



ANNUAL REPORT 2015

GER no. 80050410

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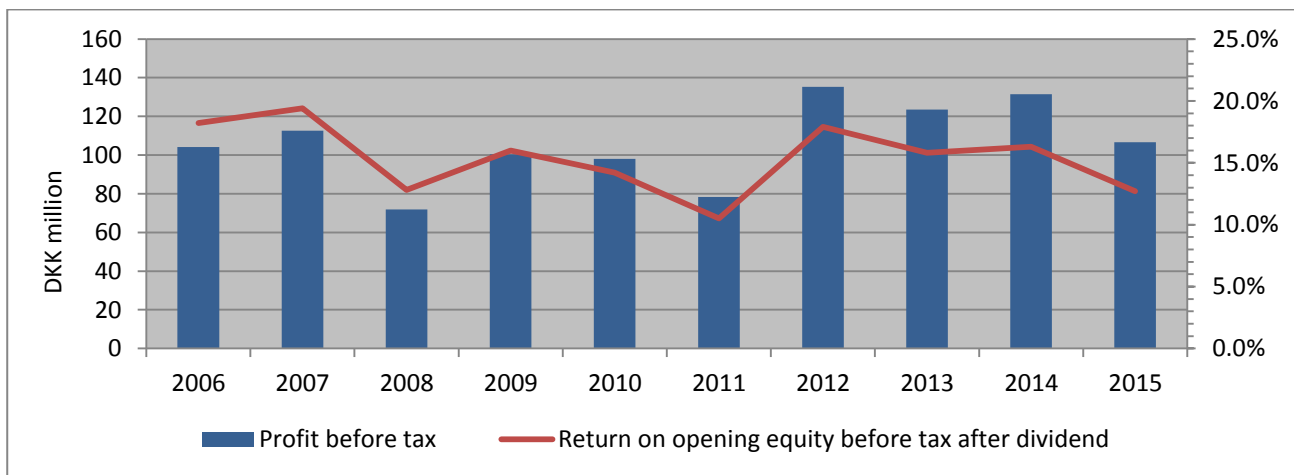
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Satisfactory result for the BANK of Greenland in 2015 – Return on equity of 12.7% p.a.

During the last four years, the BANK of Greenland has been affected by weak economic development in Greenland. In reality, there have been around three years with weak annual negative growth, which was not replaced by positive growth until during the course of 2015. This is the longest period with annual negative GDP development since the start of the 1990s. The weak growth comes at the same time as a historically low level of interest rates in Denmark, and thereby also in Greenland, with negative interest rates both at Danmarks Nationalbank and in the money market. These factors have naturally had a negative impact on the Bank's operations, and in this light the profit of DKK 106.6 million before tax for 2015, compared to DKK 131.4 million in 2014, and a return on equity of 12.7%, is satisfactory.

The Bank's profit before value adjustments and write-downs of DKK 136.8 million, which is approximately DKK 12 million lower than in 2014, is considered to be acceptable. In 2014, the Bank achieved the best basis result in its history. The result for 2015 lies in the middle of the estimated range of DKK 125-145 million given by the Bank at the beginning of the year.



Net interest income is strongly affected by the negative interest rates in the money market and at Danmarks Nationalbank throughout 2015. We assess that, in isolated terms, the negative interest rates have cost the Bank approximately DKK 10 million in lost interest, primarily because so far the Bank has generally not passed on the negative interest rates to its deposit customers. On the positive side, the high level of remortgaging activity concerning homeowners' mortgage-credit loans in the first half-year increased the Bank's fee income.

Pressure on basic operations

Besides the pressure from negative interest rates on interest income, this also means that the Bank's lending is subject to very substantial repayment. This shows that the Bank's customers are financially robust, but naturally also presents challenges when, for a period, lending volumes are, at best, flat. The improvement in Greenland's economy was primarily evident in the second part of the year, so that the Bank has not yet seen any significant impact on lending volumes. Overall, the year ended with a slight increase in lending, which is satisfactory to note, and the first increase in four years. The development during the year gives reason to believe in further business improvement, especially due to the expected positive cyclical development, cf. the section on the economy later in this Annual Report. We have already noted a high number of home sales, while many large construction projects are underway. This

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is a factor that is directly reflected by the Bank's commercial and financial guarantees, which increased significantly in 2015.

In a period with low commercial growth, there was also focus on the development in costs. The total costs, including depreciation, increased by almost 2%, although this includes actual future investments in terms of the costs of establishing a new entity responsible for Business Development and Sales, and the modernisation and expansion of the branch in Qaqortoq and the Private Client section in Nuuk. Disregarding these new initiatives, there was a slight decline in costs.

Limited losses and write-downs

Even though the cyclical downturn exerted more pressure than expected on the lending volume for most of the year, the development had only a very limited impact on the Bank's losses and write-downs on customers' loans. Write-downs and provisions decreased from DKK 24.8 million to DKK 19.4 million. This reflects a low level of individual write-downs and an increase in group write-downs. The overall write-downs have thus been very moderate for a number of years. We consider this to reflect significant financial robustness in key areas of society, and especially among the Bank's private and commercial customers.

2015 was a difficult year

As stated, the Bank was subject to pressure on lending for most of the year. Some uncertainty concerning the country's economic and political direction may have played a role, while a number of major civil engineering projects in large towns, increased tourism and a strong fisheries industry contributed to greater optimism during the year.

On the other hand, the capital markets presented challenges. The low level of interest rates and uncertainty concerning the valuation of financial assets gave fluctuations and both capital gains and losses. A negative level of interest rates automatically leads to capital losses on bonds, so that this factor also affected the Bank in 2015, and will do so again in 2016.

Significant internal activities were the comprehensive renovation of the branch in Qaqortoq and the 'Better work' project, which involved all of the employees in the work of optimising and rationalising day-to-day procedures. Furthermore, customer satisfaction surveys in 2015 have confirmed that the Bank is highly rated by customers, which has strengthened the Bank's competitive position.

Balance sheet, solvency and dividends

At the end of 2015, the Bank had lending of just over DKK 2.8 billion, deposits of DKK 4.7 billion, and guarantees of DKK 1.1 billion. This gives a combined business volume of DKK 8.7 billion, which is the highest in the Bank's history. The Board of Directors recommends that, unchanged and for the fourth consecutive year, dividend of DKK 55 per share, or a total of DKK 99 million, can be paid. Once again, this is the sector's highest dividend rate, thereby representing a significant direct return for the Bank's shareholders. Despite the considerable dividends, the Bank's capital ratio and core capital ratio amount to 20.8%. This is approximately twice the Bank's solvency requirement, but since we expect to be designated as an SIFI (systemically important financial institution) in 2016, the solvency requirement will be increased. The designation will furthermore happen together with three of the Faroese banks and the major Danish banks. Therefore we find it appropriate to maintain solvency at this high level.

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Development in 2016

The economic development in Greenland is estimated to improve further in 2016, which we expect to increase the Bank's earnings. However, we still foresee uncertainty in the capital markets, and in view of the effect of the negative certificate of deposit interest rate at Danmarks Nationalbank, our forecast for the year is cautious. The Bank thus expects a profit before value adjustments and write-downs at the level of DKK 125-145 million. A moderate level of losses and write-downs is still expected.

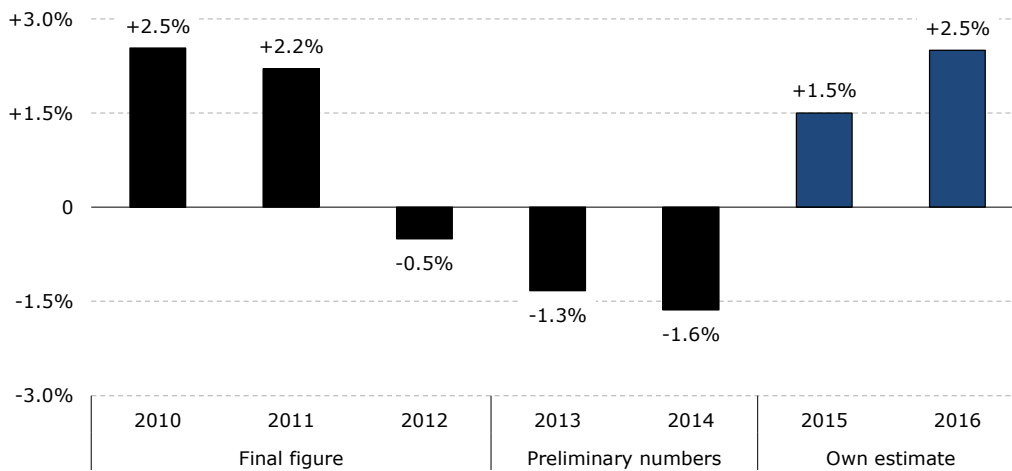
Nuuk, 23 February 2016

Martin Kviesgaard, Bank Director

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After a strong downturn in Greenland's economy in 2012-2014, growth normalised in 2015 and the BANK of Greenland expects further growth in 2016. GDP growth rates in the range of approximately +1.5% and +2.5% are expected in 2015 and 2016, respectively, cf. Figure 1.

Figure 1 The economic development in Greenland



Note: The Figure shows the real growth in GDP

Source: Statistics Greenland and own estimates.

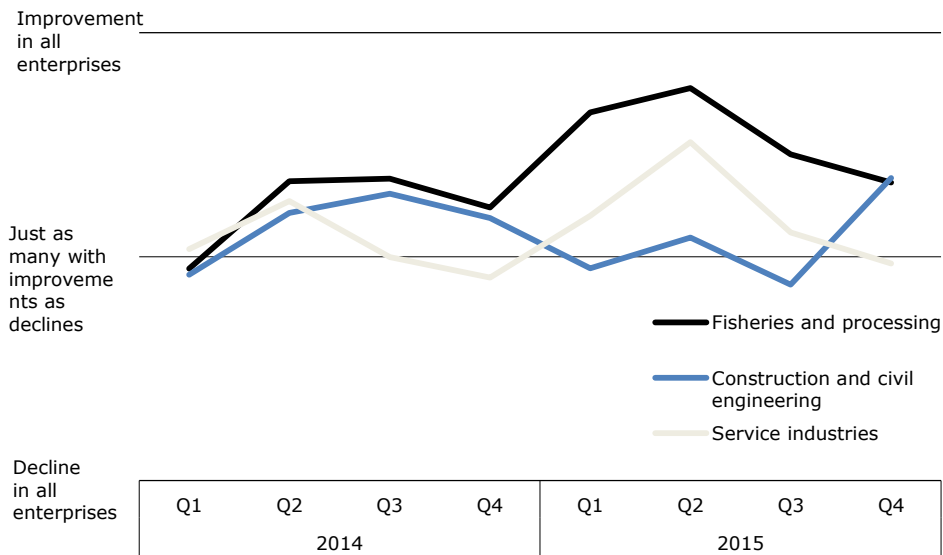
In 2013 and 2014, the decline in construction was the primary reason for the lower GDP. This trend reversed in 2015, when several major civil engineering projects were started up. These include Nuuk port and prison, the Danish State's construction of court buildings in several coastal towns, construction of a school in Ilulissat and True North Gems A/S' ruby mining project. The increase in construction activity was particularly noteworthy in the second half of 2015. In 2016 and 2017, a sustained high level is expected, and additional residential and commercial projects will contribute to this activity.

Fisheries, on the other hand, is assessed to have fallen back in 2015, primarily as a consequence of a decrease in mackerel and prawn fishing. The price development was favourable, contributing to increasing earnings in the industry. In 2016, the prawn quota in Western Greenland was raised from 73,000 tonnes to 85,000 tonnes, i.e. by 16%, which in isolated terms is estimated to increase GDP by around 1.5%.

Private consumption and tourism are also assessed to have contributed to growth in 2015, and are also expected to contribute further in 2016. At the same time, the Finance Act deficit in 2015 and the budgeted deficit in 2016 are also expected to have a weak expansionary effect. The positive outlook is confirmed by indicators from the business community, cf. Figure 2.

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Figure 2 Indicator of the development in the private business sector



Note: A positive figure means that more of the enterprises questioned have indicated improvement than decline. The indicator does not show the extent of the improvement. 'Service industries' concern supplies, trade, hotels and restaurants, transport, telecom, financing and insurance, leasing and property intermediation, and business service and consulting.

Every three months, 350 enterprises in Greenland are asked about the latest development in their activities. The cyclical situation is measured as the enterprises' assessment of the development in the most recent quarter and expectations of the coming quarter. The Figure shows the overall cyclical indicator, which is an average for the questions concerning 'Realised revenue', 'Expected revenue' and 'Investment plans', and must be interpreted as the trend for the development. The calculation weights the enterprises according to their size, measured by employment. The enterprises' responses are expected to take customary seasonal fluctuations into account.

Source: Copenhagen Economics for the BANK of Greenland.

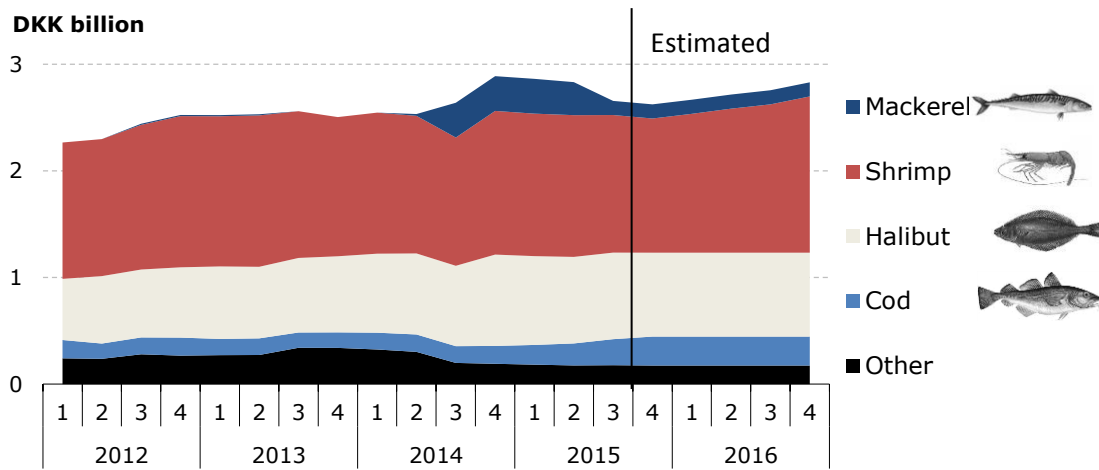
Fisheries and construction are the two industries that historically have made the greatest contributions to the cyclical fluctuations in Greenland. Even though the two sectors together only amount to 15-20% of GDP, during the last ten years they have accounted for more than half of the annual fluctuations in economic activity.

Fisheries

2015 was another good year for fisheries, with large surpluses in the largest companies, while at the same time coastal halibut fishing from skiffs achieved high revenue. This is confirmed by the positive indicators from the sector, cf. Figure 2 above. The prices of the principal species, especially prawns, have been rising in recent years, while oil prices have been falling. On the other hand, the prawn quota for Western Greenland has been reduced from 85,000 tonnes in 2014 to 73,000 tonnes in 2015, and mackerel fishing disappointed by bringing in almost DKK 200 million less than in 2014, cf. Figure 3.

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Figure 3 Annual value of fish exports



Note: The Figure shows the total over the last four quarters. Mackerel fishing takes place in the third quarter. The estimate is based on expected retained volumes and prices compared to the same quarter of the previous year, expect for a 16% increase in prawn fishing in 2016 and an increase in exports of halibut and other species in the fourth quarter of 2015.

Source: Statistics Greenland and own estimates.

The statistics up to and including the third quarter of 2015 show falling export revenue from prawn, halibut and mackerel fishing in 2015 compared to 2014. This decline was not set off by any significant increase in cod fishing. However, the severe winter at the start of 2015 may have shifted some of the year's revenue to the fourth quarter of the year, and we therefore expect that the largest companies have been able to compensate for the lost revenue. The most recent statistics for the value of seafood trading indicate a significant increase in fisheries in the second half-year, while it is positive that crab fishing is improving.

Overall, the BANK of Greenland assesses that fishing reduced growth a little in 2015 compared to 2014. In 2016, the prawn quota was increased to 85,000 tonnes. This increase by 16% alone creates potential revenue for the country that is equivalent to more than one half the total revenue from e.g. the entire tourist industry. This clearly illustrates the vital importance of fishing to the economy and thereby the importance of sound biological and economic management of the fishing industry.

Biological advisory services and the wish for sustainable utilisation of resources entail that there are limited opportunities to increase catch sizes. It is therefore vital to increase the catch value, in order to increase fisheries earnings in the future. In Greenland the focus is therefore on innovation in the large Groups with high volume, and with the opportunity for rationalisations and increased processing. To ensure future profitable fisheries, it is vital to increase innovation work. In this respect, the collaboration between the industry and the research world is important.

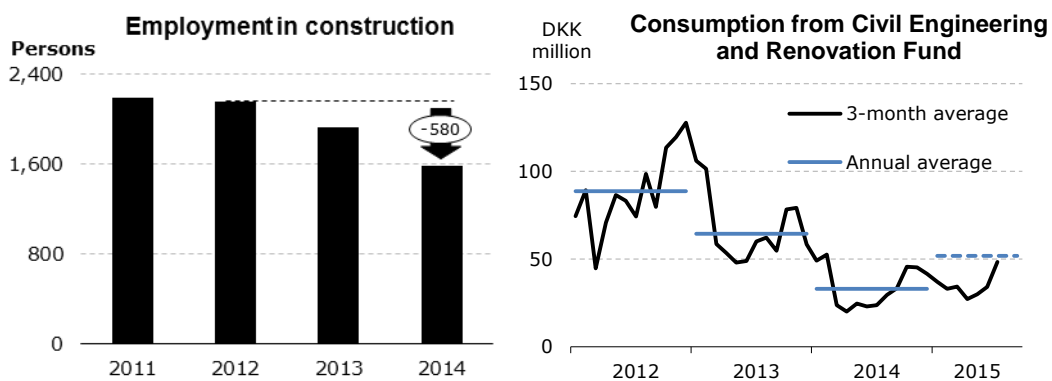
Construction and civil engineering

Construction is one of the industries for which the level of activity fluctuates most from year to year. This development is politically-determined to a high degree, since a large share of the overall construction activity is outsourced by municipalities, the State and the Government of Greenland, via the Construction and Renovation Fund.

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In 2013 and 2014 there was a historically strong decline in construction. From 2012 to 2014, construction declined by 45%, and employment in the sector fell by 27%, equivalent to a decrease of 580 in full-time positions. Part of the decline can be attributed to delays in the execution of a number of projects, entailing a significant decrease in consumption from the Construction and Renovation Fund, cf. Figure 4.

Figure 4 Development in construction



Note: In the Figure to the right, the dashed line indicates an estimate of the annual average in 2015, based on a level maintained for October, November and December.

Source: Statistics Greenland and own estimates.

The restrained indicators from the sector at the start of 2015, cf. Figure 1 above, may be due to continued sluggish investment by the Construction and Renovation Fund. On the other hand, there were a number of large civil engineering projects in 2015 which together have increased activity in the sector considerably, especially in the second half-year. The effects of Naalakkersuisut's (the Government of Greenland's) extraordinary renovation and civil engineering projects for DKK 174 million from 2014 were of benefit to smaller contractors in particular in 2015.

This increased activity makes high demands of the labour force. The decline in construction in 2013 and 2014 has meant that many construction and civil engineering employees have found jobs in other industries, in other towns, or have emigrated. When the need for manpower increases again, not all of this workforce will return to the industry immediately. If there is a lack of sufficiently qualified manpower, this may result in the jobs being taken by people coming in from outside, or that pay levels are pushed up. This will also press up construction prices, making projects more expensive for clients.

One indication of these 'bottlenecks' in the labour market is that major civil engineering projects increasingly employ foreign labour. Companies also increasingly state 'lack of manpower' as a factor limiting increased production. This is supported by how, for the first time since 2011, there is a sustained decrease in the number of registered job-seekers, after adjustment for normal seasonal fluctuations, cf. Figure 5.

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Figure 5 Development in the labour market



Note: The Figure to the left shows the proportion of participating companies (from all sectors) in CE's quarterly questionnaire survey who state 'Shortage of manpower' as a factor limiting growth. The responses are not weighted by the size of the companies. The Figure to the right shows the seasonally-adjusted number of job-seekers.

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

Alternating periods of low construction employment and bottlenecks are thus expensive for society. This entails lower tax revenue, higher costs of unemployment, and higher construction prices. Smoothing out construction and civil engineering activity, rather than a stop-go scenario, is good for the economy and for public finances. To minimise fluctuations, it is important that, as far as possible, fiscal policy and public invitations to tender are adapted to the current cyclical situation in the sector, the municipal civil engineering projects and other major civil engineering projects. The Greenland Government's work on sector plans may prove to be important in this respect.

It is thus also on the one hand positive that in 2014, at short notice, Naalakkersuisut allocated extraordinary funding for renovation and civil engineering projects, when activity was at its lowest. On the other hand, the BANK of Greenland believes that these funds have to a high degree influenced the sector in 2015, rather than 2014, i.e. at a time when the level of activity was already on the way up, as a consequence of the large civil engineering projects. The delayed effect may entail that the extra funds have solely amplified the problem of a shortage of manpower, instead of solving the problem of a lack of work. The Greenland Government's attempts to pursue a stabilising fiscal policy may thus instead have amplified the economic fluctuations.

Better cyclical monitoring and in particular good planning and management of the funding from the Construction and Renovation Fund would increase the Greenland Government's opportunities to reduce economic fluctuations. This issue was also considered in the BANK of Greenland's Annual Report for 2014.

Mining projects

In 2015, True North Gems A/S undertook the civil engineering work for a ruby mine at Fiskenæsset south of Nuuk. The mine will be put into operation in 2016 and will provide around 70 jobs. In 2015, Canadian Hudson Resources gained a permit to mine the anorthosite deposit at Kangerlussuaq (the White Mountain Project). Just as for the ruby mine, this concerns a small civil engineering project, expected in 2016, and with around 60 people employed in the operational phase as from 2017. The White Mountain Project will, if realized, therefore make a modest impression on the economy, but like

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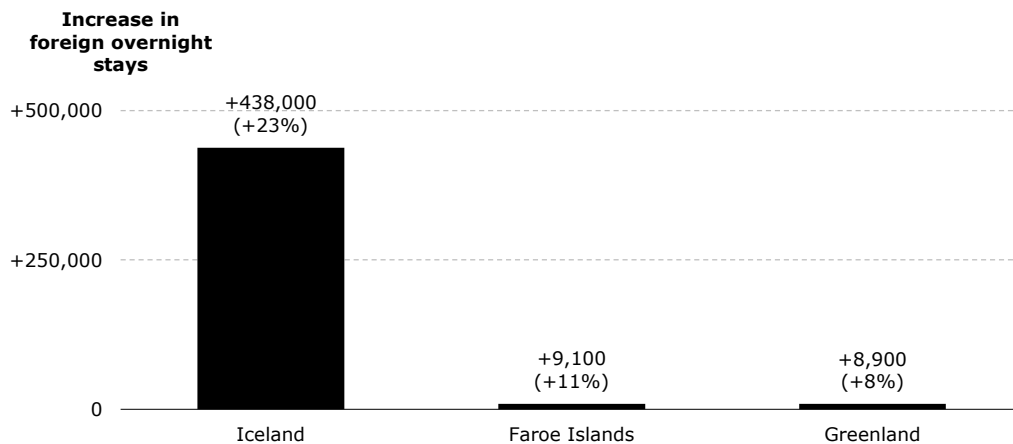
the ruby mine can pave the way for coming larger projects, and will be of great local importance.

It is positive to have two minor projects, despite the international slowdown in the mining industry. This ensures significant evidence of mining projects in Greenland yielding good returns to investors, when future investors consider projects in Greenland. To make Greenland attractive in an international context, it is therefore vital to have a stable and competitive framework. Since these are long-term investments, a reliable framework is imperative. Legislation is important, but administration of legislation can be at least just as important. The two new projects can give the authorities valuable experience of how to ensure the greatest possible economic return on a cost-effective basis for the companies.

Tourism

After a period of a downturn in tourism for Greenland, this trend was reversed in 2015. The number of international passengers on scheduled flights increased for the first time since 2008. The number of cruise passengers increased for the first time since 2010, among other things due to reduced cruise taxes, and the number of foreign-visitor hotel stays increased. Part of this increase can be attributed to massive growth in tourism to Iceland in recent years. This has led to increased combination tourism to Greenland. Compared to the development in Iceland, the increase for Greenland was modest, however, cf. Figure 6.

Figure 6 Development in tourism in the 2015 season



Note: The Figure shows the development in the number of foreign-visitor hotel stays in the 2015 tourist season (from 1 October 2014 to 30 September 2015) compared to the same period of the preceding year.

Source: Based on the statistics agencies of Greenland, the Faroe Islands and Iceland.

The contribution to economic growth from the increase in tourism in 2015 is very positive, yet modest compared to e.g. the loss of revenue from mackerel fishing.

Airport investments can support future tourism growth, but only if this is accompanied by private investments in hotels, restaurants and experience and activity products. The public sector's role is to strengthen incentives for private investors to make these investments, which is also the focus of Naalakkersuisut's new tourism strategy. It is not the public sector's task to make these investments itself.

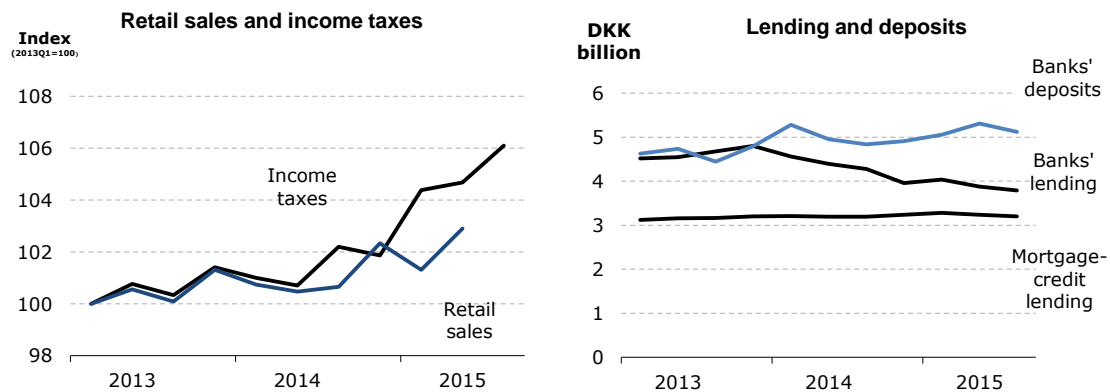
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As for other industries where long-term private investment is a precondition for growth, the political framework, in particular the framework for the government-owned enterprises, is very important. Over-hasty decisions with major consequences, such as changes to government-owned enterprises' areas of operation, will lead to uncertainty and may reduce the propensity to invest, or increase required yields in private commerce and industry, both in the sector concerned, and also in other sectors.

Private consumption

The latest figures for ongoing settled income taxes and retail turnover indicate an increase in private consumption in 2015 compared to 2014. Especially the banks, however, have seen a decline in demand for lending since 2013, cf. Figure 7, which is a natural consequence of the economic slowdown. Overall, private consumption is assessed to have contributed positively to GDP growth in 2015.

Figure 7 Development in private consumption



Note: The Figure to the left shows the seasonally-adjusted development for retail turnover, and the average over the last four quarters for income taxes. The Figure to the right shows lending to and deposits from companies and private residents in Greenland from banks and mortgage-credit institutes in Denmark and Greenland.

Source: Statistics Greenland.

Housing market

Today, the demand for housing exceeds the supply, especially in towns with commercial and population growth. The long waiting times for rented homes are an impediment to labour-market mobility. 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 lack of homes for young people and halls of residence for students may also prevent young people from gaining educational qualifications.

The lack of housing is a consequence of such factors as the significant direct and indirect subsidies that are currently given for all types of housing. This distorts the housing market and makes it impossible in practice to ensure balance between supply and demand.

The subsidies are a substantial burden on public finances. Besides housing benefits, which amounted to DKK 113 million in 2015, annually in the region of DKK 300 million is granted via indirect, but not targeted schemes, cf. the Tax and Welfare Commission (2011). In addition, the Greenland Government allocates significant funding for renovation and renewal projects, in order to meet an extensive need for

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maintenance of Government homes. In 2011, approximately two thirds of the homes were in such a condition that renovation would be just as expensive as new construction, cf. the Greenland Government's housing policy report from 2012. In 2010, Boligselskabet Ini A/S calculated the maintenance requirement for flats and row houses at approximately DKK 5 billion. This outstanding requirement will thus present a significant economic challenge in the years to come. Furthermore, in some cases the low maintenance standard may lead to social and health-related problems.

Like the housing shortage, the renovation requirement is a consequence of the high ratio of public ownership and the high subsidisation level. *Firstly*, it is the responsibility of the owner, and thereby the public sector, to ensure maintenance and renovation. If renovation is deferred, the overall costs will be higher. *Secondly*, since the rent income is set artificially low and thus does not fully cover the costs of maintenance, the Greenland Government must allocate extra funds under the Finance Act, cf. above.

It is not easy for the public sector to assess the amounts required to be allocated, and historically, the maintenance burden has always increased. The lack of prices which reflect the true costs is expensive for society. Artificially low rent levels also lead many people to seek public housing.

Rents which reflect the true costs are a means of making private investments in both owner-occupied and rented homes more attractive, while also giving an immediate boost to public finances. Higher rent levels will, however, inevitably make housing more expensive in Greenland. However, the reform would increase the public sector's scope for manoeuvre to also introduce e.g. an employment deduction, or to increase housing benefit for the lowest-income groups, so as not to diminish their overall disposable income. A housing reform with e.g. these elements would also make it more attractive to take employment, rather than living on public benefits. This would increase the supply of manpower and the country's overall income generation. It would also improve the economic aspects of the housing policy. The housing reform is a matter of urgency, yet the coming reforms of the housing policy should not stand alone, but be viewed in conjunction with the overall taxation and welfare system.

Finance policy

In November 2015, the coalition parties reached agreement on a Finance Act for 2016, with a deficit of DKK 57 million on the Treasury's Operation and Investment Balance and DKK 100 million on the Treasury's Operation and Investment and Lending Balance. The BANK of Greenland is concerned that there is no political decision-making power to create a budgeted surplus during an economic upturn when tax revenue is high and the costs of public benefits are low. This gives rise to particular concern in view of the challenges expected in the future, with an increasing number of elderly people, and fewer people of working age. This makes it all the more important to ensure that people joining the labour market have gained educational qualifications.

It makes the situation even more alarming that fisheries taxes are expected to exceed DKK 200 million, as a consequence of high fish prices in 2016. For comparison, in 2006 these taxes amounted to DKK 0. The lack of balance for 2016, in these favourable economic conditions, clearly shows the structural problem presented by public finances. These structural problems can only be resolved via comprehensive, active reforms.

2017 can be a significant turning point for the Greenland Government's debt. After around 22 years without net debt, and with more than DKK 2 billion in reserves, the Treasury is expected to again be in a net debt situation. Even though some of the funds have been used for good, long-term investments, for example in hydropower, the accumulation of public debt will mark a turning point for government finances.

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In the Finance Acts for both 2014 and 2015, the Greenland Government expected surpluses in 2016 and 2017, but these expectations have been reduced significantly in the Finance Act for 2016, where a deficit in both years is now budgeted for, cf. Table 1.

Tabel 1 The annual Treasury Operation and Investment Balance

	2014	2015	2016	2017	2018	2019
FA2014	-20.8	87.5	-37.3	-51.2	-	-
FA2015	-20.8	64.3	-11.0	-27.7	-26.8	-
FA2016	217.4	64.3	56.8	42.5	-30.6	-98.4

Note: A negative amount indicates a surplus, while positive amount indicates a deficit

Source: Finance Acts 2014-2016.

That budgeted surplus adjust downwards to deficits may be due to Naalakkersuisut's objective on preparation of the Finance Bills. In order to equalise the significance of cyclical fluctuations for public finances, the objective in recent years has been to achieve balance on the Operation and Investment Balance over a four-year period. This has made it possible to run a current budget deficit in the first year, covered by budget surpluses in the following three years.

It is a less prudent strategy to finance today's deficit with uncertain expected future revenue. Therefore, the BANK of Greenland considers it positive that Naalakkersuisut is preparing a new Budget Act which calls for better control via binding cost ceilings for both the Greenland Government and the municipalities. To ensure the credibility of the Budget Act, is broad based political support crucial. If the Budget Act is implemented and respected in practice, this can provide the basis for a change for an essential regime in the financial policy.

Debt and investment policy

Despite the Treasury imbalances, it should also be noted that the overall public debt is very modest compared to Denmark and internationally. The consolidated net interest-bearing debt of the Greenland Government, the municipalities and the government-owned companies was approximately DKK 1.9 billion in 2014, equivalent to only around 14% of GDP. However, there will be an increase in borrowing in the coming years, due to such factors as Royal Arctic Line's new coastal vessels, the construction of a new port in Nuuk, the ongoing deduction from the Construction and Renovation Fund, and the financing of the Treasury's deficit. Overall, the net debt is expected to approach a level of around DKK 3.6 billion in 2018, even without raising loans to finance airports or other infrastructure, cf. Figure 8.

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Figure 8 Net public debt

DKK million	2014	2018
The largest companies*	2,338	3,499
Municipalities	23	-146
Greenland Government	-495	235
In total	1,866	3,588

Note: * TELE Greenland A/S, KNI A/S, Royal Greenland A/S, Royal Arctic Line A/S, Illuut A/S and Sikuki A/S.

Source: Politisk Økonomisk Beretning (Political Economic Report) 2015.

It is vital that the government balance and government debt are held within a framework assessed to be acceptable by the operators in the financial markets. The calculation of the Treasury's current deficit must take into account, however, that overall the publicly owned companies have strong current revenue and consolidation in addition to the dividend and tax contributed to the Treasury.

Uncertainty concerning the Greenland Government's economic policy, e.g. in the light of the demographic challenges, may limit borrowing opportunities and the political scope for manoeuvre. In concrete terms, the consolidated debt in accordance with the Greenland Government's current loan agreements with the Nordic Investment Bank must be held below 75% of the Treasury's total revenue, equivalent to around DKK 4.9 billion, cf. the Political Economic Report from 2015.

The difference between DKK 4.9 and DKK 3.6 billion may well prove to be too low to finance the new airport infrastructure that has just been adopted. If the borrowing opportunities show a shortfall, the fiscal policy scope will be limited. This amplifies the need for reforms of the economy, and increases the need to ensure the greatest possible degree of private involvement in investments, including via PPP schemes.

This also emphasises how important it is that any further borrowing, including for the planned airport construction, adheres to the principles in the Greenland Government's Debt and Investment Strategy:

Principle 2: The public sector only raises loans that contribute to improving the fiscal-policy sustainability.

Principle 3: The public sector only raises loans for homes, and commercial and infrastructure projects, if increased user payments can at least finance the interest and repayments on the debt.

- The Greenland Government's Debt and Investment Strategy (2012), p. 5.

In this respect it must be noted that in its autumn session in 2015, Naalakersuisut proposed an easing of the principles. Any easing will be studied carefully by foreign lenders. The easing must not be to the detriment of lenders' confidence in the fiscal policy sustainability.

Even if a politically required civil engineering project can be financed within the borrowing limits, this may erode opportunities to subsequently make other more profitable investments. All public investments should therefore be analysed carefully, so that the politicians are aware of the 'price' of achieving certain political objectives. If airport construction is prioritised, this will reduce opportunities to e.g. reduce the renovation shortfall for public-sector housing, invest in hydropower or make other investments.

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Reforms

After five years of self-government without any significant reforms, 2015 was the year in which the first of a long series of planned reforms were considered and politically adopted. More reforms are on the way, including mandatory pension savings and a housing reform. It is positive that the discussions now concern the nature of the reforms, rather than the need to implement them.

In their latest report, the Danish Economic Councils have assessed the effects of the reforms for which bills were proposed in 2015. The Councils concluded that the sustainability problem is far from resolved with the proposed reform initiatives. There is a need for broader reforms in order to completely eliminate the existing imbalance between future revenue and expenses. This is particularly problematic because the reforms of the early retirement allowance and old-age retirement areas in 2015 were two very significant reform areas. When two such significant reform areas make a relatively small contribution to resolving the sustainability problems, this will lead to greater pressure on the subsequent reform areas. The reforms will increase the future supply of manpower by braking the access to both old-age pensions and early retirement allowance, but do not contribute significantly to increasing the incentives to work rather than living on public benefits.

Considering the households' public debt, this is still increasing and now amounts to almost DKK 1 billion. This shows that the current levying, payment and collection system is by no means optimal. The BANK of Greenland considers it doubtful that minor initiatives by e.g. the Greenland Tax Agency will be sufficient to seriously tackle the increasing body of arrears. There may therefore be weighty arguments for an extensive reorganisation of the payment system, e.g. inspired by the Faroese *Samtíðarskattur*. In the Faroese system, employers pay the gross salary to a central clearing entity, which then withholds taxes and the citizen's current outstanding with the public sector, before the net salary is transferred to the individual citizen's account. A system like this prevents new arrears from being accumulated, and this would ease the future pressure on the municipalities' and Treasury's finances, and also ensure the uniform treatment of all citizens' and companies' obligations to the public sector.

A new and significantly different payment system is just one of many opportunities to benefit from Greenland's increased digitisation. The benefits might include administration rationalisations, healthcare improvements via telemedicine, or more flexible and effective communication and case handling between citizens, companies and authorities. We have not come as far with digitisation in Greenland as can be seen in other countries, and there is good reason to ensure digital improvements to productivity, for the benefit of society.

Settlement patterns

The BANK of Greenland finds it positive that politicians have now taken up the debate concerning settlement patterns, among other things due to the National Planning Report 2015, which highlights some of the challenges: An increase in the number of elderly people, with the population moving from villages to towns, and especially to Nuuk. These two parameters alone give us reason to consider how society will look in the future.

For any welfare society, settlement patterns raise difficult issues. On the one hand, citizens must be free to reside where they wish. For e.g. historical and cultural reasons, it may even be an objective to maintain settlement in specific geographical areas. On the other hand, one cannot expect the same access to society's welfare benefits in sparsely populated areas as in large towns.

Ensuring equal access to welfare benefits such as education and health is expensive when the population is as small and scattered as Greenland's. There are 'scale disadvantages' in small

GREENLAND'S SOCIETY AND ECONOMY

settlements in e.g. the school and healthcare area, transport area, and telecom and supplies areas. Moreover, the contribution per resident to the economy is lower in villages than in towns.

Utilising progress

For a time, the ongoing cyclical upturn will ease the pressure on public finances and improve many citizens' opportunities for employment and income. It is important that the positive development with new mines, high fish prices and larger volumes is used to provide more and better education, and that the unemployed can upgrade their qualifications, become more mobile, and are able to prepare themselves for jobs.

The continuing excessively high unemployment thus first and foremost constitutes structural unemployment, making it particularly important that the workforce is trained to take the jobs that are available. Lower secondary schools must be improved and the time is right to make a special effort to get many more 16-18 year-olds into education programmes. This will make a significant contribution to resolving future sustainability problems.

The improvement in Greenland's economy must also be used to continue the vital reform initiatives. It is now that this is possible, in order to create the framework for a viable economy.

THE BANK OF GREENLAND IN BRIEF

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 conducts banking activities in Greenland in open competition with domestic and foreign banks and provides advice and services in the financial area to all citizens of Greenland. The BANK of Greenland contributes to ensuring effective and modern payment settlement and capital intermediation throughout Greenland while ensuring shareholders a long-term, risk-weighted and competitive return.

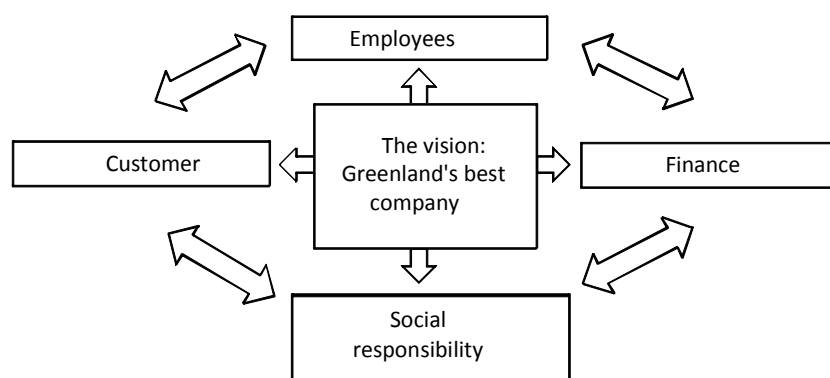
The Bank's mission should be viewed in a broader perspective whereby the BANK of Greenland can be seen as the *Bank for all of Greenland*. This entails an enhanced responsibility to participate positively and actively in society's development and to help to create opportunities in Greenland, while also 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, Room for Diversity, Decency and Competency**. 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

Every year, a strategy is drawn up to support the vision and objective to be "Greenland's best company". The strategy is considered by the Board of Directors and determines the Bank's key focus points for the coming year, 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".



The BANK of Greenland hereby wishes to ensure continued favourable development of the Bank via a balanced focus on the four main areas: **customers, employees, social responsibility and finance**. The main areas are annually included in objectives which are continuously adjusted.

The BANK of Greenland's focus on **customers** will be reflected in how the Bank's initiatives must ensure the best possible customer satisfaction and image. Customer satisfaction and image are measured annually in independent surveys. It is sought to continuously optimise customer service and advice via the Bank's

THE BANK OF GREENLAND IN BRIEF

proactive advisory services, availability, customer service, customer meetings and marketing.

The BANK of Greenland wishes to develop **employees** and promote dedication, loyalty and stability, so that the BANK of Greenland continues to be an attractive workplace. This is achieved by continuing to focus on employment terms, competence development, ongoing employee involvement and other initiatives which overall can support employee satisfaction at the BANK of Greenland. Like customer satisfaction, employee satisfaction is measured annually.

The BANK of Greenland's **social responsibility** is currently being highlighted and further developed. For example, in 2010 the Bank was co-founder of CSR Greenland. CSR Greenland has contributed to putting focus on the environmental area with the *Saligaatsoq* project, and the large project "*Companies out in the schools – schools out in the companies*". Besides involvement in CSR Greenland, the BANK of Greenland's social responsibility, Pakkussineq, also focuses especially on the Bank's core competences, which are: dedicated employees who undertake significant voluntary social work, and good financial advisory services, with the aim of creating better access to advisory services and credit financing. This work can be expanded continuously with new areas. In 2013, the BANK of Greenland endorsed the UN Global Compact. This membership helps to set the agenda for the areas the Bank must work on in order to achieve full compliance with UNGC's 10 principles. At the end of 2015, the Bank adopted a new policy for its social responsibility, with the main focus on working with financial literacy, using our dedicated employees in partnership with strategically important external players. In 2016, the strategic measures will be determined, with objectives for the coming years' CSR activities.

The BANK of Greenland's social responsibility is described later in the report, and in a separate annual report: "The BANK of Greenland's Social Responsibility in 2015".

The BANK of Greenland continuously focuses on the Bank's operations and **finances**. Continued effective business operations, measured by 'earnings per krone spent' and a return on equity, under consideration to cyclical variations in line with the sector are the main objectives.

With balanced management of objectives within the four main areas: **customers, employees, social responsibility and finances** the BANK of Greenland will ensure that we continue to be the preferred bank for customers, shareholders and employees. If the individual milestones within each main area are achieved, the Bank believes that the BANK of Greenland will fulfil its vision to be "Greenland's best company".

To enhance the Bank's opportunities, as a permanent member of Greenland's society, the Bank must create and use all opportunities locally. With the establishment of a new unit with responsibility for Business Development and Sales, reporting to the Executive Management, the organisational structure of business development is in place. The aim of innovation is to safeguard the Bank's future. Innovation at the BANK of Greenland means that new ideas must contribute to enabling the Bank to match customers' requirements, but also to create solutions to new requirements. There is also focus on existing work processes and other routines that should be optimised, to ensure the greatest possible effectiveness for the Bank. This is a sustained process and the Bank expects that rationalisations within the existing framework will give employees more time for customers and thereby even better advisory services, with resulting greater satisfaction for customers and employees.

HIGHLIGHT AND KEY FIGURES

Selected Statement of Income items:	2015	2014	2013	2012	2011
Net interest and fee income	284,174	293,457	275,750	277,818	253,475
Value adjustments	-10,775	7,687	4,039	11,247	- 28,976
Other operating income	6,002	5,657	5,617	7,134	6,748
Expenses for employees and administration	139,414	136,440	130,422	126,636	118,194
Depreciation and impairment of tangible assets	6,150	9,160	10,385	10,838	12,422
Other operating expenses	7,780	4,961	5,912	5,862	9,306
Write-downs on loans, etc.	19,432	24,807	15,186	17,322	12,470
Profit before tax	106,625	131,433	123,501	135,541	78,855
Tax	33,899	41,776	39,251	43,093	24,894
Profit for the year	72,726	89,657	84,250	92,448	53,961
Selected balance sheet items:					
Lending	2,822,572	2,814,547	2,874,931	3,044,942	3,063,171
Deposits	4,741,477	3,739,768	3,996,169	3,777,449	3,748,395
Equity	914,282	909,872	876,235	850,954	793,859
Balance sheet total	5,846,450	4,849,621	5,057,050	4,826,104	4,815,877
Guarantees	1,122,842	1,091,249	870,502	888,594	833,119
Key figures for the bank (in percent)					
Return on opening equity before tax and after dividend	12.7	16.3	15.8	17.9	10.6
Return on opening equity after tax and after dividend	8.6	11.1	10.8	12.2	7.2
Capital ratio	20.8	20.3	21.0	20.2	20,1
Solvency requirement	10.4	10.2	10.4	9.9	9.7
Key figures per share in DKK					
Profit for the year per share, before tax	59.2	73.0	68.6	75.3	43.8
Profit for the year pr. share, after tax	40.4	49.8	46.8	51.3	29.9
Net book value per share	508	505	494	482	450
Dividend per share	55	55	55	55	30
Closing stock price	625	612	662	567	295

MANAGEMENT'S REVIEW FOR 2015

Statement of income

In 2015, net interest income decreased by TDKK 11,657 to TDKK 202,208. The extremely low level of interest rates throughout 2015 and the negative return on the Bank's certificates of deposit at Danmarks Nationalbank and deposit in other credit institutions are the main reason. As well as a lower lending volume for part of 2015 is contributory to the decline.

On the other hand, fee and commission income showed a sound increase of TDKK 4,117 to TDKK 83,441. With the exception of 'Securities and securities accounts' to which a large non-recurring income entry was recognised in 2014, all items showed an increase in 2015. Guarantee commission increased well due to higher volumes during the year. Again in 2015, loans were remortgaged, which gave an increase in loan fees.

Value adjustment of securities and currencies resulted in a loss of TDKK 10,775, compared to a gain of TDKK 7,687 in 2014. The value adjustment comprises a significant loss on the Bank's bond holdings, primarily corporate bonds, of TDKK 28,118. On the other hand, the Bank's share holdings showed a capital gain totalling TDKK 14,325, which is by and large unchanged compared to 2014. Again in 2015, sector shares made a positive contribution to the value adjustment.

Other operating income, primarily rental income from the Bank's housing, amounts to TDKK 6,002, compared to TDKK 5,657 in 2014.

Total costs, amortisation and depreciation increased by TDKK 2,783, or 1.9% to TDKK 153,344.

The increase primarily concerns personnel costs and other administrative costs, which increased by TDKK 2,808 in total. Of this amount, TDKK 3,863 comprises an increase in personnel costs, and can be attributed primarily to salaries and pensions. Operation and maintenance of the Bank's staff accommodation increased by TDKK 872. Other administration costs decreased by TDKK 1,055 to TDKK 67,155

Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest and fee income	70,399	71,638	70,439	71,698	73,324	75,724	75,867	68,542
Costs and depreciation	39,780	37,512	37,460	38,592	37,774	35,824	37,705	39,258
Other operating income	2,212	1,205	1,145	1,440	1,394	1,573	1,385	1,305
Profit before value adjustments and write-downs	32,831	35,331	34,124	34,546	36,944	41,473	39,547	30,589
Value adjustment	-4,001	-2,907	269	-4,136	-10,295	1,226	8,987	7,769
Write-downs on loans, etc.	5,011	4,687	4,558	5,176	10,768	5,513	4,807	3,719
Profit before tax	23,819	27,737	29,835	25,234	15,881	37,186	43,727	34,639

Depreciation of property and fixtures and fittings declined by TDKK 3,010 to TDKK 6,150.

Other operating expenses increased by TDKK 2,819 to TDKK 7,780, primarily due to expenses related to the extensive conversion of the head office, and costs relating to the temporary location of the branch in Qaqortoq, where the branch is undergoing extensive renovation.

MANAGEMENT'S REVIEW FOR 2015

Impairment of loans, etc. amounted to TDKK 19,432, after a decrease of TDKK 5,375 from 2014. This reflects a low level of individual write-downs and an increase in group write-downs

The result before value adjustments and write-downs decreased to TDKK 136,832, compared to TDKK 148,553 in the record year 2014. The result before value adjustments and write-downs thus lies in the middle of the estimated range previously notified of DKK 125-145 million. Isolated, Q4 2015 shows a result before value adjustments and write-downs at TDKK 32,831, compared to TDKK 36.944 in the same period in 2014.

The profit before tax is TDKK 106,625, compared to TDKK 131,433 in 2014.

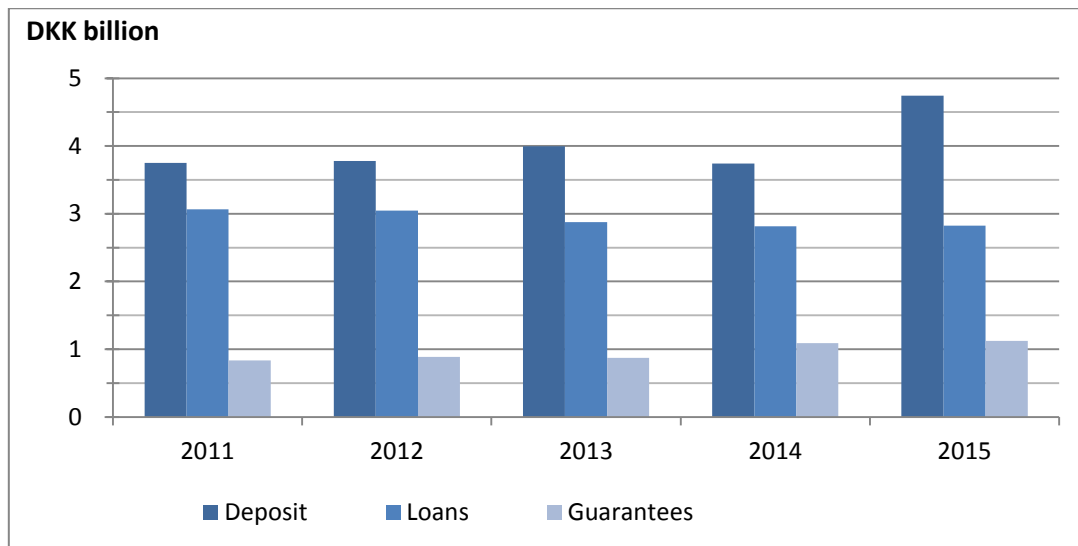
Tax is calculated at 31.8% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses. The profit amounts to TDKK 72,726 in 2015.

Balance sheet and equity

The BANK of Greenland's balance sheet totals TDKK 5,846,450, which is an increase of TDKK 996,829 from 2014. Deposits increased to an extraordinarily high level at the end of 2015, of TDKK 4,741,477, which is an increase of TDKK 1,001,709 from the end of 2014. We expect that the deposit will fall during 2016. The bank's deposits are mainly held on demand. The BANK of Greenland had in 2015 a significant deposit surplus.

During 2015 lending increased marginally by TDKK 8,025 to TDKK 2,822,572.

Guarantees increased satisfactory by TDKK 31,593 to TDKK 1,122,842.



Development in business scope

The overall business scope has hereby increased by TDKK 1,041,287 to TDKK 8,686,851.

MANAGEMENT'S REVIEW FOR 2015

Net capital amounts to TDKK 914,282, compared to TDKK 909,872 at the end of 2014. Share capital amounts to TDKK 180,000. The bank has not raised any supplementary, state hybrid or other subordinate loan capital.

The capital ratio is calculated at 20.8, compared to 20.3 in 2014.

Settlement reserve

In 2015, the accumulation of an European settlement reserve was initiated to which the credit institutions must contribute according to their relative size and risk. The settlement reserve must be accumulated by the end of 2024 at the latest, with assets equivalent to at least 1% of the covered deposits in all Danish credit institutions. The first contribution to the reserve the BANK of Greenland shall pay during 2016, after the Act and Regulation have entered into force in Greenland. We expect the amount to be lower than the, until now, payment to reserves.

Uncertainty of recognition and measurement

The main uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees and the valuation of unlisted securities, properties and financial instruments. The management believes that the presentation of the accounts for 2015 is subject to an appropriate level of uncertainty, and unchanged compared to 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 result of the financing costs increasing disproportionately, the risk that the Bank is prevented from maintaining the agreed business model as a result of the lack of financing/funding, or ultimately, the risk that the Bank cannot redeem agreed payment liabilities when due as a consequence of the lack of financing/funding.

Operational risk: Risk that the Bank incurs a complete or partial financial loss as a result of inadequate or inappropriate internal procedures, human error, IT systems, etc.

Capital requirement

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.

MANAGEMENT'S REVIEW FOR 2015

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 immediate surplus cover of TDKK 423,124, 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

DKK 1,000	2015		2014	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Pillar I requirement	325.659	8.0%	325,338	8.0%
Credit risk	68,123	1.7%	62,556	1.5%
Market risk	14,169	0.4%	10,078	0.3%
Operational risk	5,500	0.1%	5,000	0.1%
Other risk	9,038	0.2%	11,533	0.3%
Capital and solvency requirement	422,489	10.4%	414,505	10.2%

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 2015. Reference is also made to the Bank's risk management report for 2015 at <http://www.banken.gl/report/>

Liquidity

For many years, the BANK of Greenland has had a comfortable deposit surplus, and with surplus liquidity cover according to the current Section 152 key figures of 203.9% at the end of 2015, equivalent to TDKK 1,933,024, the Bank thus has a sound funding structure.

The new liquidity provisions entered into force with effect from 1 October 2015. The Liquidity Coverage Ratio (LCR) expresses how the Bank is able to honour its payment obligations for a coming 30-day period, without access to market funding. The key figure will replace the current Section 152 liquidity ratio.

LCR will be phased in gradually up to 2018, when the ratio must be at least 100% for non-SIFI institutions. For SIFI institutions, as at 1 October 2015 the cover must already be 100%.

Since the BANK of Greenland expects to be designated as an SIFI during 2016, the Bank already wishes to adhere to the same rules as apply to SIFI institutions.

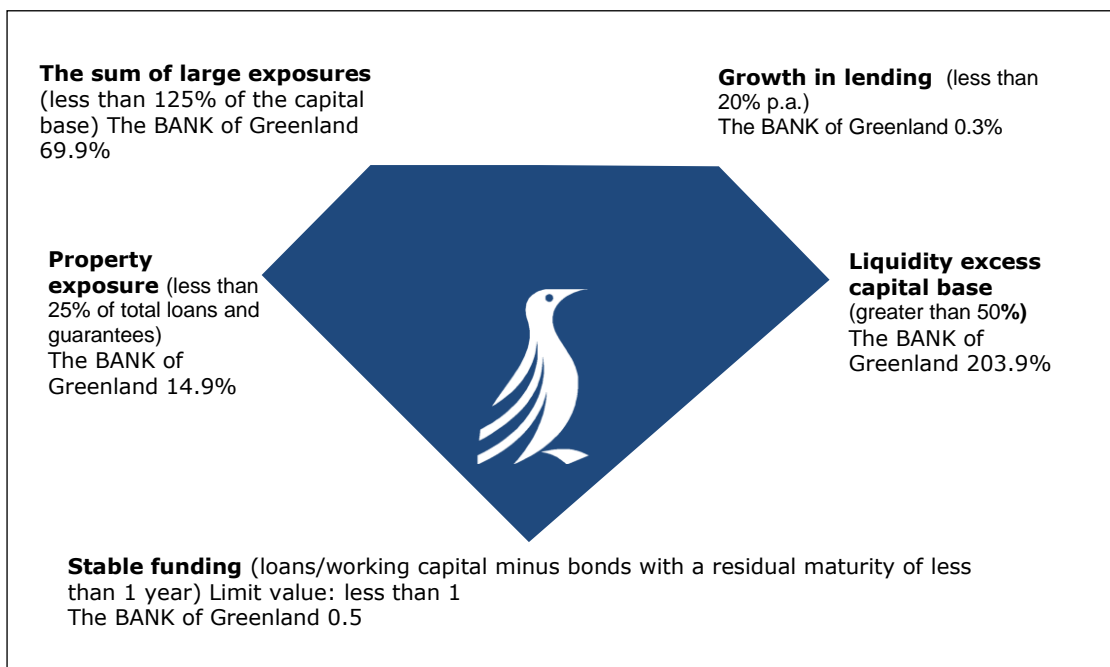
MANAGEMENT'S REVIEW FOR 2015

At the end of 2015, the Bank had an LCR of 181.9% and thereby fulfilled the requirement.

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.

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 constituted 69.9% at the end of 2015, of which 20.9% regards to sector- and public-owned companies.



Shareholders

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

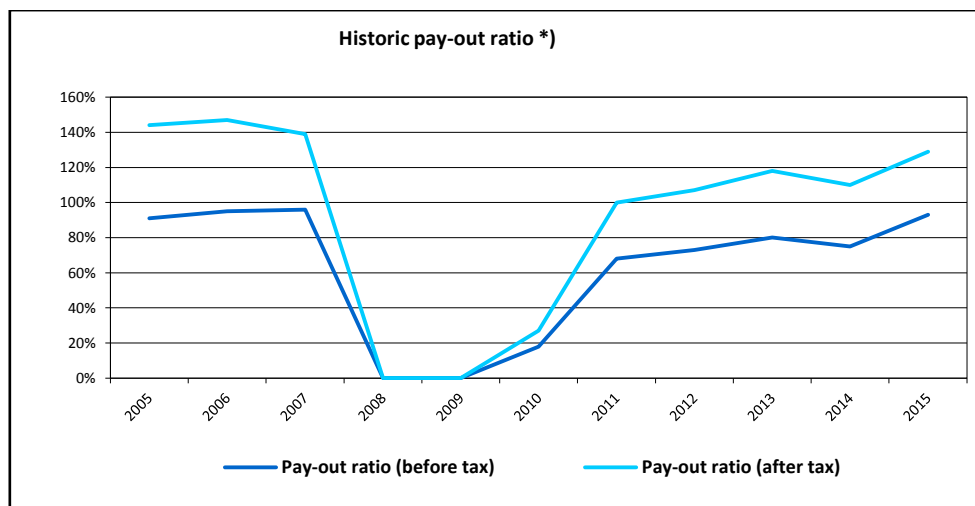
During 2015 the price of the BANK of Greenland's shares increased from 612 to 625. The BANK of Greenland recommends to the annual general meeting that the dividend rate for 2015 be the same as in the preceding three years, so that DKK 55 per share or a total of DKK 99 million is paid. It should be noted that in Greenland dividend is tax deductible for the dividend-paying company.

At the end of the year, the BANK of Greenland had 2,748 shareholders (2014: 2,771), of whom 1,013 were resident in Greenland (2014: 1,082). In accordance with Section 28a of the Danish Companies Act, six shareholders have notified shareholdings in excess of 5% (page 69).

MANAGEMENT'S REVIEW FOR 2015

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. The Board of Directors still has the objective 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 2016, the Board of Directors assesses that surplus cover of 10.4 is acceptable, until the new requirements have been implemented. It is however, the Board of Directors clear assesses that the bank's currently solvency requirement even after a SIFI designation, will be satisfying.



*) 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.

Expected development in 2016

After probably three years of negative GDP development in Greenland, the Bank expects there has been a small increase in GDP in 2015 and with a further increase expected in 2016. Read more in the section on Greenland's economy on page 6 of this Annual Report.

With the expectation of an increase in lending in 2016, improved deposit interest margin and expectation of a continued very low level of interest rates, the overall income is expected to be at a slightly higher level.

The total costs including depreciation are expected to increase slightly in 2016, and it is expected that all positions will continue to be filled.

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

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

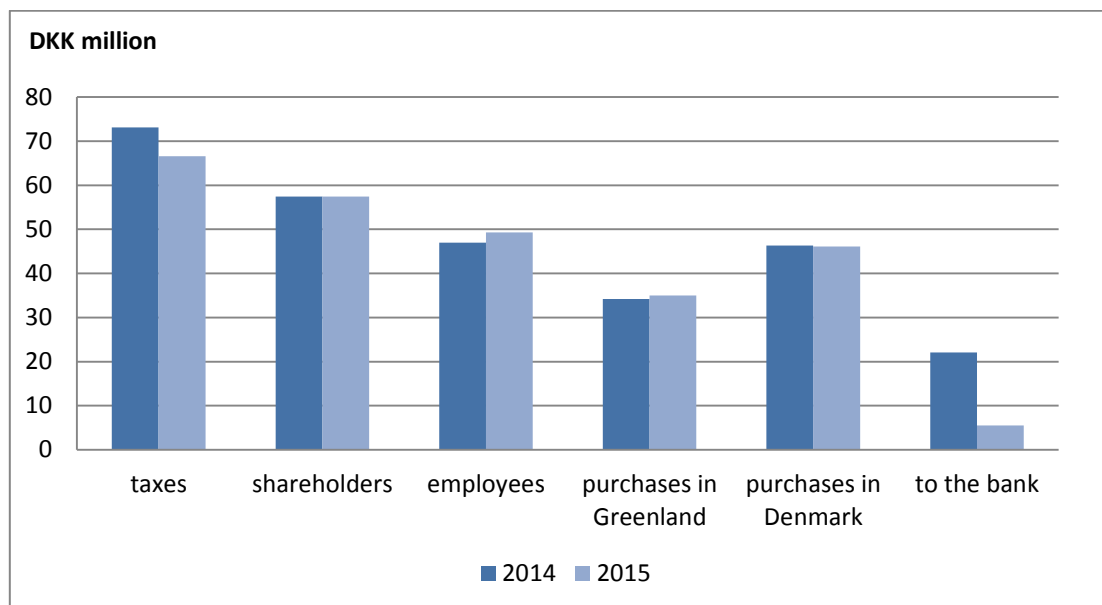
MANAGEMENT'S REVIEW FOR 2015

The Bank and society

The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 260 million, compared to DKK 281 million in 2014. 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 Bankernes EDB-central (BEC) and Nets.

The BANK of Greenland makes a significant contribution to society, by the last four years, to have contributed with tax payments on average DKK 70 million per year.



The above shows developments in taxes, net dividend to shareholders, salary to employees, the Bank's consolidation, and purchases in Greenland and Denmark.

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. In 2014, the Bank implemented Lync (Skype) in the business department, which is used to hold video meetings with business customers in coastal areas.

MANAGEMENT'S REVIEW FOR 2015

Private customers increasingly use the electronic services offered. Online banking and Mobile banking are used especially. In 2015, SWIPP was introduced. This is an APP that makes it easy to transfer amounts between individuals, only by using the persons telephone number, and pay for goods in shops that are registered for SWIPP.

In 2014, the Bank introduced "Kontokig" (electronic account statements), primarily for customers without online banking. This process has now been finally implemented, and will reduce paper- and postages consumption considerably, since in future account statements, annual statements, etc. will be sent electronically.

In 2015, the BANK of Greenland's branch i Nuuk was extended by an additional storey. Due to a continued increase in advisory activities, opportunities for discreet advisory consultations were becoming limited, so that it was decided to move the Bank's business department up to the fourth floor, so that the entire first and second floors can now be used for services and advice for private customers.

Like the branches in Sisimiut and Ilulissat, the Bank's branch in Qaqortoq has just undergone extensive renovation, and will reopen in March 2016 with new and highly improved premises for customer advisory services.

The Bank has a strong focus on the customers' assessment of the Bank's accessibility, and in 2015 has prioritised and measured how customers experience e.g. response times in the Call Centre and other customer contact in general.

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 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. The Bank reviews the survey results and takes annual measures in areas where customers believe the Bank can do better. In 2015 the survey was expanded with focus groups in Nuuk and Sisimiut. The general picture is that customer satisfaction is sound, with a significant improvement in the private customer area.

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'. Training must be viewed as part of the employee's development and career planning, and in relation to the Bank's need for the right competences.

The BANK of Greenland considers it important to ensure the recruitment of banking resources, and as at 31 July 2016, eight financial trainees are expected to have completed their training, of whom four from the head office and four from the branches.

MANAGEMENT'S REVIEW FOR 2015

Besides the actual trainee programme, the Bank has very successfully created trainee positions for young people with a background as financial economists. So far, four trainees have completed the adviser training, and one is expected to complete the training in 2016. The Bank also has a marketing trainee who is also expected to complete the training in 2016.

In 2015, it was possible to keep 98.7% of the positions in the Bank filled via active HR work, the job applicant portal on the Bank's website, and focus on employee development.

The total number of employees was 118 at the end of 2015. The average age is just over 47 and the average length of service is 9 years and 8 months. 82 women and 36 men are employed.

Of the total number of employees, 73 have financial or extended higher educational qualifications.

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 and investment, the Bank wishes to continuously offer a broad, flexible and competitive range of products. The BANK of Greenland is part of the Danish an 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.

Board of Directors and Executive Management

Details must be given of the management positions in other business enterprises held by the members of the Bank's Board of Directors and Executive Management. Reference is made to pages 78-80.

At the Bank's annual general meeting on 25 March 2015, Managing Director in FSS Christina F. Bustrup and former Executive Vice President in Nykredit Lars Holst were elected to the Bank's Board of Directors. They replace Minister Counsellor Lida Skifte Lennert and Director Vagn T. Raun. The employees elected Customer Adviser Arne G. Petersen, replacing Controller Jette Radich.

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**.*

MANAGEMENT'S REVIEW FOR 2015

*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. Our CSR initiatives in relation to financial understanding have special focus on various different target groups with special needs, such as **the socially vulnerable and children and adolescents**. 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 responsible business conduct, with focus on human rights, labour rights, environment and development, and anti-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, in particular 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 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 new CSR policy. This was adopted by the Board of Directors in December 2015. In this respect a new strategy and action plan for the coming years' activities will be drawn up.

The overall responsibility for the Bank's CSR work lies with the administrative director. Further implementation will include significant activities that in future will still be internally oriented, but now also increasingly also externally oriented. The implementation will be anchored in a steering group.

MANAGEMENT'S REVIEW FOR 2015

The BANK of Greenland's Statutory Corporate Social Responsibility Report, cf. the Order on the financial reports of credit institutions and investment services companies, etc., Sections 135 and 135 a, 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 2015 was 16.67% women and 83.33% men, respectively. The Board of Directors' objective is for the ratio of female members of the Board of Directors elected by the annual general meeting to increase to 33% by 2017 at the latest.

At the other management levels, the Bank's overall objective is to achieve and maintain a suitably equal distribution of men and women in its management. Irrespective of gender, the BANK of Greenland's employees must experience that they have equal opportunities for career development and managerial positions. At the end of 2015 there was a distribution ratio, with 44% women and 56% 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.

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.

MANAGEMENT'S REVIEW FOR 2015

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 and risk 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 Deputy 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 Deputy Chairman of the Board of Directors.

In 2015 the committee worked on a description and the composition of the competences of the Executive Management and Board of Directors, as well as the recommendation of new candidates for the election of 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 2015 and participation in the meetings of all three committees can be seen here: https://www.banken.gl/media/391441/Moedeoversigt-2015_ENG.pdf

MANAGEMENT STATEMENT

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 2015 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 2015, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2015.

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, 23 February 2016

Executive Management

Martin Kviesgaard

Board of Directors

Gunnar í Liðá
Chairman

Kristian Lennert
Deputy Chairman

Frank Bagger

Anders Brøns

Christina F. Bustrup

Allan Damsgaard

Lars Holst

Yvonne Kyed

Arne G. Petersen

AUDIT STATEMENT

The independent auditor's report

To the shareholders of the BANK of Greenland, limited liability company

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 2015, which comprise the statement of income and statement of comprehensive income, 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 Report

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 Danish'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 2015, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2015, in accordance with the Danish Financial Business Act and the Danish disclosure requirements for listed financial companies.

AUDIT STATEMENT

Statement concerning the Management's Review

In accordance with the Danish Financial Business Act, we have read the Management's Review. We have not undertaken any procedures in addition to the audit of the annual financial statements.

On this basis it is our view that the information in the Management's Review is in accordance with the annual financial statements and Danish disclosure requirements for listed financial companies.

Nuuk, 23 February 2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Cvr. no. 33963556

Jens Ringbæk

State-Authorised Public Accountant

AUDIT STATEMENT

Internal auditor's report

To the management of the BANK of Greenland, limited liability company

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 2015, 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 Report

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 concerning the annual financial statements, on the basis of our audit. Our audit is performed in accordance with the Danish Financial Supervisory Authority's Order on the auditing of financial enterprises, etc., in accordance with international auditing standards and additional requirements under Danish's 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. Based on an assessment of the internal controls that are relevant for the preparation and presentation of annual financial statements, and the risk of material misstatement in the annual financial statements, we have examined the basis for amounts and other information in the annual financial statements on a random sampling basis. The audit included all material and risk-based areas, as well as consideration of whether the accounting policies applied by the management are appropriate, whether the management's accounting estimates are fair, and an assessment of the overall presentation in 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 2015, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2015, in accordance with the Danish Financial Business Act and the Danish disclosure requirements for listed financial companies.

AUDIT STATEMENT

Statement concerning the Management's Review

In accordance with the Danish Financial Business Act, we have read the Management's Review. We have not undertaken any procedures in addition to the audit of the annual financial statements.

On this basis it is our view that the information in the Management's Review is in accordance with the annual financial statements and Danish disclosure requirements for listed financial companies.

Nuuk, 23 February 2016

Kristian Thorgaard Sørensen
Audit Manager

(DKK 1,000)

STATEMENT OF INCOME

Notes	2015	2014
3 Interest income	215,458	232,025
4 Negative interest income	-8,719	-4,761
5 Interest expenses	4,531	13,399
Net interest income	202,208	213,865
Share dividend, etc.	497	1,821
6 Fee and commission income	83,441	79,324
Given fees and commission payable	1,972	1,553
Net interest and fee income	284,174	293,457
7 Value adjustments	-10,775	7,687
Other operating income	6,002	5,657
8, 9 Expenses for employees and administration	139,414	136,440
Depreciation and impairment of tangible assets	6,150	9,160
Other operating expenses	7,780	4,961
12 Write-downs on loans and receivables, etc.	19,432	24,807
Profit before tax	106,625	131,433
10 Tax	33,899	41,776
Profit for the year	72,726	89,657
Proposed allocation of profit		
Profit for the year	72,726	89,657
Taxation value of dividend allocated	31,482	31,482
In total available for allocation	104,208	121,139
Proposed dividend	99,000	99,000
Retained profit	5,208	22,139
Total allocation	104,208	121,139

(DKK 1,000)

STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
Statement of comprehensive income		
Profit for the year	72,726	89,657
Other comprehensive income:		
Revaluation of property	-1,170	-491
Tax on revaluation of property	372	156
Other comprehensive income after tax	-798	-335
Comprehensive income for the year	71,928	89,322

BALANCE SHEET
(Year-end)

(DKK 1,000)

Notes	2015	2014
	336,618	547,362
11 Cash balance and demand deposit with central banks	1,454,983	297,493
12 Amounts receivable from credit institutions and central banks	2,822,572	2,814,547
13 Loans and other receivables at amortised cost	835,754	834,807
14 Bonds at fair value	84,750	61,509
15 Shares, etc.	194,709	187,591
16 Land and buildings in total, domicile properties	8,036	7,899
Other tangible assets	106,225	95,583
Other assets	2,803	2,830
Accruals and deferred expenses	5,846,450	4,849,621
Total assets		
17 Liabilities to credit institutions and central banks	45,572	44,254
18 Deposits and other liabilities	4,741,477	3,739,768
Current tax liabilities	2,769	11,490
Other liabilities	67,530	64,253
Accruals and deferred income	5,096	5,095
Total debt	4,862,444	3,864,860
19 Provisions for deferred tax	55,060	55,908
Provisions for losses on guarantees	7,620	11,761
Other provisions	7,044	7,220
Total provisions	69,724	74,889
Net capital		
20 Share capital	180,000	180,000
Revaluation reserves	15,207	16,547
Retained earnings	651,557	645,807
Proposed dividend	99,000	99,000
Taxation value of proposed dividend	-31,482	-31,482
Total equity	914,282	909,872
Total liabilities	5,846,450	4,849,621
1 Accounting policies applied		
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29 Financial highlights and key figures		

STATEMENT OF EQUITY FOR 2015

(DKK 1,000)

	Share capital	Re-valuation re-serves	Retained earnings	Proposed dividend, net	Equity total
Equity, 1 January 2014	180,000	16,882	611,835	67,518	876,235
Paid dividend	-	-	-	-99,000	- 99,000
Taxation value of dividend paid	-	-	-	31,482	31,482
Trading in own shares, net	-	-	11,833	-	11,833
Other comprehensive income	-	-335	-	-	-335
Profit for the period	-	-	22,139	-	22,139
Proposed dividend	-	-	-	99,000	99,000
Tax on proposed dividend	-	-	-	-31,482	-31,482
Equity, 31 December 2014	180,000	16,547	645,807	67,518	909,872
Equity, end of 2014	180,000	16,547	645,807	67,518	909,872
Paid dividend	-	-	-	- 99,000	- 99,000
Taxation value of dividend paid	-	-	-	31,482	31,482
Equity, beginning of 2015, after distribution of dividend	180,000	16,547	645,807	-	842,354
Other comprehensive income	-	- 1,340	542	-	- 798
Profit for the period	-	-	5,208	-	5,208
Proposed dividend	-	-	-	99,000	99,000
Tax on proposed dividend	-	-	-	-31,482	-31,482
Equity, 31 December 2015	180,000	15,207	651,557	67,518	914,282

CAPITAL STATEMENT 2015

(DKK 1,000)

	2015	2014
Credit risk	3,375,264	3,396,490
Market risk	149,519	117,360
Operational risk	545,958	552,871
Total risk exposure	4,070,741	4,066,721
Equity	914,282	909,872
Proposed dividend, accounting effect	-67,518	- 67,518
Deduction for revaluation reserve in 2014	0	-16,547
Deduction for prudent valuation	-1,151	0
Actual core capital	845,613	825,807
Capital adequacy	845,613	825,807
Actual core capital ratio	20.8	20.3
Capital ratio	20.8	20.3
Statutory requirement of actual core capital ratio	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

CASH FLOW STATEMENT

(DKK 1,000)	2015	2014
Profit for the year	72,726	89,657
Write-downs on loans	19,432	24,807
Depreciation and impairment of tangible assets	6,150	9,160
Accruals and deferred expenses, net	28	1,948
Tax effect of deductibility of dividend	31,482	31,482
Profit for the year after adjustment for non-cash operating items	129,818	157,054
Liabilities to credit institutions and central banks	1,318	- 4,158
Deposits	1,001,709	- 256,401
Lending	-27,457	35,577
Other working capital	-523,855	- 74,494
Other liabilities	-10,237	17,685
Change in working capital	441,478	- 281,791
CASH FLOWS FROM OPERATING ACTIVITIES	571,296	- 124,737
Sale of tangible assets	1,072	0
Purchase, etc. of tangible assets	-15,647	- 9,431
CASH FLOWS FROM INVESTMENT ACTIVITIES	-14,575	- 9,431
Dividend paid	- 99,000	- 99,000
Trade in own shares	0	11,833
CASH FLOWS FROM FINANCING ACTIVITIES	- 99,000	- 87,167
CHANGE IN CASH AND CASH EQUIVALENTS	457,721	- 221,335
Cash and cash equivalents, beginning of year	1,475,303	1,696,638
Cash and cash equivalents, end of year	1,933,024	1,475,303
Cash balance	87,048	60,760
Demand deposits at Danmarks Nationalbank	249,570	486,602
Certificates of deposit with Danmarks Nationalbank	723,000	0
Fully secured and liquid cash and cash equivalents in credit institutions	201,983	297,493
Non-mortgaged securities	671,423	630,448
Cash and cash equivalents, end of year	1,933,024	1,475,303

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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 2014.

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.

- Write-downs on loans are made in accordance with accounting policies and are based on a

NOTES

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.
- 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.
- Valuation of the Bank's head office properties is also subject to significant estimates. Measurement of owner-occupied properties fair value is also attached to the significant estimates and judgments, including expects to properties rather timely return and prescribed rate of return. Regarding the valuation of the bank's corporate headquarters building in Nuuk there are used different prices per square meter compared to the market rent and applications.

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 at fixed interest rates.

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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.

Expenses for employees and administration

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 contribution-based pension schemes with all employees. Under the contribution-based pension schemes, fixed contributions are paid to an independent pension institution. The Bank has no obligation to pay additional contributions.

NOTES

Other operating income

Other operating income includes income of a secondary nature in relation to the Bank's activities, including external rental income, 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 corporate headquarters 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.

Receivables with credit institutions and central banks

Comprises receivables from other credit institutions and time deposits with central banks. Debt to credit institutions and central banks comprises debt to other credit institutions and central banks. First recognition are measured at fair value and subsequently measured 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.

- 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
- when it is probable that the borrower will file for bankruptcy or be subject to other financial restructuring.

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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 whole or in part leased commercial properties or residential properties are required rate of return one of the assumptions. The value of property determined on the basis of an assessment of the required rate of return that an investor is likely to ask for a property in that category. The required return on these properties currently lies substantially in the range of 6% to 10%. The measurement of the required return depends among others on geography, development opportunities (business / residential), maintenance and any re-letting and thus the risk of idle etc. In the calculations, valued collateral in accordance with the FSA's practice from a price at which they are assumed to be sold within a short time (6 months). As a result of normal cyclical uncertainties, the valuation of the collateral remains subject to uncertainty and security in commercial real estate is greatly affected by the current estimate of the required rate of return in 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's primary market area is different from banks in Denmark, the calculated percentage loss ratio increased overall by 15%. By comparison of the individual loan's original loss risk and the loan's loss 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

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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.

Tangible fixed assets

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 at the end of 2014) 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.

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.

Other assets

Other assets are other assets not included under other asset items. The item includes the bank's capital share in BEC, 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.

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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 it is necessary to redeem. 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.

Liquid assets comprise cash balances and demand deposits at 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 with the requirements of the Accounting Order in this respect.

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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)

	2015	2014
Cash balances and demand deposits at central banks	336,618	547,362
Amounts receivable from credit institutions and central banks	1,454,983	297,493
Loans and other receivables at amortised cost	2,822,572	2,814,547
Bonds at fair value	835,754	834,807
Shares, etc.	84,750	61,509
Other assets, including derivative financial instruments	106,225	95,583
Off-balance-sheet items		
Guarantees	1,122,842	1,091,249
Credit undertakings	180	2,100

The distribution of 'loans and other receivables at amortised cost' and 'guarantees' is shown in Note 12.

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

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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

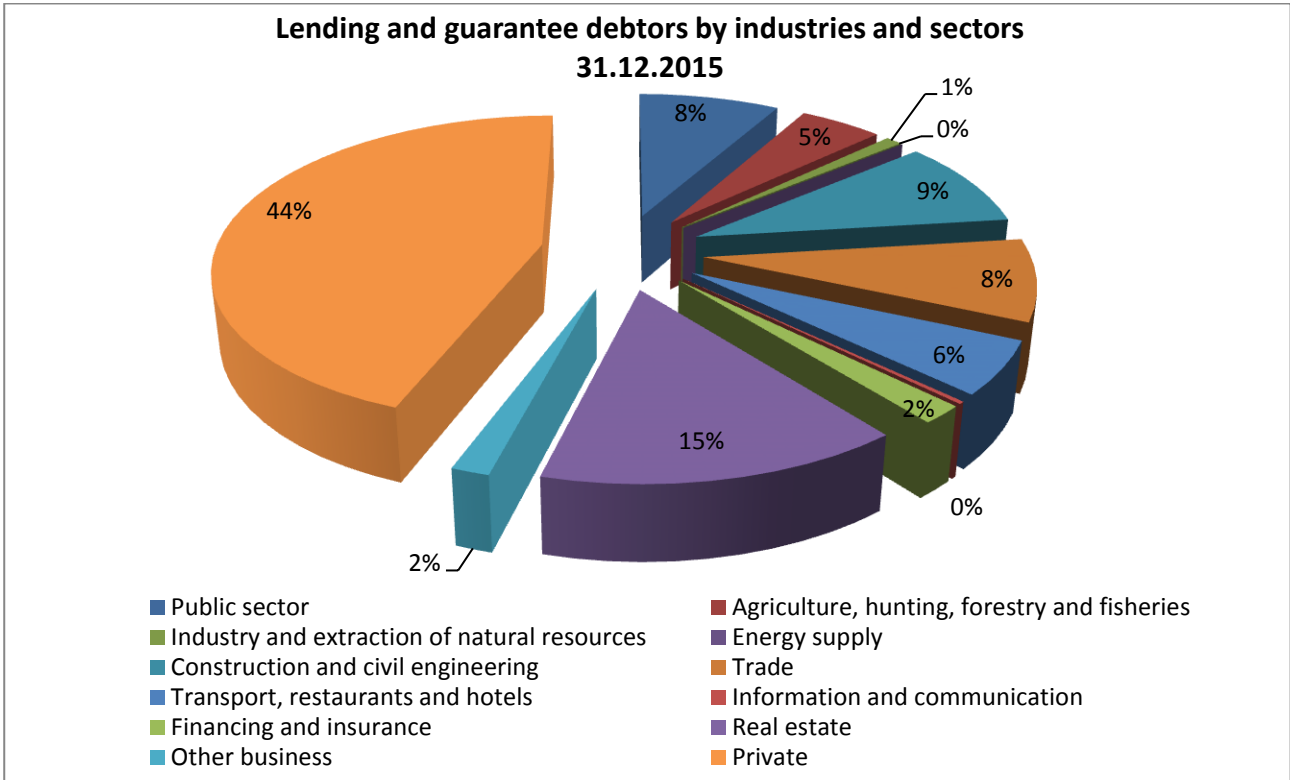
- general rule loans, etc. are only granted to customers that are full customers of the Bank;
- as a general rule, lending, etc. to business customers is only granted to customers with business activities in Greenland;
- as a general rule, lending, etc. to private customers is only granted to customers 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 assessed to have OII or significant signs 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 supports existing enterprises 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

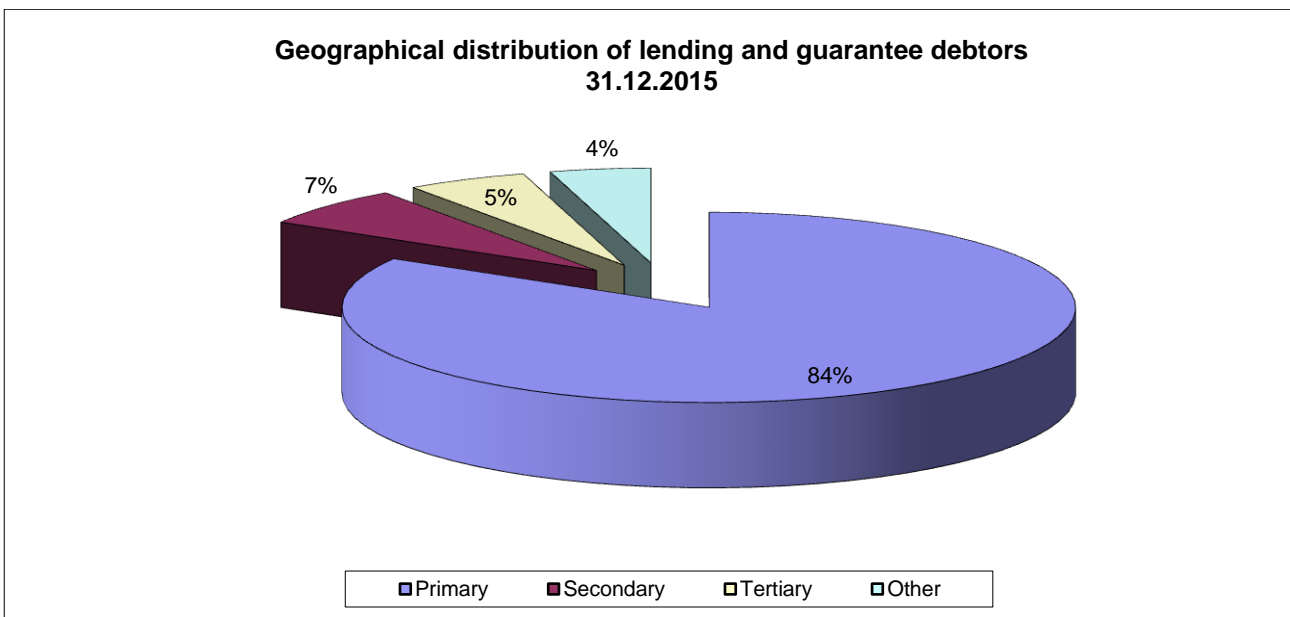
The BANK of Greenland wishes to diversify its credit risk between lending to private customers and lending to business customers. The exposure to business customers and public authorities may thus not exceed 65% of the total exposure.

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 exposure totally may amount to up to 25%.

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The geographic spread of the bank's loans and guarantees in the four municipalities (primary), towns (secondary), villages and towns (tertiary) and abroad (other). According to the bank's business model is loans and guarantees outside Greenland maximized to 10% of total loans and guarantees.



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The Bank does not wish to have high exposure to exposures 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.

Large exposures – number	6	3
Greater than 20% of the capital base	0	0
15-20% of the capital base	0	0
10-15% of the capital base	6	3
% of the capital base	69.9	40.0

As of 1.1.2018, the Danish Financial Supervisory Authority 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.

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.

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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 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 a 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.

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.

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Value adjustment

All exposures greater than DKK 10,000 with an objective indication of impairment (OII) are assessed individually for the purpose of calculation of the write-down/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 'Local Banks' association is used for the calculation of group-based write-downs. The calculated gross loss ratios are increased by 15% 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, and reserves for further losses on minor consumer loans with a higher assessed risk.

The management estimated allowance is in accordance with accounting rules.

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.

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

2015	Gross exposure DKK 1,000	Ratio, total gross exposures	Total write-down DKK 1,000	Ratio, total write down
Public	332,244	8 %	0	0 %
Business				
Fisheries	195,639	5 %	5,015	5 %
Industry and extraction of natural resources	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 %
In total	4,057,582	100 %	112,170	100 %
Of which group-based			27,126	

2014	Gross exposure DKK 1,000	Ratio, total gross exposures	Total write-down DKK 1,000	Ratio, total write down
Public	340,963	9 %	0	0 %
Business				
Fisheries	206,481	5 %	6,420	7 %
Industry and extraction of natural resources	27,531	1 %	2,485	2 %
Energy supply	0	0 %	0	0 %
Construction and civil engineering	365,462	9 %	23,726	25 %
Trade	314,129	8 %	7,056	7 %
Transport, restaurants and hotels	226,966	6 %	2,486	3 %
Information and communication	18,015	0 %	428	0 %
Financing and insurance	70,890	2 %	97	0 %
Real estate	570,206	14 %	4,992	5 %
Other business	54,497	1 %	579	1 %
Business in total	1,854,177	46 %	48,269	50 %
Private	1,807,632	45 %	48,707	50 %
In total	4,002,772	100 %	96,976	100 %
Of which group-based			18,551	

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

2015	Gross exposure	Value of collateral security	Unsecured	Individual write-down	Maximum credit risk
Public	0	0	0	0	0
Business:					
Fisheries	10,670	5,190	5,480	4,147	1,333
Industry and extraction of natural resources	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
Total	302,704	150,557	152,147	85,043	67,105

2014	Gross exposure	Value of collateral security	Unsecured	Individual write-down	Maximum credit risk
Public	13,206	0	13,206	0	13,206
Business:					
Fisheries	10,346	4,562	5,784	5,302	482
Industry and extraction of natural resources	13,451	11,678	1,773	1,773	0
Energy supply	0	0	0	0	0
Construction and civil engineering	88,148	33,537	54,611	22,331	32,280
Trade	20,631	14,323	6,308	3,747	2,561
Transport, restaurants and hotels	25,245	24,281	964	820	144
Information and communication	340	0	340	298	42
Financing and insurance	0	0	0	0	0
Real estate	18,416	18,372	44	0	44
Other business	8,933	7,813	1,120	242	878
Business in total	185,510	114,566	70,944	34,513	36,431
Private	157,313	69,875	87,438	43,912	43,526
Total	356,029	184,441	171,588	78,425	93,163

NOTES

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

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
Total	179,145	85,043	94,102	49,136	44,966

2014	Credit exposure before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	2,586	2,086	500	500	0
Collection	18,818	17,086	1,732	250	1,482
Financial difficulties	150,516	59,253	91,263	54,953	36,310
Total	171,920	78,425	93,495	55,703	37,792

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.

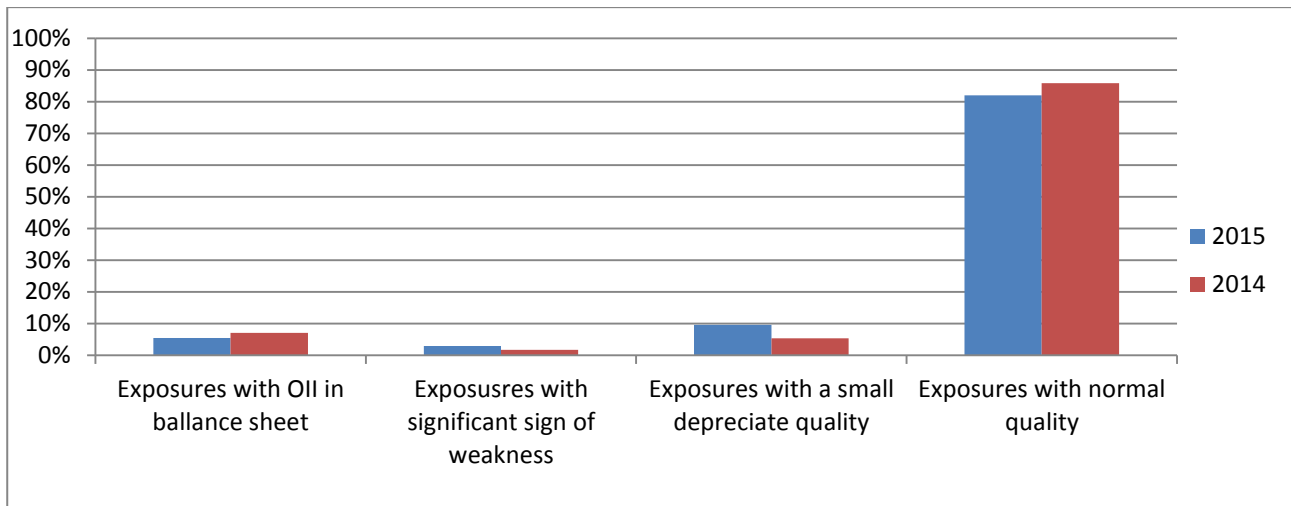
For private exposures, a score system with a scale from 1 to 11 is being implemented. This was initiated at the beginning of 2016.

Exposures with arrears or overdrafts > DKK 1,000

DKK 1,000	2015	2014
0-30 days	6,383	16,628
31-60 days	2,834	2,913
61-90 days	5,676	2,956
> 90 days	6,481	9,056
In total	21,374	31,553

NOTES

Credit exposure after write-down by creditworthiness percent



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 and internal auditor.

Interest rate risk

The Board of Directors' guidelines to 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 24 and 26.

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 14.

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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 79 million to partly cover the currency risk on foreign corporate bonds. Reference is made to Note 23 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. Reference is made to key figures for surplus liquidity cover, and the key figures for lending in relation to deposits on page 77.

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-outage can 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)	2015	2014
3 Interest income		
Amounts receivable from credit institutions and central banks	0	591
Lending and other receivables	194,996	208,341
Bonds	20,462	23,093
Total interest income	215,458	232,025
4 Negative interest income		
Amounts receivable from credit institutions and central banks	-4,412	0
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-4,307	-4,761
Total negative interest income	-8,719	-4,761
5 Interest expenses		
Credit institutions and central banks	318	479
Deposits and other liabilities	4,213	12,920
Total interest expenses	4,531	13,399
6 Fee and commission income		
Securities and securities accounts	5,281	6,372
Payment settlement	33,038	31,884
Loan case fees	13,034	12,474
Guarantee commission	17,796	15,630
Other fees and commission	14,292	12,964
Total fee and commission income	83,441	79,324
7 Value adjustments		
Lending at fair value	-3,107	4,527
Bonds	-28,118	-9,756
Shares	14,325	14,268
Currency	2,387	4,990
Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	3,738	-6,342
Total value adjustments	-10,775	7,687

Note 3-7: The Bank has not distributed net interest and fee income on the asset's areas and geographical markets. It is estimated that there are not significant discrepancies between the bank's activities and geographical areas and deliver therefore, no segment information.

NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)	2015	2014
8 Expenses for employees and administration		
Employee expenses		
Salaries	57,119	54,329
Other employee expenses	3,233	2,452
Pensions	7,073	6,815
Social security expenses	545	512
Total	67,970	64,108
Other administration expenses	67,155	68,210
Number of employees		
The average number of employees in the financial year, converted to full-time employees	117.9	116.1
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	200
Deputy Chairman of the Board of Directors, Kristian Lennert	183	150
Member of the Board of Directors, Frank Bagger	125	100
Member of the Board of Directors, Anders Brøns	125	100
Member of the Board of Directors, Christina F. Bustrup, appointed in 2015	94	0
Member of the Board of Directors, Allan Damsgaard	125	100
Member of the Board of Directors, Lars Holst, appointed in 2015	94	0
Member of the Board of Directors, Yvonne Kyed	132	100
Member of the Board of Directors, Arne G. Petersen, appointed in 2015	94	0
Member of the Board of Directors, Jette Radich, resigned in 2015	34	100
Member of the Board of Directors, Vagn T. Raun, resigned in 2015	31	100
Member of the Board of Directors, Lida Skifte Lennert, resigned in 2015	31	100
In total	1,338	1,050
The remuneration of the Board of Directors is fixed		
Executive Management		
Bank Director Martin Kviesgaard		
Fixed remuneration	3,026	3,138
Total remuneration to the Board of Directors and Executive Management	4,364	4,188
The Deputy Managing Director is the only other significant risk taker, so that no separate remuneration details are provided.		

NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)

2015 2014

9 Audit fees

Statutory audit of the annual financial statements	575	714
Other declarations with security	52	15
Tax advisory services	32	25
Other services	44	92
Total remuneration to the auditors elected by the annual general meeting who perform the statutory audit	703	846

10 Tax on the profit for the year

Tax on the profit for the year is calculated as follows:

Current tax	2,893	11,819
Deferred tax	-476	- 1,525
Tax value of dividend paid	31,482	31,482
Total	33,899	41,776

Tax on the profit for the year is broken down as follows:

Calculated 31.8% tax on the profit for the year	33,907	41,795
Other adjustments	- 8	- 19
Total	33,899	41,776

Effective tax rate	31.8%	31.8%
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Corporate and dividend tax paid in 2015 amounts to TDKK 11,614

NOTES TO THE BALANCE SHEET

(DKK 1,000)

2015 2014

11	Amounts receivable from credit institutions and central banks		
	On-demand	201,983	297,493
	Up to and including 3 months	1,253,000	0
	In total	1,454,983	297,493
	Receivables subject to terms of notice at central banks	723,000	0
	Receivables from credit institutions	731,983	297,493
	In total	1,454,983	297,493
12	Lending		
	Write-downs on loans and receivables		
	Lending	23,573	21,796
	Guarantees	- 4,141	3,011
	Total write-down during the year	19,432	24,807
	Of which losses not previously written down	160	410
	Lending at amortised cost	2,822,572	2,814,547
	Total lending by remaining term to maturity		
	On-demand	338,075	466,290
	Up to and including 3 months	177,447	152,979
	Over 3 months and up to and including 1 year	480,973	423,940
	Over 1 year and up to and including 5 years	1,201,312	1,200,091
	Over 5 years	624,765	571,247
	In total	2,822,572	2,814,547
	Write-downs on loans		
	Individual write-downs:		
	Start of the period	66,664	57,359
	Write-downs during the year	34,427	24,945
	Reversal of write-downs in previous financial years	15,059	7,156
	Final loss (depreciated) previously individually depreciated	8,223	7,687
	Other movements	-386	-797
	Total individual write-downs on lending	77,423	66,664
	Group write-downs:		
	Start of the period	18,551	10,626
	Write-downs during the year	8,662	8,527
	Reversal of write-downs in previous financial years	0	436
	Other movements	-87	-166
	Total group write-downs on lending	27,126	18,551

NOTES TO THE BALANCE SHEET

(DKK 1,000)

2015 2014

13	Bonds at fair value		
	Mortgage-credit bonds	717,114	677,671
	Other bonds	118,640	156,936
	Total	835,754	834,807
	Of which nominal TDKK 50,000 deposited as security for debt at Danmarks Nationalbank		
14	Shares, etc.		
	Shares/unit trust certificates listed on Nasdaq OMX Copenhagen	18,379	16,758
	Unlisted shares included at fair value	66,371	43,751
	Unlisted shares included at cost	0	1,000
	In total	84,750	61,509
15	Head office properties		
	Reassessed value, beginning of year	187,591	189,271
	Additions during the year, including improvements	12,460	4,912
	Disposals during the year	-1,072	0
	Depreciation	-5,288	- 4,548
	Value changes recognised in other comprehensive income	-1,170	- 491
	Value changes recognised in the statement of income	2,188	- 1,553
	Reassessed value, year-end	194,709	187,591
	There is no public property valuation in Greenland. No experts have contributed in assessing the properties.		
16	Other tangible assets		
	Cost, beginning of year, without depreciation or write-downs	41,837	37,318
	Additions during the year, including improvements	3,187	4,519
	Cost, year-end	45,024	41,837
	Depreciation and write-downs, beginning of year	33,938	30,880
	Depreciation for the year	3,050	3,058
	Depreciation and write-downs, end of year	36,988	33,938
	Accounting value, year-end	8,036	7,899

NOTES TO THE BALANCE SHEET

(DKK 1,000)

2015

2014

17	Liabilities to credit institutions and central banks		
	On-demand	20,572	19,254
	Over 1 year and up to and including 5 years	25,000	25,000
	Total	45,572	44,254
	Debt to central banks	20,510	19,220
	Debt to credit institutions	25,062	25,034
	In total	45,572	44,254
18	Deposits and other liabilities		
	On-demand	4,430,990	3,554,945
	Up to and including 3 months	107,544	92,885
	Over 3 months and up to and including 1 year	162,192	15,315
	Over 1 year and up to and including 5 years	28,759	64,216
	Over 5 years	11,992	12,407
	In total	4,741,477	3,739,768
	On-demand	4,108,708	3,214,899
	On terms of notice	303,562	273,979
	Fixed-term deposits	224,000	149,101
	Special deposit conditions	105,207	101,789
	In total	4,741,477	3,739,768
19	Provisions for deferred tax		
	The year's changes in deferred tax can be summarised as follows:		
	Deferred tax, beginning of year	55,908	57,393
	The year's deferred tax recognised in the statement of income for the	-476	- 1,525
	Adjustment of deferred tax concerning equity items	-372	40
	In total	55,060	55,908
	Deferred tax concerns:		
	Head office properties	54,216	55,119
	Operating equipment	844	789
	In total	55,060	55,908

NOTES TO THE BALANCE SHEET

(DKK 1,000)

2015 **2014**
20 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

Beginning of year

Number of own shares	0	18,327
Nominal value in DKK 1,000	0	1,833
Per cent of share capital	0.00	1.01

Additions

Number of own shares	0	50
Nominal value in DKK 1,000	0	5
Per cent of share capital	0.00	0.00
Total cost	0	32

Disposals

Number of own shares	0	18,377
Nominal value in DKK 1,000	0	1,838
Per cent of share capital	0.00	1.01
Total sales price	0	10,595

Year-end

Number of own shares	0	0
Nominal value in DKK 1,000	0	0
Per cent of share capital	0.00	0.00

In the course of the year the Bank solely acquires own shares on customers' purchase and sale via the Bank, and to cover trades as part of a market-maker agreement.

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

TF Holding P/F	Kongabrugvin, Torshavn	14.58%
Nuna Fonden	Nuuk	13.33%
Government of Greenland	Nuuk	8.38%
AP Pension Livsforsikringsaktieselskab	Copenhagen	8.00%
Greenland Holding A/S	Nuuk	6.24%
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.

SUPPLEMENTARY NOTES

(DKK 1,000)

2015 2014

21 Contingent liabilities

Financial guarantees	1,200	455
Mortgage finance guarantees	617,967	550,127
Title registration and remortgaging guarantees	49,137	173,853
Other guarantees	454,538	366,814
In total	1,122,842	1,091,249

Other binding agreements

Irrevocable loan commitments	180	2,100
In total	180	2,100

The Bank is a member of BEC (Bankernes EDB Central). The bank is by a possible withdrawal obliged to pay a withdrawal-refund.

22 Legal cases

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

23 Currency exposure

Assets in foreign currency, in total	197,961	158,290
Liabilities in foreign currency, in total	74,249	30,630
Exchange-rate indicator 1	47,124	25,294
Exchange-rate indicator 1 as a ratio of core capital	5.57	3.07
Exchange-rate indicator 2	463	291

24 Interest rate risk

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

Interest-rate risk for debt instruments, etc.	9,554	10,657
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SUPPLEMENTARY NOTES

(DKK 1,000)

2015 2014

25 Related parties

Related parties comprise the Bank's Board of Directors and Executive Management 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	107,300	102,243
Pledges:		
Executive Management	0	0
Board of Directors, including members elected by the employees	32,640	45,413
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 2015 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.		
Board of Directors		
Kristian Lennert	10	10
Frank Bagger	25	25
Anders Brøns	12,687	12,687
Allan Damsgaard	13	363
Yvonne Kyed	10	10
Executive Management:		
Martin Kviesgaard	726	726

SUPPLEMENTARY NOTES

(DKK 1,000)

2015 2014

26 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	166,735	110,089
Accounting value	189,273	136,835

Covered with interest rate swap

Synthetic principal/nominal value	158,263	104,783
Accounting value	12,124	15,230

Lending at fixed interest rates without cover

Amortised nominal value	19,195	15,869
Accounting value	22,770	19,554

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.

SUPPLEMENTARY NOTES

(DKK 1,000)

26 Derivative financial instruments

2015	Nominal value	Positive market value	Negative market value	Net market value
Currency contracts				
Forward	143,347	-10,243	10,337	94
Interest rate contracts				
Swaps	193,376	-555	13,841	13,286
Share contracts				
Spot, purchase	259	-2	1	-1
Spot, sale	259	-1	2	1
In total	518	-3	3	0
In total	337,241	-10,801	24,181	13,380
2014				
Currency contracts				
Forward	86,115	0	3,487	3,487
Interest rate contracts				
Swaps	138,563	0	17,334	17,334
Bond contracts				
Spot, sale	2,378	0	41	41
Share contracts				
Spot, purchase	97	-6	1	-5
Spot, sale	97	-1	6	5
In total	194	-7	7	0
In total	227,250	-7	20,869	20,862

SUPPLEMENTARY NOTES

(DKK 1,000)

26 Derivative financial instruments

Term structure by remaining term to maturity

	Up to and Nominal value	including 3 months Net market value	Over 3 months Nominal value	and up to 1 year Net market value
Currency contracts				
Forward	78,521	138	64,826	-44
Interest rate contracts				
Swaps	0	0	436	2
Share contracts				
Spot, purchase	259	-1	0	0
Spot, sale	259	1	0	0
In total	518	0	0	0
In total	79,039	138	65,262	-42

	Over 1 years and Nominal value	up to and including 5 years Net market value	Over 5 years Nominal value	Net market value
Currency contracts				
Forward	0	0	0	0
Interest rate contracts				
Swaps	69,883	5,238	123,057	8,046
Total	69,883	5,238	123,057	8,046

SUPPLEMENTARY NOTES

(DKK 1,000)

27 Fair value of financial assets and liabilities

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

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 willing independent parties. For financial assets and liabilities that are priced in active markets, the fair value is compiled on the basis of observed market prices on the balance sheet date. For financial instruments that are not priced in active markets, the fair value is compiled on the basis of generally recognised price fixing methods.

In the accounts, shares, etc. and derivative financial instruments are measured at fair value, so that recognised values are equivalent to fair values. Unlisted capital investments are measured at cost, with deduction of write-downs.

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.

Financial instruments recognised at amortised cost:

	2015	2015	2014	2014
	Amort. cost.	Fair value	Amort. cost.	Fair value
Amounts receivable from credit institutions and central banks	1,454,983	1,454,457	297,493	297,651
Lending and other receivables	2,822,572	2,833,475	2,814,547	2,825,918
Liabilities to credit institutions and central banks	45,572	45,646	44,254	44,348
Deposits and other liabilities	4,741,477	4,743,118	3,739,768	3,741,043

28 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 Financial Supervisory Authority. 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 2015 had been 100 basis points higher, the profit for the year would, all other things being equal, have been TDKK 9,554 lower (2014: TDKK 10,657 lower) primarily as a consequence of a negative fair value adjustment of the Bank's holdings of fixed-interest-rate bonds.

SUPPLEMENTARY NOTES

(DKK 1,000)

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 Financial Supervisory Authority. 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 2015 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 1,178 lower (2014: TDKK 632 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 2015 had been 10% lower, the profit for the year before tax, all other things being equal, would have been TDKK 8,475 lower (2014: TDKK 6,151 lower) as a consequence of a negative fair value adjustment of the share portfolio.

The unlisted shares include shares with a repurchase right, but not obligation, of TDKK 17,193. The repurchase right can be utilised once a year for a period of 14 days, and expires in the third quarter of 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 2015 had been 10% lower, the negative value adjustment of properties, all other things being equal, would have been TDKK 19,471 before tax (2014: TDKK 18,759 lower).

5-YEAR HIGHLIGHTS AND KEY FIGURES

(DKK 1,000)	2015	2014	2013	2012	2011
29					
Net interest and fee income	284,174	293,457	275,750	277,818	253,475
Value adjustments	-10,775	7,687	4,039	11,247	- 28,976
Other operating income	6,002	5,657	5,617	7,134	6,748
Expenses for employees and administration	139,414	136,440	130,422	126,636	118,194
Depreciation and impairment of tangible assets	6,150	9,160	10,385	10,838	12,422
Other operating expenses	7,780	4,961	5,912	5,862	9,306
Write-downs on loans, etc.	19,432	24,807	15,186	17,322	12,470
Profit before tax	106,625	131,433	123,501	135,541	78,855
Tax	33,899	41,776	39,251	43,093	24,894
Profit for the year	72,726	89,657	84,250	92,448	53,961
Selected balance sheet items:					
Lending	2,822,572	2,814,547	2,874,931	3,044,942	3,063,171
Deposits	4,741,477	3,739,768	3,996,169	3,777,449	3,748,395
Equity	914,282	909,872	876,235	850,954	793,859
Balance sheet total	5,846,450	4,849,621	5,057,050	4,826,104	4,815,877
Contingent liabilities	1,123,062	1,093,349	873,112	889,344	836,399
Official key figures:					
Capital ratio	20.8	20.3	21.0	20.2	20.1
Core capital ratio	20.8	20.3	20.6	19.7	19.5
Return on equity before tax	11.7	14.7	14.3	16.5	10.1
Return on equity after tax	8.0	10.0	9.8	11.2	6.9
Rate of return	1.2	1.9	1.7	1.9	1.1
Income per cost krone	1.62	1.75	1.76	1.84	1.52
Interest rate risk	1.1	1.3	0.6	1.2	1.0
Foreign exchange position	5.6	3.1	4.2	7.1	3.0
Loans plus write-downs in relation to deposits	61.7	77.5	73.6	82.3	83.3
Loans in relation to equity	3.1	3.1	3.3	3.6	3.9
Growth in lending during the year	0.3	-2.1	-5.6	-0.6	4.7
Excess capital base compared to statutory liquidity requirement	203.9	190.7	219.5	198.0	201.1
The sum of large exposures	69.9	40.0	58.7	93.2	110.7
Ratio of receivables at reduced interest rates	0.9	0.7	0.9	1.4	1.7
Write-down ratio for the year	0.6	0.7	0.4	0.5	0.4
Accumulated write-down ratio	2.8	2.4	2.0	1.6	1.5
Profit for the year per share	40.4	49.8	46.8	51.3	29.9
Net book value per share	508	505	494	482	450
Dividend per share	55	55	55	55	30
Listed price/Profit for the year per share (PE)	15.4	12.3	14.1	11.1	9.9
Stock exchange quotation/net book value per share	1.2	1.2	1.3	1.2	0.7

MANAGEMENT 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

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 Board of Directors of:

TF Holding P/F (Chairman)

Tryggingarfelagið Føroyar P/F (Deputy Chairman)

Eik Bank P/F

Hotel Føroyar 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 Lennert INUPLAN A/S

Born on 30 November 1956

Joined the Board of Directors on 8 April 2003. Last re-elected in 2014

Managing Director of:

Ejendomsselskabet Issortarfik ApS

Kristian 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 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 Ilulissat TV & Radio ApS

Born on 22 April 1970

Joined the Board of Directors on 2 April 2008. Last re-elected in 2014

Member of the Board of Directors and Director of:

Tankearaq ApS

Ilulissat Marine Service ApS

MANAGEMENT OFFICES

Frank Olsvig Bagger established Ilulissat Radio & TV in 1994. Frank Olsvig Bagger has since then been active in Greenland's business community, mainly within the retail sector, but also other sectors.

Director Anders Brøns
Polar Seafood Greenland A/S

Born on 22 December 1949
Joined the Board of Directors on 10 April 1997. Last re-elected in 2014

Managing Director of:
Polar Seafood Greenland A/S
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
Polar Salmon 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 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 F. Bustrup
FSS (ForSikringsSamarbejde A/S)

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

Christina F. 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 F. Bustrup is Managing Director of FSS A/S, which is strategic cooperation in the insurance and pension area between a large group of banks and AP Pension. Since 31 December 2010, FSS has been a subsidiary in the AP Pension Group. Previously, Christina F. Bustrup served for many years as COO (Customer Director) in AP Pension.

MANAGEMENT OFFICES

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)
Arkitektgruppen 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.

Customer Adviser Yvonne 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 Adviser Arne Guldmann Petersen GrønlandsBANKEN A/S

Born on 09 December 1981
Joined the Board of Directors on 25 March 2015.

Bank Director Martin 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

The 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
banken@banken.gl

Board of Directors

Director Gunnar í Liða, Chairman
Director Kristian Lennert, Deputy Chairman
Director Frank Olsvig Bagger
Director, Anders Brøns
Managing Director Christina F. Bustrup
Customer Manager Allan Damsgaard*)
Former Executive Vice President Lars Holst
Deputy Manager Yvonne Kyed*)
Customer Adviser Arne G. 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

Financial calendar for 2016

Annual Report 2015	23 February
Annual General Meeting in Nuuk	30 March
Interim Report, First Quarter 2016	26 April
Interim Report, First Half 2016	10 August
Interim Report, First Nine Months 2016	02 November

Notifications to the stock exchange in 2015

17 February	Annual Report 2014
26 February	Notice convening the Annual General Meeting
05 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
10 March	Reporting of insider trades
11 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors 1
17 March	Election of employee members to the BANK of Greenland's Board of Directors
25 March	Annual General Meeting of the BANK of Greenland
28 April	Interim Report, First Quarter 2015
12 August	Interim Report, First Half 2015
14 August	Financial Calendar 2016
28 October	Interim Report, First Nine Months 2015