contributes to a minor extent to the new establishment of small business enterprises with a somewhat higher risk profile, and also supports existing customers where it is assessed that the financial challenges are of a temporary nature.
- Some financing, such as financing of activities abroad, project financing and financing of investment products, takes place subject to closer monitoring, and may only be granted by the Bank's managing director or deputy managing director.

### **Risk diversification**

The BANK of Greenland wishes to diversify its credit risk between lending to private customers and lending to business customers. The exposure to business customers and public authorities may thus not exceed 65% of the total exposure.

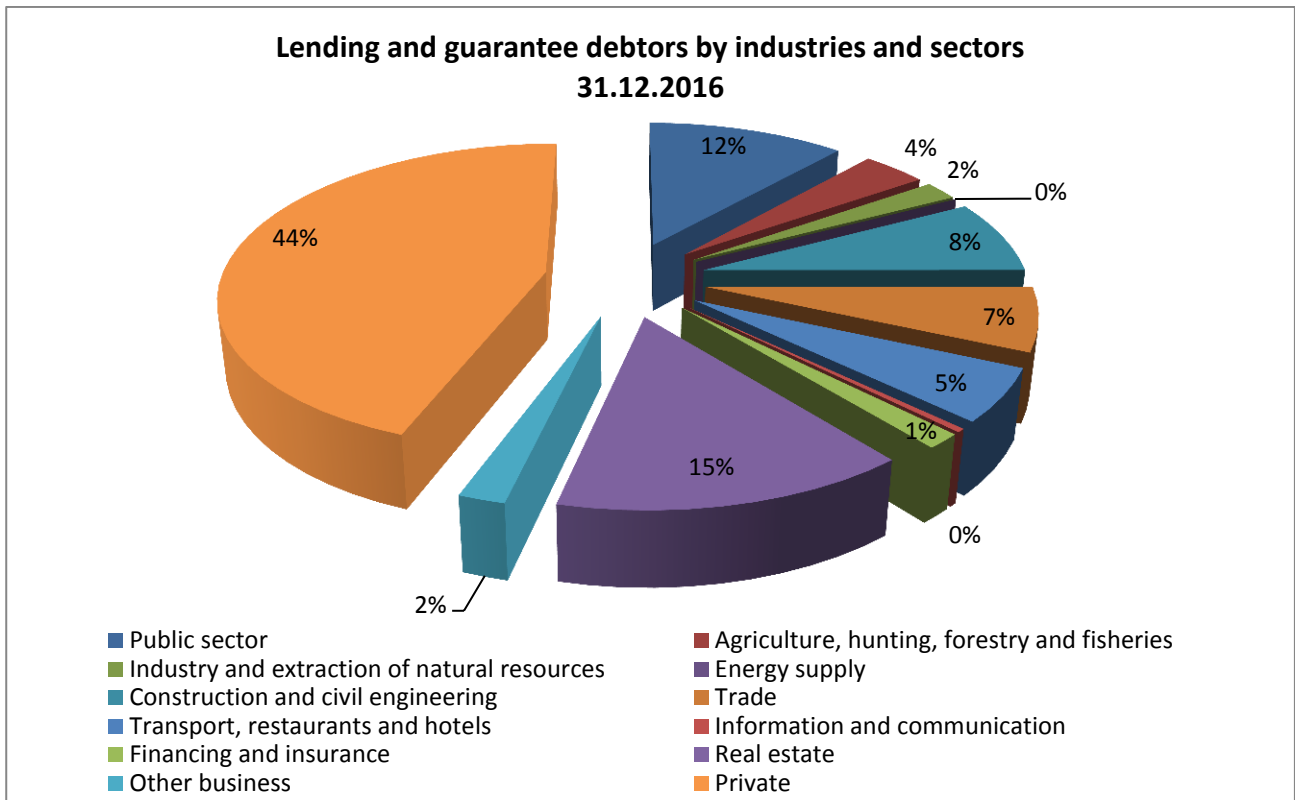
Risk diversification to industries with a reasonable spread across sectors is also required. Lending to individual sectors exceeding 15% is thus not required, with the exception of "Real estate and completion of construction projects", to which the overall exposure may amount to up to 25%

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Standard terms

Corporate clients: Typically, commitments can be terminated without notice on the part of the Bank. Requirement is made that the client regularly gives economic information to the Bank.

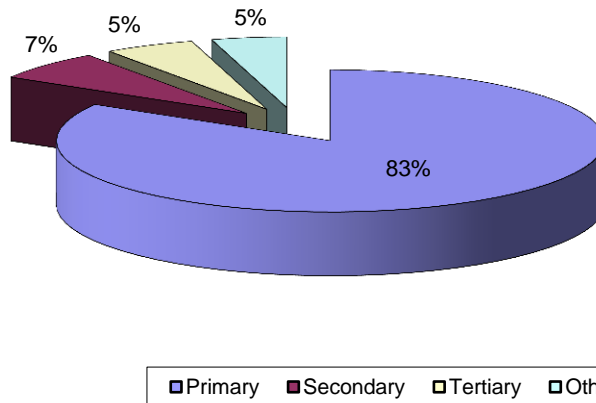
Private clients: Typically there is a two months' notice on the part of the Bank. There are usually requirements for financial information at new loans, as well as amendments to existing loans.



The geographical diversification of the Bank's lending and guarantees is distributed on the four municipal main towns (primary), small towns (secondary), settlements and small towns (tertiary) and abroad (other). According to the Bank's business model, lending and guarantees outside Greenland are maximised to 10% of total lending and guarantees.

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**Geographical distribution of lending and guarantee debtors  
31.12.2016**



The Bank does not wish to have high exposure to outstandings which exceed 10% of the Bank's capital base. Due to the Bank's size and financial role in Greenland, however, a number of large exposures with large companies in Greenland are accepted. It can only in very exceptional cases be accepted that exposures exceed 15% of the Bank's capital base.

The total sum of "large exposures" may amount to maximum 100% of the Bank's capital base.

	2016	2015
Large exposures – number	8	6
Greater than 20% of the capital base	0	0
15-20% of the capital base	0	0
10-15% of the capital base	8	6
Per cent of the capital base	90.3	69.9

As of 1.1.2018, the Danish FSA is expected to introduce a new calculation method and threshold for "large exposures". Currently, this expected new threshold is observed with a good margin.

**Authorisation procedures**

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

**Monitoring**

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

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

The creditworthiness of the exposures and the need for value adjustment are assessed on a quarterly basis. All exposures exceeding DKK 10,000 are subject to automatic selection, for the purpose of subsequent individual assessment. Irrespective of the automatic selection, all exposures exceeding DKK 1,000,000 and all exposures with large overdrafts, or overdrafts exceeding 90 days, are assessed individually.

The automatic selection is based on such criteria as few assets, unsatisfactory available funds, weak financial results, overdraft/default, etc.

### **Collateral security**

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

For financing, the collateral security primarily consists of:

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

The valuation of the collateral is in principle based on fair value:

- mortgages on private residential properties located in the towns in which the Bank has branches are estimated at 75% of fair value;
- mortgages on commercial properties located in the towns in which the Bank has branches are estimated at 60% of fair value;
- mortgages on rental properties are assessed for large property exposures on the basis of rental conditions, yield requirements, location, maintenance standard, etc. The mortgage value is set at 60-75% of fair value;
- mortgages on properties outside the towns in which the Bank has branches are not subject to valuation as collateral;
- mortgages on movable property are generally assessed at between 60 and 75% of fair value;
- mortgages in fishing vessels are assessed at maximum 60% of fair value;
- mortgages in fishing rights are assessed at maximum 60% of fair value;
- mortgages in negotiable securities are assessed at between 50-90% of fair value;
- surety pledges from public authorities are subject to valuation as collateral at nominal value; and
- other security is not subject to valuation as collateral.

The "haircuts" made for the individual collateral are assessed to be sufficient to cover the costs of acquisition and realisation of the individual security.



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There is no public property valuation in Greenland, and the assessed valuations are therefore based on the Bank's current experience of market values for the trades completed. The BANK of Greenland is involved in 70-80% of all property transactions in Greenland and therefore has a large body of experience on which to base this assessment.

### **Value adjustment**

All exposures greater than DKK 10,000 with objective indication of impairment (OII) are assessed individually in order to calculate the impairment/provision.

All exposures with an assessed OII where no value adjustment has taken place are transferred to group-based assessment together with other exposures. A model developed by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark is used for the calculation of group-based write-downs. The calculated gross loss ratios are increased by 25% to take account of geographical differences in the model's parameters. In addition to the calculated group-based write-downs, further write-downs are made as part of a managerial estimate, including reserves for losses on loans of less than DKK 10,000, for further losses on small consumer loans with a higher assessed risk, and reservation for individual sectors and geographical areas, where the risk is assessed to be higher than in the rest of the loan portfolio.

There is objective indication of impairment of an exposure if one or several of the following events has occurred:

- the borrower is in considerable financial difficulties;
- the borrower is in breach of contract, for example due to failure to fulfil payment obligations; and
- the borrower has been granted easier terms, which are only granted on the basis of the debtor's financial difficulties.
- It is likely that the debtor will file for bankruptcy or otherwise be subject to financial restructuring.

## NOTES

### Exposure and write-downs, including group write-downs, by sector

2016	Gross exposure DKK 1,000	Ratio, total gross exposures	Total write-downs DKK 1,000	Ratio, total write- downs
Public	512,035	12%	266	0%
Business:				
Agriculture and fisheries	166,539	4 %	8,052	7 %
Industry and extraction of minerals	88,269	2%	6,779	5%
Energy supply	0	0%	0	0%
Construction and civil engineering	337,184	8%	18,473	15%
Trade	292,674	7%	9,256	7%
Transport, restaurants and hotels	241,975	5%	4,077	3%
Information and communication	16,778	0%	147	0%
Financing and insurance	68,026	1%	135	0%
Real estate	647,935	15%	5,326	4%
Other business	86,894	2%	2,456	2%
Business in total	1,946,274	44%	54,701	43%
Private	1,958,303	44%	71,248	57%
<b>In total</b>	<b>4,416,612</b>	<b>100%</b>	<b>126,215</b>	<b>100%</b>
Of which group-based			31,841	

2015	Gross exposure DKK 1,000	Ratio, total gross exposures	Total write-downs DKK 1,000	Ratio, total write- downs
Public	332,244	8%	0	0%
Business:				
Agriculture and fisheries	195,639	5%	5,015	5%
Industry and extraction of minerals	38,913	1%	1,313	1%
Energy supply	0	0%	0	0%
Construction and civil engineering	370,082	9%	19,081	17%
Trade	344,820	8%	11,830	11%
Transport, restaurants and hotels	223,361	6%	4,442	4%
Information and communication	10,261	0%	304	0%
Financing and insurance	75,440	2%	0	0%
Real estate	605,146	15%	6,597	6%
Other business	64,624	2%	1,452	1%
Business in total	1,928,286	48%	50,034	45%
Private	1,797,052	44%	62,136	55%
<b>In total</b>	<b>4,057,582</b>	<b>100%</b>	<b>112,170</b>	<b>100%</b>
Of which group-based			27,126	

## NOTES

If the mortgageable limit for an exposure exceeds the maximum credit exposure, the excess mortgageable value is not included in the table.

### Distribution of lending and guarantees with Oil by sector (DKK 1,000)

2016	Gross exposure	Value of collateral security	Unsecured	Individual write-downs	Maximum credit risk
Public	266	0	266	266	0
Business:					
Agriculture and fisheries	14,460	10,834	3,626	3,626	0
Industry and extraction of minerals	15,435	12,450	2,985	2,581	404
Energy supply	0	0	0	0	0
Construction and civil engineering	51,446	10,881	40,565	17,791	22,774
Trade	12,734	5,746	6,988	6,240	748
Transport, restaurants and hotels	13,450	11,830	1,620	1,620	0
Information and communication	0	0	0	0	0
Financing and insurance	0	0	0	0	0
Real estate	40,377	40,377	0	0	0
Other business	12,138	10,103	2,035	2,035	0
Business in total	160,040	102,221	57,819	33,893	23,926
Private	121,458	58,324	63,134	60,215	2,919
<b>In total</b>	<b>281,764</b>	<b>160,545</b>	<b>121,219</b>	<b>94,374</b>	<b>26,845</b>

2015	Gross exposure	Value of collateral security	Unsecured	Individual write-downs	Maximum credit risk
Public	0	0	0	0	0
Business:					
Agriculture and fisheries	10,670	5,190	5,480	4,147	1,333
Industry and extraction of minerals	15,069	13,840	1,229	681	548
Energy supply	0	0	0	0	0
Construction and civil engineering	86,214	25,924	60,290	17,562	42,728
Trade	18,110	10,842	7,268	5,366	1,902
Transport, restaurants and hotels	25,510	22,475	3,035	2,204	831
Information and communication	1,220	0	1,220	185	1,036
Financing and insurance	0	0	0	0	0
Real estate	16,020	15,801	219	0	219
Other business	6,193	5,155	1,038	1,038	0
Business in total	179,006	99,227	79,779	31,183	48,597
Private	123,698	51,330	72,368	53,860	18,508
<b>In total</b>	<b>302,704</b>	<b>150,557</b>	<b>152,147</b>	<b>85,043</b>	<b>67,105</b>

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## NOTES

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### Reason for value adjustment of exposures subject to individual write-down (DKK 1,000)

2016	Credit exposures before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	15,981	4,340	11,641	11,641	0
Collection	17,103	15,399	1,704	1,704	0
Financial difficulties	146,013	74,635	71,378	47,452	23,926
<b>In total</b>	<b>179,097</b>	<b>94,374</b>	<b>84,723</b>	<b>60,797</b>	<b>23,926</b>

2015	Credit exposure before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	2,467	2,467	0	0	0
Collection	34,217	18,546	15,671	14,489	1,182
Financial difficulties	142,461	64,030	78,431	34,647	43,784
<b>In total</b>	<b>179,145</b>	<b>85,043</b>	<b>94,102</b>	<b>49,136</b>	<b>44,966</b>

### Credit quality of exposures in general

The BANK of Greenland has not developed scoring models to cover the entire lending portfolio.

Business exposures are subject to manual scoring on a scale from 1 to 5, with 1 as the best score.

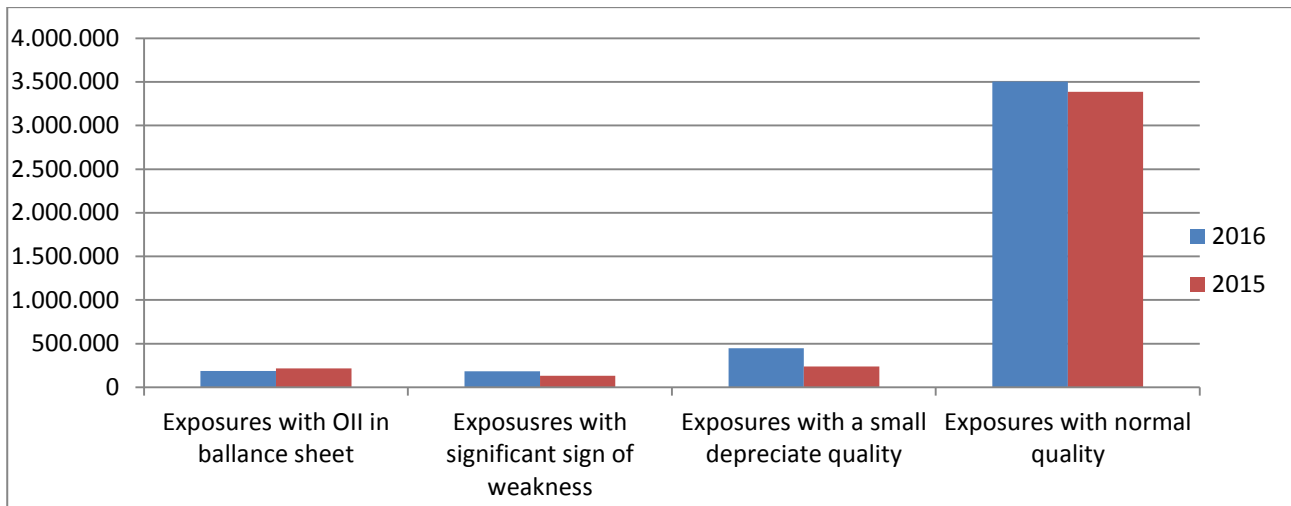
For private exposures, a score system with a scale from 1 to 11 is being implemented.

Exposures with arrears or overdrafts > DKK 1,000

In DKK 1,000	2016	2015
0-30 days	14,473	6,383
31-60 days	5,315	2,834
61-90 days	4,826	5,676
> 90 days	5,609	6,481
<b>In total</b>	<b>30,223</b>	<b>21,374</b>

## NOTES

### Credit exposure after write-downs distributed by creditworthiness (in DKK 1,000)



The BANK of Greenland has no "non-impaired loans or guarantees" for which the loan terms have been eased.

### Market risk

The BANK of Greenland's market risk is managed by fixed limits for a large number of risk measurements. Monitoring of market risk and of compliance with the adopted framework is undertaken on a daily basis by the Bank's Markets department. The Executive Management receives reports on a daily basis if risks are close to limits. The Board of Directors receives reports on the development in market risks on a monthly basis. The reports include the month-end value and are prepared by the Bank's Accounting Department. The Accounting Department also prepares reports on a random day of the month, which are reported to the Executive Management.

### Interest rate risk

The Board of Directors' guidelines for the Executive Management include a maximum interest rate risk for the Bank. The Bank's objective is to hold the interest rate risk below 1.5%. The interest rate risk is calculated in accordance with the Danish Financial Supervisory Authority's guidelines.

The Bank has set a minor limit of DKK 25 million for uncovered lending at fixed interest rates. Besides this, all of the Bank's lending at fixed interest rates is covered.

The BANK of Greenland has outsourced the portfolio management of the Bank's bond holdings to an external portfolio manager. The portfolio manager is subject to the aforementioned risk framework and work on the basis of a duration of 1.5 years. The Bank has entered into interest rate swaps for a total of DKK 35 million to partly cover the interest rate risk on the Bank's bond holdings. Reference is made to Notes 26 and 28.

### Share risk

The Board of Directors' guidelines for the Executive Management include a maximum shareholding (excluding sector shares) for the risk which the Bank may assume. The holdings are mainly placed in liquid equities-based investment funds. Reference is made to Note 15.

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## NOTES

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### Currency risk

The BANK of Greenland has adopted guidelines for the currencies in which exposure is permitted, and the maximum exposure for each currency. All significant currency exposures are covered. The Bank has entered into currency swaps for a total of DKK 36 million to partly cover the currency risk on foreign corporate bonds. Reference is made to Note 25 for further information on currency risks.

### Liquidity risk

The BANK of Greenland's liquidity reserves are managed by maintaining sufficient liquid funds, ultra-liquid securities, credit facilities as committed and uncommitted lines, and the ability to close market positions. The liquid reserves are determined on the basis of an objective to ensure stable liquid reserves. The Bank seeks to have surplus cover of 125-150% in relation to the requirements in the Danish Financial Business Act. LCR for the BANK of Greenland is calculated at 207.4 as of the end of 2016. Reference is made to key figures for surplus liquidity cover, as well as the key figures for lending as a ratio of deposits in Note 31.

### Operational risk

In order to reduce losses due to operational risks, the Bank has drawn up policies and written procedures. The Bank's policy is to continuously limit the operational risks, of which the following are examples.

The Bank's procedures are reviewed and reassessed at least once every other year, unless there are changes in a procedure due to e.g. legislative changes, procedural changes, internal rules, etc.

By ensuring a clear division of organisational responsibility, with the necessary and adequate separation of functions, the operational risks can be limited.

The BANK of Greenland considers dependence on key employees to be a focus area. Written procedures have been drawn up in order to minimise dependence on individuals. There is continuous focus on reducing dependence individual persons in key roles in the Bank, and the Bank continuously assesses the outsourcing of operating areas that are not important to the Bank's competitiveness. The Bank also has great focus on continuously improving the internal and external recruitment basis.

The BANK of Greenland wishes to have a strong control environment and has therefore also drawn up a number of standards for how control is to take place.

The BANK of Greenland has drawn up policies and emergency plans for physical disasters and IT outages. IT outages may disrupt operations. In the case of a geographically limited outage in the branch network, the other branches will be able to continue operations. For any outage at the head office, emergency plans and contingency measures have been drawn up, and it will be possible to establish temporary operations within a short time from a back-up centre (Center II) established in external premises. Center II was established in 2012, which has significantly reduced the risk of vital outages. Customer-oriented temporary operations can be established within one day.

The Bank's IT operations take place at Bankernes EDB Central (BEC). The Bank closely follows the instructions and recommendations received, just as the Bank does not undertake independent development of IT systems.

The BANK of Greenland cooperates on Internal Auditing with Danske Andelskassers Bank A/S and the Bank has also appointed a legal officer who is responsible for compliance. This will help to ensure that the Bank complies with both external and internal requirements at all times.

**NOTES TO THE STATEMENT OF INCOME**

(DKK 1,000)		2016	2015
<b>3</b>	<b>Interest income</b>		
	Loans and other receivables	197,196	194,996
	Bonds	15,769	20,462
	<b>Total interest income</b>	<b>212,965</b>	<b>215,458</b>
<b>4</b>	<b>Negative interest income</b>		
	Amounts receivable from credit institutions and central banks	-6,001	-4,412
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-5,782	-4,307
	<b>Total negative interest</b>	<b>-11,783</b>	<b>-8,719</b>
<b>5</b>	<b>Interest expenses</b>		
	Credit institutions and central banks	170	318
	Deposits and other liabilities	2,441	4,213
	<b>Total interest expenses</b>	<b>2,611</b>	<b>4,531</b>
<b>6</b>	<b>Positive interest expenses</b>		
	Deposits and other debt	2,953	0
	<b>Total positive interest expenses</b>	<b>2,953</b>	<b>0</b>
<b>7</b>	<b>Fees and commission income</b>		
	Securities and securities accounts	3,960	5,281
	Funds transfer	34,288	33,038
	Loan case fees	15,099	13,034
	Guarantee commission	17,763	17,796
	Other fees and commission	14,769	14,292
	<b>Total fee and commission income</b>	<b>85,879</b>	<b>83,441</b>
<b>8</b>	<b>Value adjustments</b>		
	Lending at fair value	-218	-3,107
	Bonds	-14,103	-28,118
	Shares	-1,704	14,325
	Currency	3,446	2,387
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-208	3,738
	Other assets	-112	0
	<b>Total value adjustments</b>	<b>-12,899</b>	<b>-10,775</b>

## NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)

2016      2015

### Notes 3-8

The Bank has not distributed net interest and fee income and value adjustment on areas of activity and geographical markets. It is assessed that there are no significant deviations between the Bank's activities and geographical areas, and no segment data is therefore disclosed.

### 9 Staff and administration expenses

#### Employee expenses

Salaries	58,759	57,119
Other staff expenses	2,028	3,233
Pensions	7,206	7,073
Social security expenses	538	545
<b>In total</b>	<b>68,531</b>	<b>67,970</b>

Other administration expenses	71,095	67,155
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#### Number of employees

The average number of employees in the financial year, converted to full-time employees	117.6	117.9
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#### Salaries and remuneration to the Board of Directors and the Executive Management

##### Board of Directors

Chairman of the Board of Directors, Gunnar í Liða	270	270
Vice Chairman, Kristian Frederik Lennert	183	183
Member of the Board of Directors, Frank Olsvig Bagger	125	125
Member of the Board of Directors, Anders Jonas Brøns	125	125
Member of the Board of Directors, Christina F. Bustrup, appointed in 2015	125	94
Member of the Board of Directors, Allan Damsgaard	125	125
Member of the Board of Directors, Lars Holst, appointed in 2015	125	94
Member of the Board of Directors, Yvonne Jane Poulsen Kyed	135	132
Member of the Board of Directors, Arne Ilannguaq Guldman Petersen, appointed in 2015	125	94
Member of the Board of Directors, Jette Radich, resigned in 2015	0	34
Member of the Board of Directors, Vagn Thomsen Raun, resigned in 2015	0	31
Member of the Board of Directors, Lida Skifte Lennert, resigned in 2015	0	31
<b>In total</b>	<b>1,338</b>	<b>1,338</b>

The remuneration of the Board of Directors is fixed



## NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)	2016	2015
Executive Management		
Bank Director Martin Birkmose Kviesgaard		
Fixed remuneration, incl. company car and other benefits	2,631	2,596
Pension	687	430
The Bank has established a defined benefit pension scheme for the Bank's managing director. Under this scheme, the Bank is obliged to pay a fixed benefit for a period after the managing director's retirement. The present value of the benefit as of 31 December 2016 is compiled at TDKK 245, which is recognised under pension to the management. This obligation, which is earned over the 2016-2024 period, may comprise 0-24 months' salary.		
Two other employees whose activity has a significant influence on the Bank's risk profile		
Fixed remuneration, incl. company car and other benefits	2,341	2,285
Pension	320	316
<b>10 Audit fees</b>		
Statutory audit of the annual financial statements	584	575
Other declarations with security	42	52
Tax advisory services	40	32
Other services	60	44
<b>Total remuneration to the auditors elected by the annual general meeting who perform the statutory audit</b>	<b>726</b>	<b>703</b>
<b>11 Tax on the profit for the year</b>		
Tax on the profit for the year is calculated as follows:		
Current tax	4,741	2,893
Deferred tax	-194	-476
Taxation value of dividend paid	31,482	31,482
<b>In total</b>	<b>36,029</b>	<b>33,899</b>
Tax on the profit for the year is broken down as follows:		
Calculated 31.8% tax on the profit for the year	36,067	33,907
Other adjustments	-38	-8
<b>In total</b>	<b>36,029</b>	<b>33,899</b>
Effective tax rate	31.8%	31.8%

Corporate and dividend tax paid in 2016 amounts to TDKK 3,403

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	2016	2015
<b>12 Amounts receivable from credit institutions and central banks</b>		
On demand	487,241	201,983
Up to and including 3 months	883,960	1,253,000
<b>In total</b>	<b>1,371,201</b>	<b>1,454,983</b>
Receivables subject to terms of notice at central banks	618,000	723,000
Receivables from credit institutions	753,201	731,983
<b>In total</b>	<b>1,371,201</b>	<b>1,454,983</b>
<b>13 Lending</b>		
Write-downs on loans and receivables		
Lending	12,597	23,573
Guarantees	1,374	-4,141
<b>Total write-downs during the year</b>	<b>13,971</b>	<b>19,432</b>
Of which losses not previously written down	299	160
Lending at amortised cost	3,073,861	2,822,572
Total lending by remaining term to maturity:		
On demand	268,665	338,075
Up to and including 3 months	236,040	177,447
Over 3 months and up to and including 1 year	480,409	480,973
Over 1 year and up to and including 5 years	1,313,637	1,201,312
Over 5 years	775,110	624,765
<b>In total</b>	<b>3,073,861</b>	<b>2,822,572</b>
<b>Write-downs on loans</b>		
<b>Individual write-downs:</b>		
Start of the period	77,423	66,664
Write-downs during the year	34,527	34,427
Reversal of write-downs in previous financial years	19,858	15,059
Final loss (depreciated) previously individually depreciated	5,542	8,223
Other movements	-1,170	-386
<b>Total individual write-downs on lending</b>	<b>85,380</b>	<b>77,423</b>
<b>Group write-downs:</b>		
Start of the period	27,126	18,551
Write-downs during the year	14,954	8,662
Reversal of write-downs in previous financial years	9,588	0
Other movements	-651	-87
<b>Total group write-downs on lending</b>	<b>31,841</b>	<b>27,126</b>

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	2016	2015
<b>14 Bonds at fair value</b>		
Mortgage-credit bonds	873,582	717,114
Other bonds	51,932	118,640
<b>In total</b>	<b>925,514</b>	<b>835,754</b>
Of which nominal TDKK 50,000 deposited as security for debt at Danmarks Nationalbank		
<b>15 Shares, etc.</b>		
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen	19,460	18,379
Unlisted shares included at fair value	66,821	66,371
<b>In total</b>	<b>86,281</b>	<b>84,750</b>
<b>16 Head office properties</b>		
Reassessed value, beginning of year	194,709	187,591
Additions during the year, including improvements	2,506	12,460
Disposals during the year	0	-1,072
Depreciation	-5,469	-5,288
Value changes recognised in other comprehensive income	3,013	-1,170
Value changes recognised in the statement of income	2,369	2,188
<b>Reassessed value, year-end</b>	<b>197,128</b>	<b>194,709</b>
<p>There is no public property valuation in Greenland.            In 2016, an independent expert assessment was obtained of the fair value of the Bank's head office property in Nuuk.</p>		
<b>17 Other tangible assets</b>		
Cost, beginning of year, without depreciation or write-downs	45,024	41,837
Additions during the year, including improvements	2,289	3,187
<b>Cost, year-end</b>	<b>47,313</b>	<b>45,024</b>
Depreciation and write-downs, beginning of year	36,988	33,938
Depreciation for the year	2,882	3,050
<b>Depreciation and write-downs, end of year</b>	<b>39,870</b>	<b>36,988</b>
<b>Accounting value, year-end</b>	<b>7,443</b>	<b>8,036</b>

**NOTES TO THE BALANCE SHEET**

(DKK 1,000)	2016	2015
<b>18 Liabilities to credit institutions and central banks</b>		
On demand	21,238	20,572
Over 1 year and up to and including 5 years	0	25,000
<b>In total</b>	<b>21,238</b>	<b>45,572</b>
Debt to central banks	21,195	20,510
Debt to credit institutions	43	25,062
<b>In total</b>	<b>21,238</b>	<b>45,572</b>
<b>19 Deposits and other liabilities</b>		
On demand	4,727,995	4,430,990
Up to and including 3 months	2,796	107,544
Over 3 months and up to and including 1 year	57,630	162,192
Over 1 year and up to and including 5 years	22,748	28,759
Over 5 years	11,193	11,992
<b>In total</b>	<b>4,822,362</b>	<b>4,741,477</b>
On demand	4,175,603	4,108,708
On terms of notice	461,377	303,562
Fixed-term deposits	73,361	224,000
Special deposit conditions	112,021	105,207
<b>In total</b>	<b>4,822,362</b>	<b>4,741,477</b>
<b>20 Provisions for deferred tax</b>		
The year's changes in deferred tax can be summarised as follows:		
Deferred tax, beginning of year	55,060	55,908
The year's deferred tax recognised in the statement of income for	-194	-476
Adjustment of deferred tax concerning equity items	958	-372
<b>In total</b>	<b>55,824</b>	<b>55,060</b>
Deferred tax concerns:		
Head office properties	54,985	54,216
Operating equipment	839	844
<b>In total</b>	<b>55,824</b>	<b>55,060</b>

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**NOTES TO THE BALANCE SHEET**

(DKK 1,000)

**2016**
**2015**
**21 Share capital**

The Bank's share capital consists of 1,800,000 shares of DKK 100. The shares are paid-up in full. The shares are not divided into classes, and no shares entail special rights. There have been no changes in the share capital in recent years.

**Own shares**

Number of own shares

0 0

The following hold more than 5% of the Bank's share capital:

TF Holding P/F	Kongabrugvin, Torshavn	14.58%
Nuna Fonden	Nuuk	13.89%
Government of Greenland	Nuuk	8.38%
AP Pension Livsforsikringsaktieselskab	Copenhagen	8.00%
Greenland Holding A/S	Nuuk	6.51%
Investeringsforeningen Nielsen Global Value	Copenhagen	5.56%

According to a major shareholder notification of 1 February 2012, on behalf of a number of shareholders, Wellington Management Company, USA, manages shares in the BANK of Greenland equivalent to 9.85% of the share capital. None of these shareholders holds 5% or more of the Bank's share capital.

**NOTES**

(DKK 1,000)

2016

2015

**22 Capital Statement**

Credit risk	3,384,094	3,375,264
Market risk	124,151	149,519
Operational risk	543,651	545,958
<b>Total risk exposure</b>	<b>4,051,895</b>	<b>4,070,741</b>
Equity	926,210	914,282
Proposed dividend, accounting effect	-67,518	-67,518
Deductions for prudent valuation	-1,224	-1,151
<b>Actual core capital</b>	<b>857,468</b>	<b>845,613</b>
<b>Capital base</b>	<b>857,468</b>	<b>845,613</b>
Actual core capital ratio	21.2	20.8
Capital ratio	21.2	20.8
Statutory requirement of actual core capital ratio	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

## NOTES

(DKK 1,000)

2016

2015

### 23 Contingent liabilities

Financial guarantees	0	1,200
Mortgage finance guarantees	638,316	617,967
Registration and remortgaging guarantees	201,952	49,137
Other guarantees	376,269	454,538
<b>In total</b>	<b>1,216,537</b>	<b>1,122,842</b>

### Other binding agreements

Irrevocable loan commitments	50,000	180
<b>In total</b>	<b>50,000</b>	<b>180</b>

The Bank is a member of BEC (Bankernes EDB Central). On any withdrawal the Bank will be obliged to pay a withdrawal fee to BEC equivalent to the preceding three years' IT costs.

### 24 Legal cases

The Bank is a party in pending lawsuits and the outcome of these would not affect the Bank's financial position..

### 25 Currency exposure

Assets in foreign currency, in total	135,709	197,961
Liabilities in foreign currency, in total	85,150	74,249
Exchange-rate indicator 1	20,200	47,124
Exchange-rate indicator 1 as a ratio of core capital	2.36	5.57
Exchange-rate indicator 2	347	463

### 26 Interest rate risk

The Bank solely has fixed-interest-rate assets in Danish kroner.

Interest-rate risk for debt instruments, etc.	10,873	9,554
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## NOTES

(DKK 1,000)

2016

2015

### 27 Related parties

Related parties comprise the Bank's Board of Directors and Executive Management, and their related parties.

The BANK of Greenland has no related parties with a controlling influence.

The size of loans to, and mortgages, surety or guarantees and related pledges, for members of the Bank's Executive Management and Board of Directors

Executive Management: (Mastercard)	200	200
Board of Directors, including members elected by the employees	115,936	107,300
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	50,392	32,640
Significant terms:		
Exposures with members of the Bank's Board of Directors are entered into on normal business terms.		
Exposures with staff representatives on the Bank's Board of Directors are entered into on personnel terms.		
For members of the Board of Directors elected at the Bank's annual general meeting, the interest rates in 2016 are in the range of 1.5%-10.0%		
The Board of Directors' and Executive Management's holdings of shares in GrønlandsBANKEN A/S compiled in accordance with the insider rules (number).		
Board of Directors:		
Kristian Frederik Lennert	10	10
Frank Olsvig Bagger	25	25
Anders Jonas Brøns	14,249	12,687
Allan Damsgaard	13	13
Yvonne Jane Poulsen Kyed	10	10
Executive Management:		
Martin Birkmose Kviesgaard	1,455	726



## NOTES

(DKK 1,000)

2016

2015

### 28 Derivative financial instruments

#### Loans at fixed interest rates covered with interest swaps

The BANK of Greenland uses derivatives to hedge the interest rate risk on fixed-interest assets and liabilities which are measured at amortised cost. On the fulfilment of certain criteria, the hedging is treated as hedging of fair value in the accounts. The interest rate risk on the hedged assets and liabilities is recognised at fair value as a value adjustment of the hedged items. If the criteria for hedging are no longer fulfilled, the accumulated value adjustment of the hedged item is amortised over the remaining term to maturity.

#### Lending

Amortised/nominal value	172,720	166,735
Accounting value	198,456	189,273

#### Covered with interest rate swap

Synthetic principal/nominal value	165,058	158,263
Accounting value	11,906	12,124

#### Lending at fixed interest rates without cover

Amortised/nominal value	20,425	19,195
Accounting value	24,015	22,770

In addition, the BANK of Greenland has entered into an interest rate swap totalling DKK 35 million, for partial cover of the interest rate risk on the Bank's bond portfolio.

## NOTES

(DKK 1,000)

### 28 Derivative financial instruments

2016	Nominal value	Positive market value	Negative market value	Net market value
<b>Currency contracts</b>				
Forward	35,545	-264	0	-264
<b>Interest rate contracts</b>				
Swaps	200,056	-184	14,191	14,007
<b>Share contracts</b>				
Spot, purchase	3	0	1	1
Spot, sale	3	-1	0	-1
<b>In total</b>	<b>6</b>	<b>-1</b>	<b>1</b>	<b>0</b>
<b>In total</b>	<b>235,607</b>	<b>-449</b>	<b>14,192</b>	<b>13,743</b>
<b>2015</b>				
<b>Currency contracts</b>				
Forward	143,347	-10,243	10,337	94
<b>Interest rate contracts</b>				
Swaps	193,376	- 555	13,841	13,286
<b>Share contracts</b>				
Spot, purchase	259	-2	1	-1
Spot, sale	259	-1	2	1
<b>In total</b>	<b>518</b>	<b>-3</b>	<b>3</b>	<b>0</b>
<b>In total</b>	<b>337,241</b>	<b>-10,801</b>	<b>24,181</b>	<b>13,380</b>

## NOTES

(DKK 1,000)

### 28 Derivative financial instruments

Term structure by remaining term to maturity

2016	Up to and including 3 months		Over 3 months		Up to and including 1 year	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
<b>Currency contracts</b>						
Forward	35,545	-264	0		0	
<b>Interest rate contracts</b>						
Swaps	0	0	0		0	
<b>Share contracts</b>						
Spot, purchase	3	1	0		0	
Spot, sale	3	-1	0		0	
<b>In total</b>	<b>6</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>In total</b>	<b>35,551</b>	<b>-264</b>	<b>0</b>		<b>0</b>	
	Up to and including 5 months		Over 5 years			
	Nominal value	Net market value	Nominal value	Net market value		
<b>Currency contracts</b>						
Forward	0	0	0		0	
<b>Interest rate contracts</b>						
Swaps	71,085	3,898	128,971		10,109	
<b>In total</b>	<b>71,085</b>	<b>3,898</b>	<b>128,971</b>		<b>10,109</b>	

## NOTES

(DKK 1,000)

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### 29 Fair value of financial instruments

Fair value is the amount at which a financial asset can be traded, or the amount at which a financial liability can be redeemed, between qualified, willing and independent parties. The fair value can be the net book value, if the net book value is calculated on the basis of underlying assets and liabilities measured at fair value.

The following three levels of valuation categories can be used to compile the fair value:

- Level 1: Listed prices in an active market for the same type of financial instruments, i.e. with no change in form or structure.
- Level 2: Listed prices in an active market for similar assets or liabilities, or other valuation methods in which all significant input is based on observable market data.
- Level 3: Valuation methods where any significant input is not based on observable market data.

Transfers are made between the categories if an instrument's classification on the balance sheet date differs from its classification at the beginning of the financial year.

For listed shares and bonds in levels 1 and 2, the fair value is set at the listed prices and market data on the balance sheet date.

Shares in level 3 comprise sector shares in companies with which there is cooperation concerning products, payment settlement and administration, and the shares are measured at estimated fair values. The estimated fair value is based primarily on the prices at which the capital interests could be traded in accordance with the shareholder agreements, if they were divested as at the balance sheet date. Determining these shares' fair value is subject to uncertainty. For other unlisted shares for which observable input is not immediately available, valuation is based on estimates which include information from the companies' accounts.

For loans, the write-downs are assessed to correspond to the changes in credit quality. Differences from fair values are assessed to be fees and commission received which do not fall due for payment until after the end of the financial year, and for fixed-interest-rate loans with the addition of the interest-rate-level dependent value adjustment, which is calculated by comparing the current market interest rate with the nominal interest rates for the loans.

The fair value for receivables from credit institutions and central banks is determined according to the same method as for loans, although the Bank has not currently made any write-downs for receivables from credit institutions and central banks.

For variable-interest-rate financial liabilities such as deposits and debt to credit institutions measured at amortised cost, the difference from fair values is assessed to be interest payable that does not fall due for payment until after the end of the financial year.

For fixed-interest-rate financial liabilities such as deposits and debt to credit institutions measured at amortised cost, the difference from fair values is assessed to be interest payable that does not fall due for payment until after the end of the financial year, and the interest-rate-level dependent value adjustment.

## NOTES

(DKK 1,000)

<b>2016</b>	Listed prices Level 1	Observable prices Level 2	Non- observable prices Level 3	In total
in DKK 1,000				
<b>Financial assets</b>				
Bonds	915,307	0	10,206	925,513
Shares	19,460	0	66,821	86,281
Head office properties	0	0	197,128	197,128
Positive market value of derivative financial instruments	0	450	0	450
<b>In total</b>	<b>934,767</b>	<b>450</b>	<b>274,155</b>	<b>1,209,372</b>
Financial liabilities:				
Negative market value of derivative financial instruments				
	0	14,191	0	14,191
<b>In total</b>	<b>0</b>	<b>14,191</b>	<b>0</b>	<b>14,191</b>
<b>2015</b>				
in DKK 1,000				
<b>Financial assets</b>				
Bonds	807,330	0	28,423	835,754
Shares	18,379	0	66,371	84,750
Head office properties	0	0	194,709	194,709
Positive market value of derivative financial instruments	0	10,801	0	10,801
<b>In total</b>	<b>825,709</b>	<b>10,801</b>	<b>289,503</b>	<b>1,126,013</b>
Financial liabilities:				
Negative market value of derivative financial instruments				
	0	24,181	0	24,181
<b>In total</b>	<b>0</b>	<b>24,181</b>	<b>0</b>	<b>24,181</b>
in DKK 1,000				
<b>2016</b>				
<b>2016</b>				
<b>2015</b>				
<b>2015</b>				
Financial instruments recognised at amortised cost:				
	Amort. cost.	Fair value	Amort. cost.	Fair value
Amounts receivable from credit institutions and central banks	1,371,201	1,371,881	1,454,983	1,454,457
Lending and other receivables	3,073,861	3,083,153	2,822,572	2,833,475
Liabilities to credit institutions and central banks	21,238	21,238	45,572	45,646
Deposits and other liabilities	4,822,362	4,822,406	4,741,477	4,743,118
Derivative financial instruments				
Interest rate swaps	0	14,007	0	13,286

## NOTES

(DKK 1,000)

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### 30 Sensitivity calculations

With regard to the Bank's monitoring of market risks and calculation of the adequate capital base, a number of sensitivity calculations are performed, including the following market risk variables:

#### **Interest rate risk:**

The sensitivity calculation in relation to the Bank's interest rate risk is based on the interest rate risk key ratio that is reported to the Danish FSA. This key ratio shows the effect on the core capital after deductions on a change in interest rates of 1 percentage point, equivalent to 100 basis points. The calculation shows that if the average interest rate on 31 December 2016 had been 100 basis points higher, the profit for the year would, all other things being equal, have been TDKK 10,873 lower (2015: TDKK 9,554 lower) primarily as a consequence of a negative fair value adjustment of the Bank's holdings of fixed-interest-rate bonds.

#### **Currency risk:**

The sensitivity calculation in relation to the Bank's currency risk is based on the currency indicator 1 key ratio that is reported to the Danish FSA. Currency indicator 1 expresses a simplified measure of the extent of the Bank's positions in foreign currency, and is calculated as the largest of the sum of all of the short currency positions and the sum of all of the long currency positions. If the Bank on 31 December 2016 had experienced a loss on the currency positions of 2.5% of currency indicator 1, the profit for the year before tax, all other things being equal, would have been TDKK 505 lower (2015: TDKK 1,178 lower) primarily as a consequence of exchange-rate adjustment of the Bank's currency holdings.

#### **Share risk:**

If the value of the Bank's shareholdings on 31 December 2016 had been 10% lower, the profit for the year before tax, all other things being equal, would have been TDKK 8,628 lower (2015: TDKK 8,475 lower) as a consequence of negative fair value adjustment of the share portfolio.

The unlisted shares include shares with a repurchase right, but not obligation, of TDKK 17,363. The repurchase right can be utilised once a year for a period of 14 days, and expires in Q3 2019. The BANK of Greenland may not sell the shares to any third party before the expiry of the repurchase right in 2019.

#### **Property risk:**

If the value of the Bank's properties on 31 December 2016 had been 10% lower, the negative value adjustment of properties, all other things being equal, would have been TDKK 19,713 before tax (2015: TDKK 19,471 lower).

## NOTES

(DKK 1,000)	2016	2015	2014	2013	2012
<b>Note 31 Five-year highlights and key figures</b>					
Net interest and fee income	289,760	284,174	293,457	275,750	277,818
Value adjustments	-12,899	-10,775	7,687	4,039	11,247
Other operating income	4,854	6,002	5,657	5,617	7,134
Staff and administration expenses	144,207	139,414	136,440	130,422	126,636
Depreciation and impairment of tangible assets	5,981	6,150	9,160	10,385	10,838
Other operating expenses	4,136	7,780	4,961	5,912	5,862
Impairment of loans, etc.	13,971	19,432	24,807	15,186	17,322
<b>Profit before tax</b>	<b>113,420</b>	<b>106,625</b>	<b>131,433</b>	<b>123,501</b>	<b>135,541</b>
Tax	36,029	33,899	41,776	39,251	43,093
<b>Profit for the year</b>	<b>77,391</b>	<b>72,726</b>	<b>89,657</b>	<b>84,250</b>	<b>92,448</b>
<b>Selected balance sheet items:</b>					
Lending	3,073,861	2,822,572	2,814,547	2,874,931	3,044,942
Deposits	4,822,362	4,741,477	3,739,768	3,996,169	3,777,449
Equity	926,210	914,282	909,872	876,235	850,954
Balance sheet total	5,911,496	5,846,450	4,849,621	5,057,050	4,826,104
Contingent liabilities	1,266,537	1,123,022	1,093,349	873,112	889,344
<b>Official key figures:</b>					
Capital ratio	21.2	20.8	20.3	21.0	20.2
Core capital ratio	21.2	20.8	20.3	20.6	19.7
Return on equity before tax	12.3	11.7	14.7	14.3	16.5
Return on equity after tax	8.4	8.0	10.0	9.8	11.2
Rate of return	1.3	1.2	1.9	1.7	1.9
Income per cost krone	1.67	1.62	1.75	1.76	1.84
Interest rate risk	1.3	1.1	1.3	0.6	1.2
Foreign exchange position	2.4	5.6	3.1	4.2	7.1
Loans plus write-downs in relation to deposits	66.2	61.7	77.5	73.6	82.3
Loans in relation to equity	3.3	3.1	3.1	3.3	3.6
Growth in lending during the year	8.9	0.3	-2.1	-5.6	-0.6
Excess capital base compared to statutory liquidity requirement	193.6	203.9	190.7	219.5	198.0
The sum of large exposures	90.3	69.9	40.0	58.7	93.2
Ratio of receivables at reduced interest rates	0.8	0.9	0.7	0.9	1.4
Write-down ratio for the year	0.3	0.6	0.7	0.4	0.5
Accumulated write-down ratio	2.9	2.8	2.4	2.0	1.6
Profit for the year per share	43.0	40.4	49.8	46.8	51.3
Net book value per share	515	508	505	494	482
Dividend per share	55	55	55	55	55
Listed price/Profit for the year per share (PE)	14.3	15.4	12.3	14.1	11.1
Stock exchange quotation/net book value per share	1.2	1.2	1.2	1.3	1.2

## NOTES

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### **Note 32 Managements Offices**

In accordance with Section 132 a of the Accounting Order, the Annual Report must include details of the managerial posts held by listed banks' Board of Directors and Executive Management members in business enterprises.

In accordance with Section 80(8) of the Danish Financial Business Act, once a year the Bank must publish details of the offices which the Board of Directors has approved for persons who in accordance with statutory provisions or articles of association are employed by the Board of Directors, cf. Section 80(1) of the Act. Information on this is presented at: [www.banken.gl](http://www.banken.gl)

Concerning the members of the Board of Directors and Executive Management of the BANK of Greenland, the following had been disclosed at the time of the publication of the Annual Report:

#### **Director Gunnar í Liða**

Born on 13 April 1960

Joined the Board of Directors on 6 April 2005. Last re-elected in 2015

Member of the Boards of Directors of:  
Gist and Vist P/F (Chairman)

Gunnar í Liða holds an MSc(Econ) and was employed in the Faroese financial sector from 1988 to 2010 – until the end of 2010 as the Director of the Faroe Islands' largest insurance company, when he resigned from this position. Gunnar í Liða also has substantial Board experience from Faroese companies and a special insight into North Atlantic economic affairs and financing.

#### **Director Kristian Frederik Lennert INUPLAN A/S**

Born on 30 November 1956

Joined the Board of Directors on 8 April 2003. Last re-elected in 2016

Managing Director of:  
Ejendomsselskabet Issortarfik ApS

Kristian Frederik Lennert holds an MSc in structural engineering and has been employed by INUPLAN A/S since 1984, and since 2002 as managing director of the company. Kristian Frederik Lennert also has experience from membership of the Boards of Directors of Greenlandic companies and during his career has gained insights into Greenland's economic and social conditions, especially in the building and construction area.

#### **Director Frank Olsvig Bagger Panasonic Center Ilulissat v/ Tankeeraq Aps**

Born on 22 April 1970

Joined the Board of Directors on 2 April 2008. Last re-elected in 2016

Member of the Board of Directors and Director of:  
Tankeeraq ApS  
Ilulissat Marine Service ApS



## NOTES

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Frank Olsvig Bagger established Ilulissat Radio & TV (later Panasonic Center Ilulissat) in 1994. Since then, Frank Olsvig Bagger has been active in Greenland's business community, mainly in the retail sector, but also in other sectors.

### **Director Anders Jonas Brøns Polar Seafood Greenland A/S**

Born on 22 December 1949  
Joined the Board of Directors on 10 April 1997. Last re-elected in 2016

Managing Director of:  
Narsaq Seafood A/S  
Maniitsoq Raajat ApS

Member of the Boards of Directors of:  
Minikka A/S (Chairman)  
Polar Raajat A/S (Chairman)  
Polar Seafood Denmark A/S  
Imartuneq Trawl A/S (Chairman)  
Qalut Vónin A/S  
Sigguk A/S (Chairman)  
Uiloq Trawl A/S (Chairman)  
Qajaq Trawl A/S (Chairman)  
Polar Pelagic A/S (Chairman)  
Brdr. Siegstad ApS  
IKKA ApS (Chairman)  
Grønlands Skibs- og Entreprenørværksted ApS (Chairman)  
Ejerforeningen B2216

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

### **Managing Director Christina Finderup Bustrup nærpension A/S**

Born on 16 August 1973  
Joined the Board of Directors on 25 March 2015.

Christina Finderup Bustrup holds an MSc in actuarial science and also has executive management qualifications from IMD Business School, Franklin Covey and Center for Ledelse. Today, Christina Finderup Bustrup is Managing Director of nærpension A/S. Nærpension A/S has been a wholly-owned subsidiary in the AP Pension Group since 31 December 2010. Previously, Christina Finderup Bustrup served for many years as COO (Customer Director) in AP Pension.

## NOTES

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### **Former Executive Vice President Lars Holst**

Born on 15 February 1952  
Joined the Board of Directors on 25 March 2015.

Member of the Boards of Directors of:  
Vestjysk Bank A/S (Deputy Chairman)  
Minikka A/S  
Vækstfonden (the Danish Growth Fund)

Lars Holst holds a degree in management accounting and an Executive MBA and has completed management programmes at Stanford University and IMD Business School. Lars Holst held positions at Nykredit from 1987 to 2014, and from 1995 until his retirement in 2014 served as credit director. Besides a number of Board positions in Danish financial enterprises and real estate companies, Lars Holst has been a member of the mortgage-credit sector's Greenland Committee (2004-2014), and the Danish Bankers Association's Credit Committee (2010-2014).

### **Customer Manager Allan Damsgaard GrønlandsBANKEN A/S**

Born on 13 November 1951  
Joined the Board of Directors on 23 March 2011 and was most recently elected in 2015.

### **Deputy Manager Yvonne Jane Poulsen Kyed GrønlandsBANKEN A/S**

Born on 29 January 1970  
Joined the Board of Directors on 23 March 2011 and was most recently elected in 2015.

### **Customer Manager Arne Ilannguaq Guldman Petersen GrønlandsBANKEN A/S**

Born on 9 December 1981  
Joined the Board of Directors on 25 March 2015.

### **Bank Director Martin Birkmose Kviesgaard GrønlandsBANKEN A/S**

Born on 23 May 1966  
Joined the Executive Management on 1 March 2006.

Member of the Boards of Directors of:  
Posthuset A/S  
BEC a.m.b.a.  
Fugleværnsfonden

## ABOUT THE BANK OF GREENLAND

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### **BANK of Greenland**

Imaneq 33  
Postbox 1033  
3900 Nuuk

Company reg. no. 39.070  
GER no. 80050410

Domicile municipality: Sermersooq

Tel. no.: +299 70 12 34  
Fax: +299 34 77 20

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

### **Board of Directors**

Director Gunnar í Liða, Chairman  
Director Kristian Frederik Lennert, Deputy Chairman  
Director Frank Olsvig Bagger  
Director Anders Jonas Brøns  
Managing Director Christina Finderup Bustrup  
Customer Manager Allan Damsgaard\*)  
Former Vice Director Lars Holst  
Deputy Manager Yvonne Jane Poulsen Kyed\*)  
Customer Adviser Arne Ilannguaq Guldmann Petersen\*)

\*) Employee representatives

### **Executive Management**

Bank Director Martin Kviesgaard

### **Audit and Risk Committee**

Comprises the full Board of Directors

### **Remuneration Committee**

Comprises the Chairman and Deputy Chairman of the Board of Directors and one member of the Board of Directors elected by the employees.

### **Nomination Committee**

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

### **Audit**

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Imaneq 33, Nuuk

## FINANCIAL CALENDAR AND STOCK EXCHANGE NOTIFICATIONS

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### Financial calendar for 2017

Annual Report 2016	28 February
Annual General Meeting in Nuuk	28 March
Interim Report, First Quarter 2017	27 April
Interim Report, First Half 2017	18 August
Interim Report, First Nine Months 2017	31 October

### Notifications to the stock exchange in 2016

23 February	Annual Report 2015
25 February	Reporting of insider trades
26 February	Reporting of insider trades
29 February	Reporting of insider trades
1 March	Reporting of insider trades
2 March	Reporting of insider trades
3 March	Notice convening the Annual General Meeting
21 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
23 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors II
30 March	Annual General Meeting of the BANK of Greenland
26 April	Interim Report, First Quarter 2016
23 May	Reporting of insider trades
10 August	Interim Report, First Half 2016
18 August	Financial Calendar 2017
2 November	Interim Report, First Nine Months 2016