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ANNUAL REPORT 2018

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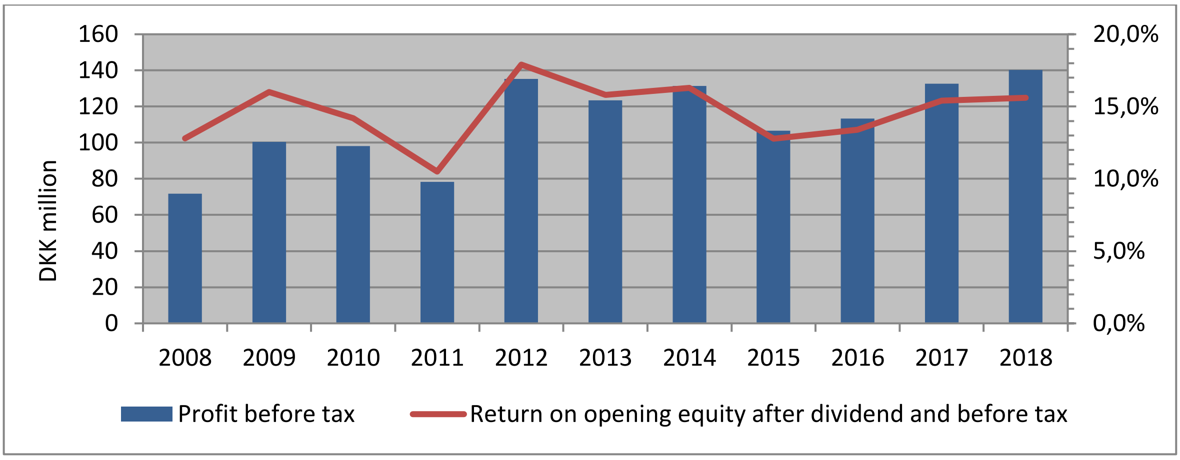
ANNUAL REPORT IN HEADLINES

Growth in lending and the best result in the history of the BANK of Greenland.
Greenland's positive development, with a stable high level of activity, continued in 2018. This also presented opportunities for the BANK of Greenland and the high level of activity was reflected in busy employees, growth in several major business areas, and both record-high earnings and a record-high level of loans and guarantees.

The BANK of Greenland achieved a profit of DKK 140.3 million before tax for 2018, compared to DKK 132.6 million in 2017. The return on opening equity after dividend and before tax was 15.6% p.a., which is considered to be satisfactory. The profit sets a new record in the Bank's history and is just over the estimate of DKK 120-140 million given by the Bank at the beginning of the year.

The profit before value adjustments and write-downs was DKK 152.8 million in 2018, which is just over the record result for 2017.



Basic operations
From the start of the year, the Bank's core operations were once again affected by the low level of interest rates and declining bond yields. The negative interest rates in the money market and at Danmarks Nationalbank continued in 2018. To a lesser extent than in 2017, negative deposit interest rates for the Bank's largest deposits have compensated for the loss on liquidity placed in the money market and at Danmarks Nationalbank.

On the other hand, the Bank successfully increased business volumes. Increasing lending, higher guarantees and generally rising activity throughout the Bank have overall increased income to above the 2017 level. Despite the challenging interest rate environment, there is an overall increase in net interest and fee income of DKK 4.1 million, or 1.3%, from 2017.

Costs increased in 2018. The primary reasons are an increase in staff numbers to match the higher business volume in recent years, as well as increased business development costs. The cost development is close to budget, despite the extraordinary special development of IT systems for DKK 4.1 million during the year. The Bank's "earnings per krone spent" are thus still at a high level compared to the sector in general, and core operations are therefore assessed to be satisfactory.

Limited losses and write-downs – reduced capital losses
Write-downs and provisions were further reduced, and fell for the fourth consecutive year. The very moderate level of losses documents the considerable financial robustness of the Bank's private and business customers. The Bank's resilience to losses on customer lending is illustrated by a core result that is approximately 14 times the write-downs for the year.

The Bank's liquidity is placed in the money market, in bonds, and, to a certain extent, in investment certificates and sector shares. The negative interest rate environment naturally entails capital losses on bonds, just as market unrest, as seen in the last part of 2018, can entail further capital losses. In overall terms, however, capital losses on securities are lower than in 2017, and value adjustments amount to a modest DKK 1.5 million in 2018.

Business development in 2018

There is no doubt that activity in 2018 was focused on the Bank's own development initiatives, and a significant reason for the growth in lending and guarantees of DKK 253 million to the record level of DKK 4,750 million. 2018 was also the year in which the Bank launched four cooperative housing construction projects with local contractors, with the Bank handling the establishment until the new cooperative owners take over the properties. These new major initiatives are of great importance to the Bank's development in the coming years, and serve as clear evidence of the Bank's endeavours to deliver value to shareholders, customers and society.

Balance sheet, capital and dividend

The BANK of Greenland's capital-influencing element of the balance sheet, and loans and guarantees in particular, achieved satisfactory growth once again in 2018. We can see continued opportunities for significant business growth in the coming years, which requires focus on the Bank's capital.

As an SIFI-designated institution since 2017, this also means that the Bank's management continuously assessed the capital structure. In this respect, consideration of the authorities' expectations of the current and future optimum capitalisation of a banking institution is a significant aspect. There is also a need for sufficient capital to be able to take part in credit extension in Greenland, and to ensure that, also in capital terms, the Bank is perceived as a robust player in the sector.

Greenland has not yet implemented the BRRD Directive in Greenlandic legislation, and the Bank is thereby not yet subject to a requirement concerning impairment liabilities (MREL requirements), but can expect a requirement to be laid down in 2019.

On this basis, the Bank recommends payment of dividend of DKK 30 per share, maintaining the Bank's solvency rate at 22.7, while the solvency requirement falls from 10.4 in 2017 to 10.3 in 2018. In view of the uncertainty concerning the capital requirements which the Bank will face, as well as uncertainty concerning the prices and terms for other capital instruments, we also assess that a high capital ratio is required. We also assess that the Bank's ability to generate a profit will enable the Bank to increase its capital base in the coming years, just as the Bank can investigate opportunities for alternative capital instruments. With dividend of DKK 30 per share, the Bank maintains one of the highest dividend rates in the sector.

Outlook for 2019

Greenland's economic performance is expected to improve moderately in 2019 and in the slightly longer term it will be very interesting to see the level of activity generated by the decision to build new airports. At the BANK of Greenland we can therefore see good opportunities to further develop traditional banking activities, while also achieving rationalisation gains in 2019 and the years to come.

The Bank will naturally be challenged by the sustained low level of interest rates, generally increased competition in the sector, and rising compliance costs. Political decisions could alter the framework conditions in Greenland and in the sector, while the geopolitical situation increases the level of uncertainty.

This is naturally reflected in capital market uncertainty, which affects the Bank's value adjustments. A low level of losses and impairment is still expected, however. The Bank expects a profit before tax of DKK 130-150 million.

Nuuk, 28 February 2019
Martin Birkmose Kviesgaard, Bank Director

GREENLAND'S SOCIETY AND ECONOMY

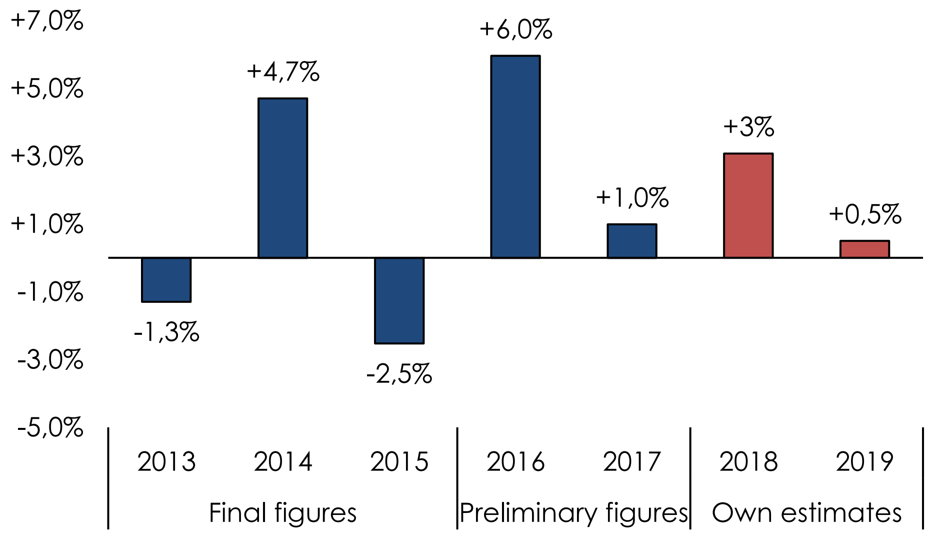
The economy is doing well

For several years, Greenland has enjoyed an economic upswing. The provisional figures indicate real GDP growth of no less than 6.0% in 2016, and 1.0% in 2017. The BANK of Greenland assesses that this growth continued in 2018, with GDP growth of around 3%, but that growth will lose momentum in 2019, cf. Figure 1.

Figure 1

Economic development

Real GDP growth



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

Sources: Statistics Greenland and own estimates.

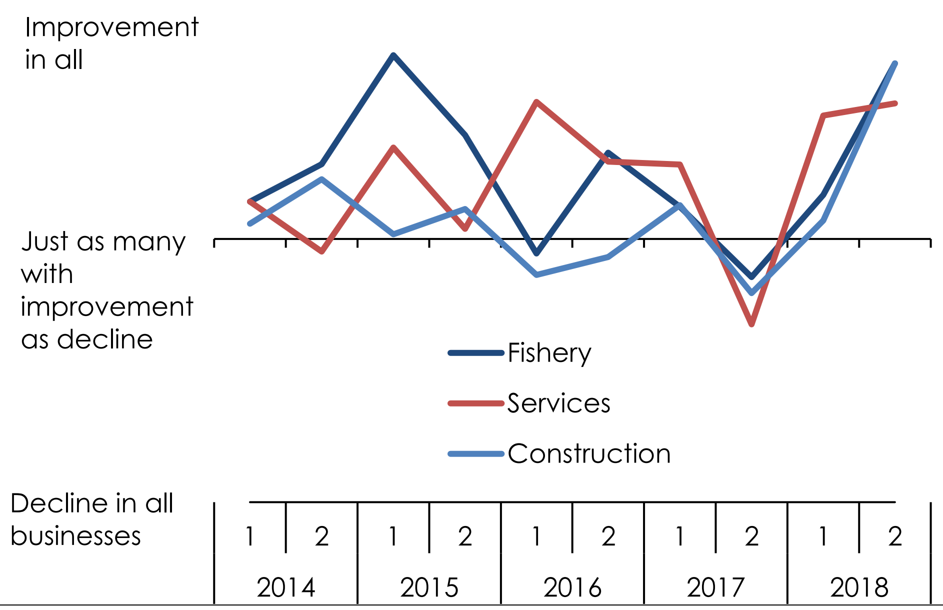
The growth in 2018 is primarily attributable to higher prawn quotas and increased public-sector consumption, particularly in the municipalities. On the other hand, construction and growth in private consumption diminished from 2017, which reduces growth. The growth estimate for 2018 is in line with the Economic Council's latest growth estimate from September 2018, amounting to 2.9%.

However, the Economic Council assessed that growth would continue into 2019, with an estimated growth rate of 3.0%. Since September, the outlook for 2019 has been adjusted, however, and a decline in public consumption and by and large unchanged fisheries are now expected. The BANK of Greenland therefore expects GDP growth of between 0 and 1% in 2019.

GDP growth has been subject to major revision in recent years. This shows that a cautious approach should be taken to using provisional and expected GDP figures as the sole indicator of the economy's course. It can be an advantage to include other key indicators to check the economy's temperature. A good indicator of the positive development is that, across the board, companies in Greenland reported progress in 2018, cf. Figure 2.

Figure 2

Greenlandic companies' assessment of the economic conditions



Note: A positive indicator signifies that several of the respondent companies indicated an improvement, rather than a reversal, in the current and coming half-year. The indicator does not show the extent of the improvement, but a higher figure implies that an improvement was more probable. The indicator is calculated as an average of the net figures for the questions concerning companies' "actual revenue", "expected revenue" and "investment plans". The net figure indicates the difference between the percentage figures for the "greater" and "smaller" responses. In the calculation, the companies are weighted according to their size, measured in terms of employment, and the companies are requested to take customary seasonal fluctuations into consideration in their responses.

Source: Copenhagen Economics for the BANK of Greenland.

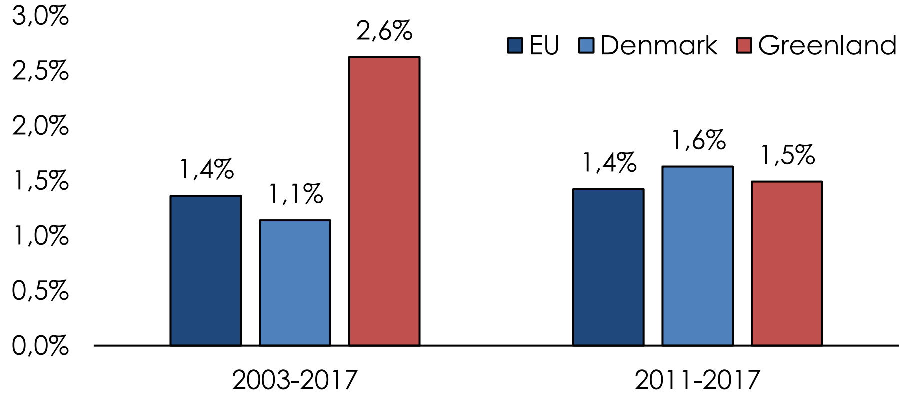
The economic upswing is also evident from the decline in the number of job seekers in 2018, for the fourth consecutive year, and companies are also reporting an increasing shortage of manpower. If the pressure on the labour market increases further, there is a risk of overheating of the economy.

In an economic upswing, fiscal policy should contribute to dampening growth, in order to support a sustained and balanced upswing. The BANK of Greenland acknowledges that it is difficult to optimise the timing of the fiscal policy instruments, but there should not be high real growth in public consumption during an upswing. There are indications that fiscal policy is contributing to increasing the pressure in the labour market.

For a number of years, there has been very robust, sustainable economic performance in Greenland. Viewed over 15 years, Greenland's growth rate has exceeded those seen in both the EU and Denmark, and Greenland's economy has performed much better than the press coverage in Denmark, for example, would indicate. Concerning Greenland in particular, the Danish press has focused on individual statements without giving weight to the long-term performance. It is also a sign of health that recent years' economic growth has been absorbed concurrently with a strong decrease in unemployment, and without this leading to any significant inflationary pressure.

Despite the challenges (see below), Greenland is economically actually doing really well. Since 2003, Greenland's economic growth rate has been double the rates of both the Danish and European economies, not least because Greenland was little affected by the financial crisis. After the financial crisis growth increased in Denmark, and after 2011 was at the level of Greenland's growth, cf. Figure 3.

Figure 3
Growth in GDP
Average annual growth

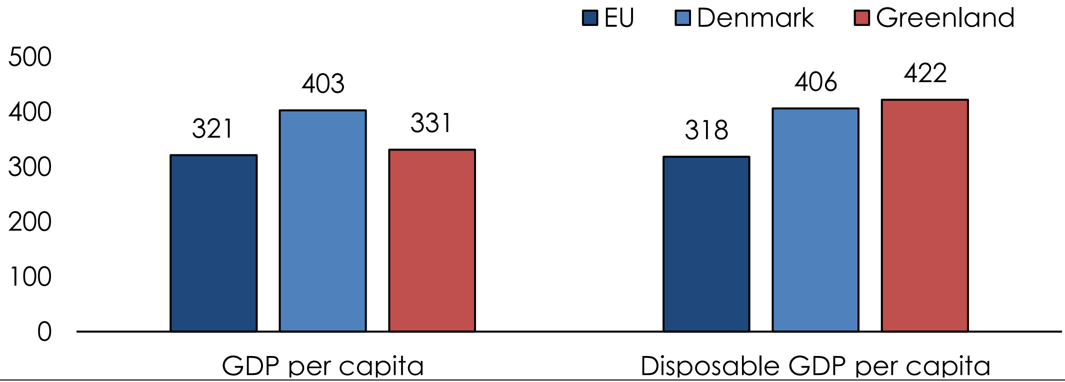


Note: The figures for 2016 and 2017 are provisional. The figure shows the development in linked values.

Sources: Statistics Greenland and Eurostat.

Since the start of the 1990s there has been a prosperity gap in relation to Denmark and other countries, even though GDP per capita has increased, as stated. But the prosperity gap was closed and the prosperity level exceeded Denmark's in 2017, measured by disposable GNI per capita, which includes the block grant from Denmark, cf. Figure 4.

Figure 4
Prosperity level in 2017
DKK 1,000 (price level in Greenland)



Note: GDP is a measure of value creation in Greenland, and disposable GNI indicates total income including net transfers from abroad. The figures are provisional. There is adjustment for differences in purchasing power as a consequence of price-level differences between the countries. Disposable GNI is calculated as GDP less transfers to abroad (estimated), plus transfers from the EU, and reimbursements and the block grant from the Danish State.

Source: Own calculations based on Statistics Greenland, OECD and Eurostat.

Decision on new airports

The most far-reaching decision since the 2009 Greenland Own Rule Act was taken during the autumn 2018 parliamentary session, with the adoption of the Act on framework conditions for the construction and financing of new airports in Nuuk, Ilulissat and Qaqortoq.

This clarification has generated new optimism in these three towns. The new expectations are most apparent in the hotel industry in Nuuk and Ilulissat, where several parties were waiting for clarification before commencing planned construction projects. It will be a significant potential benefit for Greenland's society if the new airports can in this way lay the ground for more companies, to increase value creation in Greenland.

There can now be focus on how to use the new airports to the greatest possible benefit of society. This has been the subject of intense debate for many years and at times, quite understandably, the debate has been both heated and emotional, since this also concerns a political and economic compromise.

Even though the framework Act has now been adopted, there is still a long way to go. Many decisions still need to be taken to ensure the greatest possible return for society from the investment in the new airports, and to safeguard economic progress on the basis of the improved infrastructure.

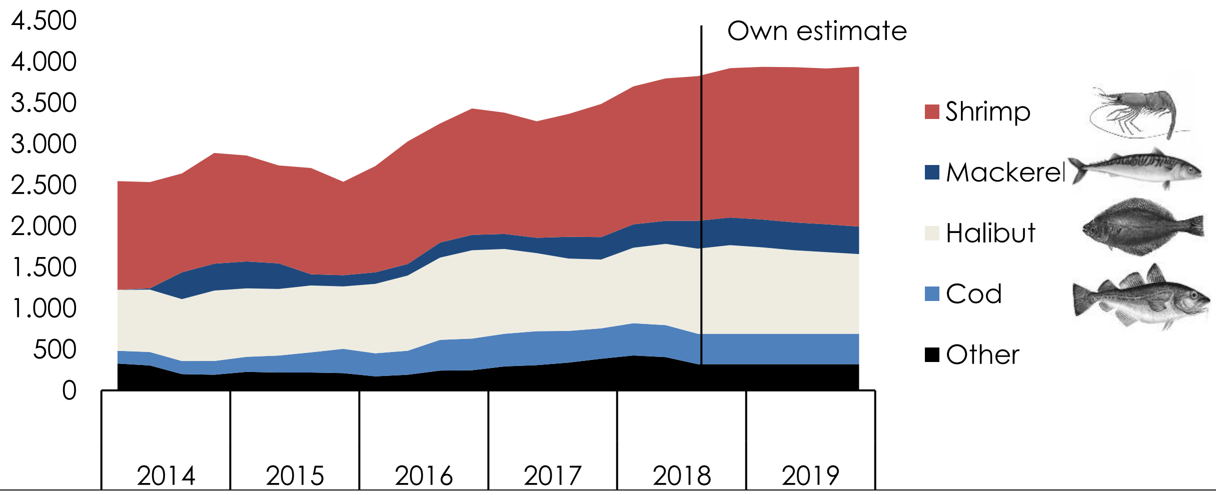
Fisheries

Greenland's largest export industry is thriving. The value of prawn and fish exports increased by around 10% from 2017 to 2018. This means that the export value has increased for three consecutive years, which is mainly due to increasing volumes of prawn and Greenland halibut. The prawn quotas off West Greenland were raised from 90,000 tonnes to 101,250 tonnes in 2018. The provisional statistics also indicate that export prices also rose, and that the value of the prawn exports therefore increased from 2017, cf. Figure 5.

Figure 5

Annual value of exports of fish and shellfish

DKK million



Note: The figure shows the total for the last four quarters, measured in current prices. Mackerel fishing takes place in Q3 in particular. For prawn and Greenland halibut, the estimate is based on unchanged prices and a volume increase of +17% and +0%, respectively, in Q4 2018 from the same quarter of the previous year, and an increase in volume terms of +8% and -4%, respectively, from 2018 to 2019. For cod, mackerel and other species, the estimate is based on the expectation of unchanged volumes and prices compared to the same quarter of the previous year.

Sources: Statistics Greenland and own estimates.

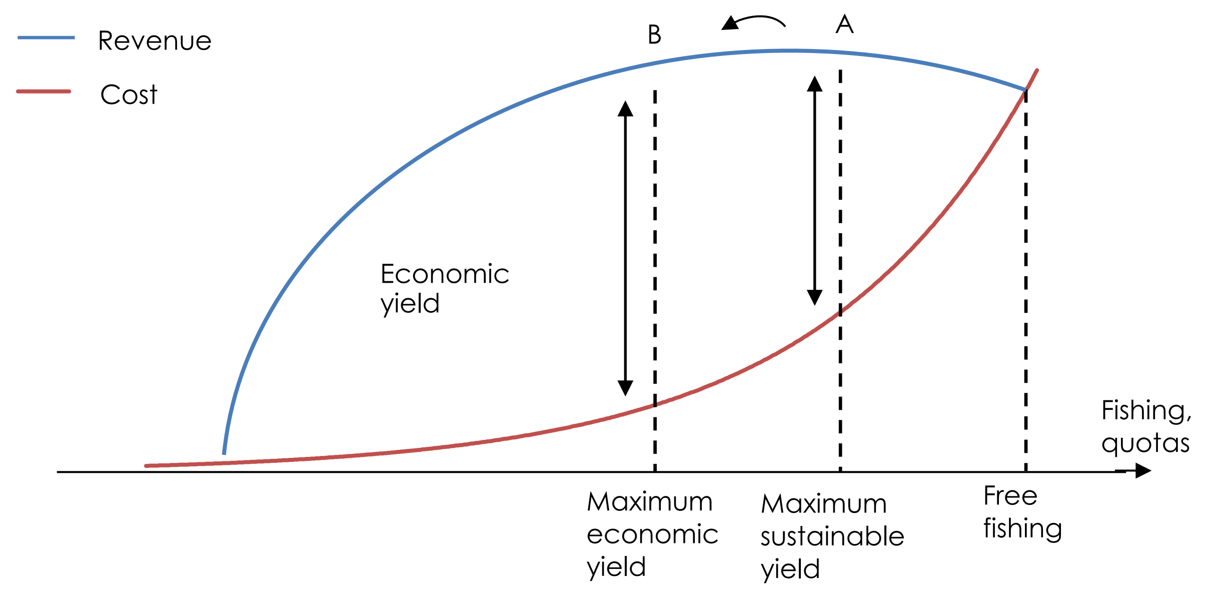
No major changes in fisheries are expected in 2019. The prawn quota for West Greenland is maintained at 105,000 tonnes, which is an increase of 3.7% from 2018. In addition, more of the quota is transferred from 2018 to 2019 than was transferred from 2017 to 2018. On the other hand, the quotas for inshore Greenland halibut and cod fishing are lowered by 7% and 18%, respectively. This is a consequence of repeated warnings from the Greenland Institute of Natural Resources that the stock is being fished too intensively. The quotas for inshore Greenland halibut fishing are still 60% higher than the biological advice, however. The 2019 quotas for inshore cod fishing are still more than three times as high as the biological advice. The inshore fishing quotas should, as a minimum, be reduced to the biologically sustainable level, to ensure the greatest possible return for society.

There may even be good economic arguments for setting the quotas *lower* than the biological advice. There is a positive return for society from setting the quota below the biologically sustainable volume, if fishing and processing each extra tonne of fish entails extra costs. When fishing stays close to the maximum biologically sustainable volume, there is no extra income from increased fishing, because each extra tonne fished will mean less fish in the future.

Figure 6

Illustration of the economic return for different quotas

Income and costs in fisheries



Note: The figure is illustrative.

Source: OECD (2011): “Ensuring a Sustainable and Efficient Fishery in Iceland”, OECD Economics Department Working Papers, No. 891

The bill for a new Fisheries Act generated a lot of debate when it was considered during the autumn. At the heart of the debate is the question of whether society can accept that the shared fish resources are owned by the few, and whether this can be changed without diminishing the framework conditions and reducing the economic returns.

The bill, which the Bank also considered to be problematic, was deferred and a fisheries commission is expected to be appointed. To safeguard the value of the commission's work, a remit with clear and concise guidelines for the commission’s work should be drawn up.

GREENLAND'S SOCIETY AND ECONOMY

A fundamental insight that should be included in the commission's work is that the greatest possible return for society from the fish resource can be achieved by as few people as possible fishing as effectively as possible. The more people employed in fisheries, the lower the return to society and the smaller the quota and income per fisherman; and the fewer people available for employment in other value-creating industries in society. Effective use should also be made of flexible fisheries taxes.

It gives grounds for concern that the number of licences for fishing from small boats has increased explosively in recent years. This reduces the efficiency of the entire industry, and also means that the large cutters with Greenland halibut quotas find it difficult to crew their vessels, since many former crew members have taken up fishing from small boats. This counteracts the necessary modernisation of fisheries, to achieve more modern vessels, so as to optimise fishing and catch processing.

The coming fisheries commission should investigate how we can ensure continued streamlining, together with politically acceptable control of fisheries. With regard to inshore Greenland halibut fishing, individual transferable quotas for small fishing boats, with appurtenant clearly defined limits to ownership of the overall quota, appears to be an obvious method to achieve this, for the benefit of both society and the individual fisherman.

Private consumption

Rising incomes during the economic upswing were reflected in private consumption, which increased in real terms by 1.2% in 2016 and 2.4% in 2017. Many people have achieved higher disposable income. However, consumer goods imports indicate stagnating growth in private consumption in 2018. In 2018, the value of imported consumer goods fell for the first time since 2014.

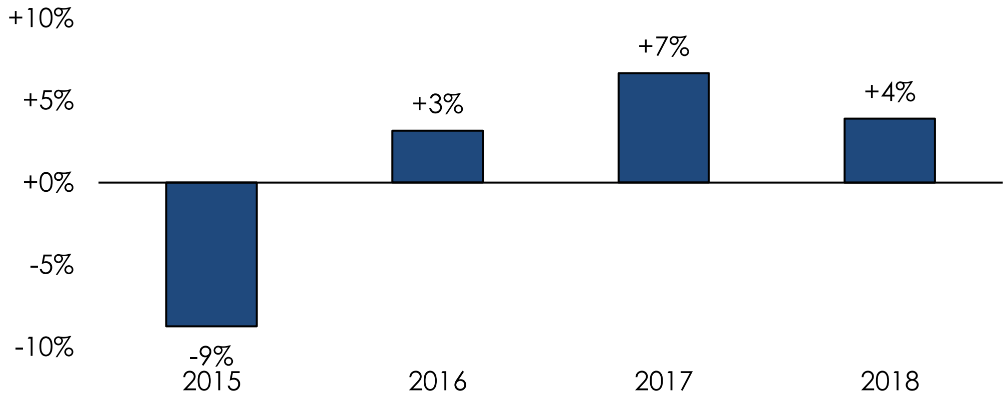
Households' increased optimism can be noted by the BANK of Greenland. The banks' lending to private customers increased in 2016, 2017 and 2018, cf. Figure 7. On the other hand, mortgage debt has been virtually unchanged for a number of years. This reflects how all mortgage loans in Greenland are with repayments, and that the low interest rate level entails a high repayment rate. Total private indebtedness is therefore still relatively low. This is particularly evident when structural changes are also taken into account, with an increase in private homeowners, and the early redemption in 2018 of many "20-20-60 loans" to the public sector. This means that, to some extent, there has been restructuring from public-sector loans to bank/mortgage debt, and thus no real increase in private indebtedness.

In the coming years, the trend for settlement of public loans, and high repayment of mortgage loans, is expected to continue, just as the private housing stock is continuing to expand. This is sound economic performance.

Figure 7

The banks' lending to private customers

Average annual growth



Note: The figure shows the annual development in lending to private customers resident in Greenland from banks in Denmark and Greenland, in current prices. For 2018, the figure shows a calculation based on data up to and including Q3.

Sources: Statistics Greenland and own calculations.

Tourism

Tourism is still booming, but just as for private consumption there are indications of stagnating growth in 2018 compared to 2015-2017, even though the figures are still subject to uncertainty.

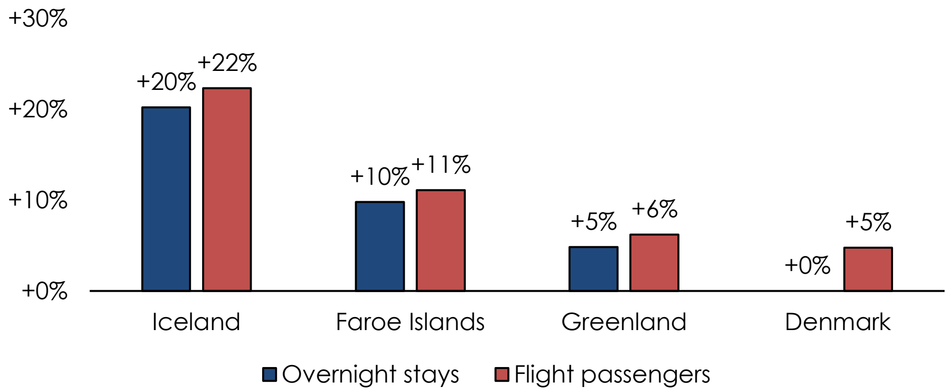
Even though tourism in Greenland is generally thriving, there appears to be significant growth potential, compared with Iceland and the Faroe Islands, cf. Figure 8.

By making it faster, and cheaper, to fly from abroad to destinations in Greenland, the new airports can bring tourism to a new level after the new airports open in 2023, according to plan.

Figure 8

Growth in tourism

Average annual growth since 2014.



Note: The figure shows the average annual growth in the numbers of airline passengers on international routes and foreign-visitor hotel stays from the 2014 tourist season to the 2018 tourist season. The 2018 tourist season is from 1 October 2017 to 30 September 2018. For the Faroe Islands and Greenland, airline passenger growth is compiled from 2014 to 2017, however.

Sources: Statistics Iceland, Statistics Faroe Islands, Statistics Greenland and Statistics Denmark.

The significance of the airport expansion projects will depend, however, on the ticket prices for routes to and from Greenland. Here, several different effects are in play:

On the one hand, the elimination of stopovers in Kangerlussuaq and Narsarsuaq reduces costs, and there is likely to be greater competition and possibly new routes.

On the other hand, the costs of servicing the loans for the construction of the three airports must be paid from savings on service contracts, etc. and from airport taxes, which in isolated terms means slightly higher ticket prices. For society overall, it is vital that the total costs of air traffic are reduced, and that access to Greenland is made easier for both residents and visitors.[1]

The objective is to attract more tourists to Greenland, but the country must be able to both live from and live with the extra tourists in the future. One strategy might be to focus marketing and product development on the segments that spend most money locally, such as adventure tourists looking for unique experiences, and on segments visiting outside the high season.

The new airports will not only boost tourism, but also open up Greenland to the surrounding world. This increased accessibility will provide new business opportunities and activities. In this way, the airports can support growth and prosperity, although they are not a miracle cure. Greenland will only achieve the full potential if private investments in experience industries, restaurants, hotels and other industries are sufficiently attractive. This requires good and stable framework conditions for private operators, covering everything from effective case processing by the municipalities, to good infrastructure in other areas (e.g. Internet and roads), competitive tax rules and attractive public service. This also requires access to manpower and venture capital, marketing of Greenland and, not least, openness towards foreign investment in Greenland. On the other

1 In September 2018, the Government of Greenland entered into an agreement with Denmark on the financing of the airports, whereby the financing costs will be reduced significantly.

hand, it is not the public sector's task to investigate and design the concrete business opportunities. It is up to the private operators to identify and utilise the commercial business opportunities.[2]

Natural resources

The BANK of Greenland has traditionally commented on the development in the potentially very important natural resources area, but the current level of activity in this area is of little significance to the assessment of economic development.[3] Furthermore, the political measures to promote natural resources development do not appear to have the potential to actually change and improve opportunities to develop the area into a sustainable industry within the foreseeable future. It therefore does not seem likely that Greenland will have any great success in developing this potentially important area, unless significant changes occur. We therefore refer to recent years' annual reports, in which a number of recommendations are made for improvements to Greenland's competitiveness in the natural resources area. It must be added, however, that a number of exploration activities are in progress, with the potential for one or more of them to lead to new mines.

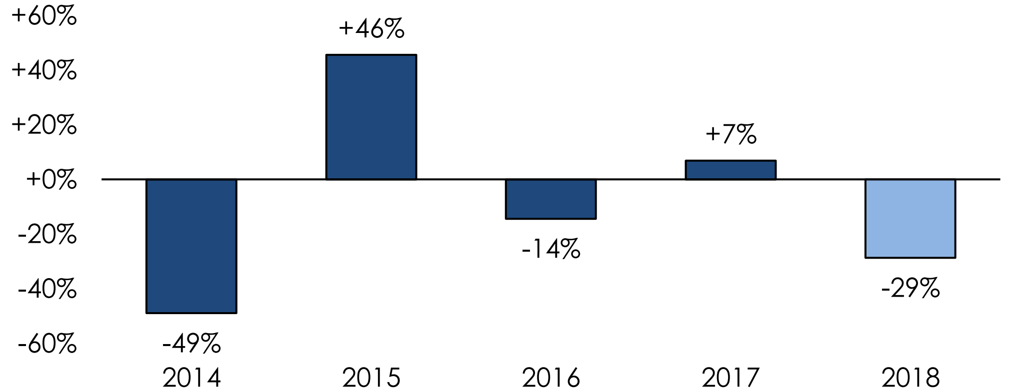
Construction

There are indications that the total construction rate declined slightly in 2018 compared to 2017. The value of imports of construction materials in the first three quarters of the year declined by 17% in 2018 compared to 2017, and consumption under the Greenland Government's Construction and Renovation Fund declined by an estimated 29% in 2018, compared to 2017, cf. Figure 9.

Figure 9

Consumption from the Construction and Renovation Fund

Average annual growth



Note: The columns show the annual development in the annual average as three-month moving average consumption under the Construction and Renovation Fund, in current prices. For 2018, the figure shows an overhang calculation based on data up to and including September 2018.

Source: Statistics Greenland and own calculations.

The figure shows the fluctuations in the Greenland Government's construction from year to year. Besides the government-financed construction, there has been state construction of a prison in Nuuk, and the construction of a port in Nuuk outside the government's finances. There have been few major public invitations to tender in recent years, but, on the other hand, a steadily increasing proportion of residential construction in

2 For example, the new visitor centres in Nuuk and Ilulissat can have a public function (marketing or museum) or a private function (café).

3 In 2015, the gross value added in the "natural resources extraction" sector was DKK 83 million, and the provisional figure for 2017 is gross value added of DKK 64 million. For comparison, the gross value added in the "Agriculture, hunting, etc." sector was DKK 341 million in 2015.

Nuuk, in particular, appears to be initiated by private developers. Without the private construction in recent years, which to some extent is based on public lease contracts, we would probably have seen an actual decline in construction in 2018.

As far as possible, it is vital to match construction to the current situation in the labour market, and construction capacity is also generally full utilised, despite regional differences. There are initial indications that the capacity pressure in construction is pushing up pay levels. After a year and a half of unchanged pay costs, wages rose by almost 3% from the first to the second half of 2018. In this sense it is positive that there was no high growth in public construction in 2018.

As from the second half of 2019, there are prospects of an increase in construction activities, with several major projects in the pipeline. If the demand for craftsmen increases, there is a risk of rising pay levels and construction prices. In view of the projects' size, it therefore seems appropriate for the construction of the three different airports to be staggered – even though it is likely that only a small part of the airport construction work will be undertaken by local manpower. Partly staggered construction of the airports can also be expected to reduce the construction costs, if machinery and experience from the first airport can be reused for the next one.

Housing market

It is positive that more residential construction is being commenced under private auspices. Housing demand in the larger towns has exceeded supply, and there is currently a pronounced shortage of housing. In Nuuk's owner-occupied housing market, owner-occupied homes are sold quickly, and prices are increasing slowly. In the rental market, there are virtually no homes available from private landlords, and there is a five- to six-year waiting list for public rented housing. There is also a housing shortage in Ilulissat, Sisimiut and other larger towns.

Like other available housing, the new private initiatives in Nuuk are, however, based on the public sector to a great extent. Kommuneqarfik Sermersooq has established long-term lease contracts and then rents out the housing. Today, all types of housing in Greenland are subsidised by the public sector, either directly or indirectly. This subsidisation is extensive and less transparent, and contributes to increasing housing demand and the shortage of housing.

There are sound arguments against large general subsidies for housing.[4] Just as for food, holidays or furniture, the use of housing should not be favoured at the expense of other consumption. In principle, all types of consumption should rank equally. In the same way, the high construction costs in Greenland should naturally entail that a larger share of purchasing power is devoted to housing, or that people have smaller homes. Subsidising housing in general, instead of e.g. giving a general tax reduction, distorts households' consumption and reduces the general level of welfare.[5] It may be a highly relevant social-policy objective to ensure that low-income groups have access to reasonably-priced housing, but this objective should be achieved using selective housing benefits.

The shortage of housing is directly related to the prevailing situation in the labour market. If you wish to move to Nuuk, and do not have a job offer that includes staff housing, it is very difficult to find attractive housing. It is expensive and difficult for companies to become established and to attract employees from elsewhere in Greenland if the companies do not own any staff housing. This situation means that today companies pay far more to private landlords than their employees would have to pay for equivalent rented public housing. There are also examples of job applications that are more focused on the appurtenant staff housing than the actual

[4] A general housing subsidy can only be justified if the population systematically chooses housing consumption that is too low, in quantitative or economic qualitative terms. This may be the case, for example, if the individual does not take sufficient account of the importance of housing to health, or children's welfare. It is not the rule, however, that this is the case for the population in general.
[5] In 2011, the Tax and Welfare Commission assessed that the total housing subsidies correspond to a 7-8% point higher income tax rate or, in other words, that each taxpayer on average pays DKK 9,000 more in tax per year (equivalent to DKK 10,000 today).

job. Mismatches like these in the labour market can reduce productivity and decelerate the transformation to increased private enterprise and employment.

Housing reforms are important, but difficult, since they can entail major upheavals. Reforms must therefore be phased in over a number of years, to avoid creating problems for individual families. Phasing out 20-20-60 loans is a step in the right direction, while other changes must be coordinated with other tax-related reforms.

Besides more cost-realistic rent levels from public landlords, one strategy to increase the supply of housing in larger towns could be to prioritise renovation. Today, there is a considerable maintenance backlog, and a lot of publicly-owned housing is standing empty, due to a lack of maintenance. Some housing should be demolished, and in other cases renovation is needed, in order to make the best possible use of the existing housing stock. Renovation can be financed by normalising the public rent levels and by raising loans within the framework of the Budget Act. [6]

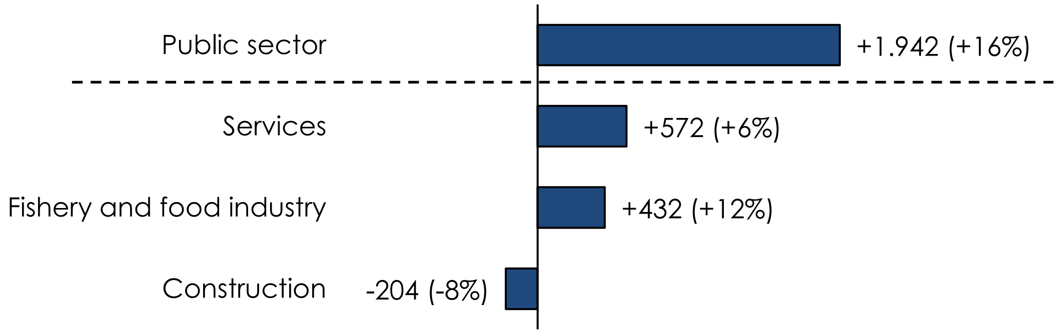
Labour market

The labour market is booming. During the last ten years, employment has increased by around 4,000 people. Half of the employment growth was in the public sector, however, equivalent to a 16% increase in public-sector employment, cf. Figure 10. This development is in contrast to the highly ambitious objective in the Greenland Government's Sustainability and Growth Plan from 2016 to reduce the underlying real annual growth in public expenditure from 3% to 0.5% through rationalisation measures.

Figure 10

Change in employment, 2007-2017

Persons on average per month



Note: Service industries range from commerce, transport, hotels, restaurants, communication, financing and insurance, to the beverage, textile, leather, paper, quarrying and utility supply industries.

Source: Statistics Greenland.

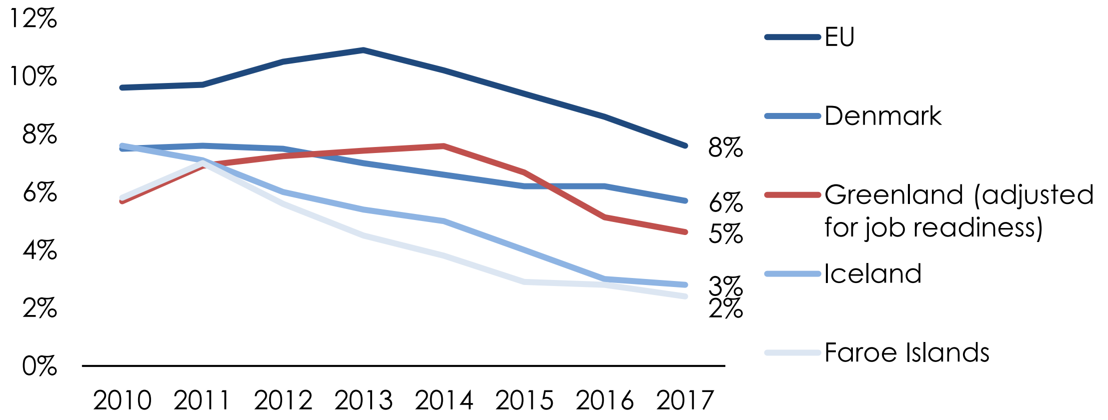
Unemployment has been declining since 2014 and in 2017 accounted for around 5% of the labour force, adjusted for the unemployed who are not immediately ready to take a job, cf. Figure 11. In 2018, unemployment continued to decrease, to a record-low level. Unemployment has also been falling in Denmark and Europe. In Denmark, there is a shortage of craftsmen, teachers, nurses, etc., which has also made it more difficult for companies and public institutions in Greenland to recruit manpower from abroad.

[6] According to the Budget Act, loans and guarantees may only be taken out for purposes whereby interest and repayments are set off by equivalent additional income and reduction of expenditure.

Figure 11

Unemployment

Unemployed as a percentage of the labour force



Note: Statistics Greenland's definition of unemployment includes persons who are not immediately ready to take a job. In this figure, adjustment is made for this by multiplying unemployment by the ratio of job-seekers assessed to be ready to take a job (match group 1) by the local labour market office. In 2017, the development in Greenland was estimated as the development in the number of job-seekers assessed to be ready to take a job.

Source: Copenhagen Economics based on Statistics Greenland, Statistics Faroe Islands and Eurostat.

There are large regional variations in unemployment. Compiled as an average from 2016 to 2018, the unemployed ready to take a job accounted for 1% of the labour force in Nuuk, 7% of the labour force in Sisimiut, Ilulissat and Qaqortoq, and 13% of the labour force in the rest of the country.[7] The variations may partly be related to differences in registration at the municipalities' labour offices, but depict a fragmented labour market with low mobility.[8]

When fewer hands are idle, it is more difficult for companies to recruit new employees. This shortage of labour has increased since 2014. The fisheries industry, in particular, reports a shortage of labour, cf. Figure 12.

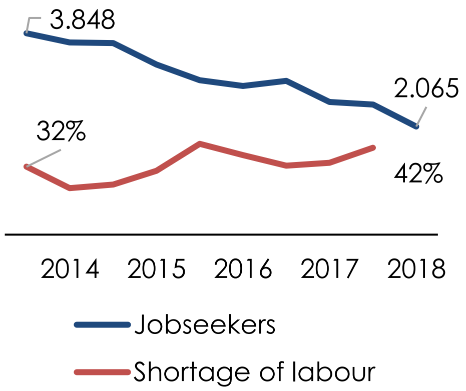
[7] In these figures, unemployment is adjusted by the ratio of job-seekers assessed to be ready to take a job (match group 1) by the local labour market office.

[8] For comparison, the regional variations in unemployment are significantly narrower in Denmark. In 2017, unemployment in Copenhagen was 4.8%, compared to 4.3% for the whole of Denmark (these figures are not comparable with Figure 11).

Figure 12 Shortage of labour

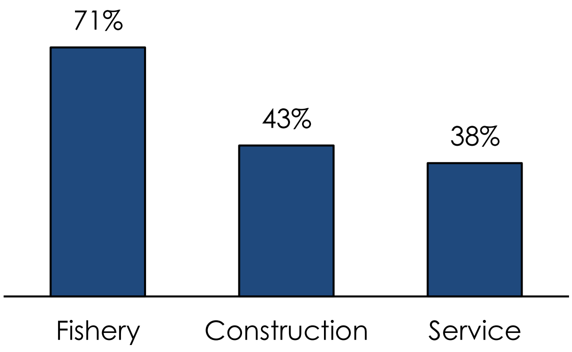
Job-seekers and companies' shortage of labour

Number of people/Number of responses



Companies' shortage of labour

Proportion of responses, average 2016-2018



Note: Figure to the left: seasonally-adjusted development.

Sources: Copenhagen Economics' cyclical barometer and Statistics Greenland.

Due to the recruitment challenges, some companies cancel new business initiatives, or increase pay levels, while, more positively, some invest in training employees for new roles. When payroll costs increase more quickly than among competitors abroad, this undermines companies' international competitiveness. This applies to export industries, such as fisheries, and to industries that compete with companies abroad, such as engineers, consultants, banks, etc.

The shortage of labour also has consequences for the public sector. This situation appears to be particularly critical in the health service, where the standardised staff requirement is around 100 doctors and 300 nurses, but currently there are only around 50 doctors and 110 nurses (as permanent employees). For the public sector, the shortage of labour can reduce quality and, without any doubt, increase expenditure.

Sooner or later, the upswing will come to an end, and unemployment will start to rise again. If the shortage of labour leads to high pay increase rates, diminished competitiveness and lost market shares, this can bring a sudden and abrupt increase in unemployment. Reforms to increase the labour supply, and particularly the supply of highly-trained manpower, can help to extend the upswing, with a soft rather than a hard landing as a consequence.

Easing companies' access to foreign labour can increase the labour supply rapidly and reduce the pressure on the labour market. By far the majority of those coming from abroad contribute positively to public finances.[9] Foreign manpower reduces the shortage of labour, serves as a "buffer" against cyclical fluctuations and has a positive economic impact. On the other hand, there is political focus on preventing foreign manpower from "taking" jobs from residents. There appears to be an erroneous political belief that many qualified residents are unable to find employment. The rules for foreign manpower are therefore unnecessarily stringent. Citizens of the Nordic countries have free access to Greenland's labour market, but this does not apply to citizens of other EU member states. Furthermore, for many types of jobs, an employer may not apply to hire foreign manpower unless the municipality is unable to find qualified resident manpower for the position in question.

[9] A positive contribution requires employment, and thereby payment of tax, without imposing any major burden on public benefits. This is the case for the many foreign workers in Greenland, who work in Greenland during their years in active employment, and leave Greenland when they retire.

Rejections, as well as case processing times lasting several months in Greenland and Denmark, can impose substantial costs on businesses. Allowing manpower from throughout the EU to come to Greenland would be a large and important step. Experience from Iceland and the Faroe Islands, where foreign employees can work while their applications are being processed, shows that case processing can be further streamlined.

Public finances

According to the Budget Act, in overall terms, public finances must be in balance or show a surplus over a four-year period. In the Finance Act for 2019, there is a budgeted surplus of DKK 7 million on the Operations and Investment Balance in 2019, and a total budgeted surplus of DKK 21 million in 2019-2022, cf. Table 1. In isolated terms, the Finance Act is therefore in accordance with the Budget Act's balance requirement.

Table 1

OI balance and the municipalities' budgets

DKK million Annual prices	2016	2017	2018	2019	2020	2021	2022	2016-2019	2019-2022
Greenland Government (OI balance)	+51	+230	+11	+7	-3	+13	+4	+300	+21
Municipalities	+159	-30	+44	+111	+82	+148	-	+284	-
In total	+210	+200	+55	+118	+79	+161	+4	+584	+21

Note: A minus indicates a deficit. For the Greenland Government, the figures for 2016-2017 are actual figures, while the figures for 2018-2019 are those adopted for the year, and the figures for 2020-2022 are budget estimates.

Source: Finance Act 2019, Kommuneqarfik Sermersooq budget dossier 2019, Qeqqata Kommunia 2018 budget calculation, Kommune Kujalleq budget 2018, Kommune Qeqertalik budget 2019 and Avannaata Kommunia budget 2018.

For the 2016-2019 period, the OI balance also shows a surplus, at DKK 300 million. The substantial surplus can be attributed to the favourable economic situation and not to an active fiscal policy, and only to a small extent to actual reforms.

The Budget Act sets requirements concerning the *total* public finances and not just the Greenland Government's financial position. The municipalities also lie within the framework of the Budget Act. In the budgets for 2018 and 2019, the municipalities overall expect positive results towards 2021, cf. Table 1.

Besides the requirement concerning the balance, the Budget Act includes an explicit fiscal policy rule for the management of public consumption: The real growth in the municipalities' and the Greenland Government's total operating expenditure may not exceed 1.5% annually, and the overall real growth may not exceed 2% during a four-year period. The budgeted operating expenditure of the Greenland Government and the municipalities does not comply with this rule. The budgeted real growth in 2018 is approximately 3.9%; while for the full 2017-2020 period, the budgeted real growth is approximately 2.3%, cf. Table 2. There is thus still potential for improvement in the management of public expenditure. It must be noted, however, that in most years the Greenland Government's actual operating expenditure lies below the budgeted level. It is therefore not certain that a budgeted increase will result in an actual increase.

Table 2

Operating expenditure of the Greenland Government and the municipalities

Real annual growth	2014	2015	2016	2017	2018	2019	2020	2017-2020
GDP	4.7%	-2.5%	6.0%	1.0%				
Public consumption	-0.2%	-0.6%	1.5%	3.5%				
Public operation costs				0.8%	3.9%	-0.2%	-2.1%	2.3%

Note: Real growth in GDP and in public consumption are based on Statistics Greenland's provisional national accounts and are specified as linked values. Real growth in the Greenland Government and the municipalities' operating expenditure is calculated by deflating by the consumer price index in 2017, and by the Greenland Government's price and wage increase rate of 0.95% in 2018, and 1.38% in 2019 and 2020. Red figures indicate infringement of the Budget Act.

Sources: Statistics Greenland, Finance Act 2019, Kommuneqarfik Sermersooq budget dossier 2019, Qeqqata Kommunia 2018 budget calculation, Kommune Kujalleq budget 2018, Kommune Qeqertalik budget 2018 and Avannaata Kommunia budget 2018.

In an economic upswing, fiscal policy should contribute to dampening growth, in order to support a sustained and balanced upswing. In 2016 and 2017, the opposite was the case. GDP increased by 6% and 1%, respectively, while public consumption rose by 1.5% and no less than 3.5%, cf. Table 2. If the budgeted high real growth in the Greenland Government and municipalities' operating expenditure was achieved in 2018, this will also have contributed to increasing the capacity pressure. An expansionary fiscal policy in an economic upswing can increase the pressure on the labour market and lead to high pay increases, weakening the country's competitiveness, reducing exports, curtailing the economic upswing and resulting in a hard, rather than a soft, landing after the upswing.

Financing the new airports

The Finance Act surplus must, however, be viewed in the light that the refinancing of the airport expansions is not included. According to the Framework Act concerning the new airports, adopted during the autumn 2018 parliamentary session, the Greenland Government will contribute equity of DKK 2.1 billion to Kalaallit Airports A/S. Together with DKK 700 million in equity from the Danish State and DKK 900 million in loans, this amount is to cover the construction cost. The agreement with Denmark will reduce the borrowing requirement and the risk for the country, and ultimately result in lower airport taxes and ticket prices.

In the Finance Act proposal for 2018, a number of financing opportunities were described, including extraordinary dividend from Tele Greenland and Air Greenland, one-off taxes from the pension reform, the Treasury surplus in 2016 and 2017, unallocated capital expenditure from the Treasury in 2019-2022, and derived tax revenue from the construction of the airports. Before 2018, DKK 294 million had already been contributed, and with significantly higher income than budgeted from e.g. extraordinary taxation of pension assets, the financing can be assumed to be almost in place.

In principle, it is beneficial to assign the bill to where there is the least possible distorting effect on behaviour. Extraordinary dividend from Tele Greenland, for example, is only possible if telecom services such as mobile telephony and the Internet are more expensive than actually necessary. More expensive Internet service means that some businesses and households will use the Internet less than would otherwise have been the case. This change of behaviour is an economic cost for society. In the same way, financing the airports from higher national taxes would reduce the incentive to work, which is also an economic cost for society. If welfare is not to be reduced in other areas of society, or the bill passed on to future generations through increased borrowing, the theoretically cheapest financing of the airports for society is to raise taxes where this has the smallest possible behaviour-distorting effect. This is typically achieved by taxing areas that are not significantly taxed today, or are not taxed at all. In practice, however, the financing of the airports is primarily a distribution-policy prioritisation concerning which group in society is to foot the bill.

It is important to point out, however, that if the bill for the new airports is added to air tickets to and from abroad to an excessive extent, this will reduce or eliminate the opportunity to achieve a favourable economic impact from new industry. In the coming years, the focus should therefore be on ensuring that the new airports are an economic success, and not just building them as cheaply as possible, or at the same time.

Fiscal-policy sustainability

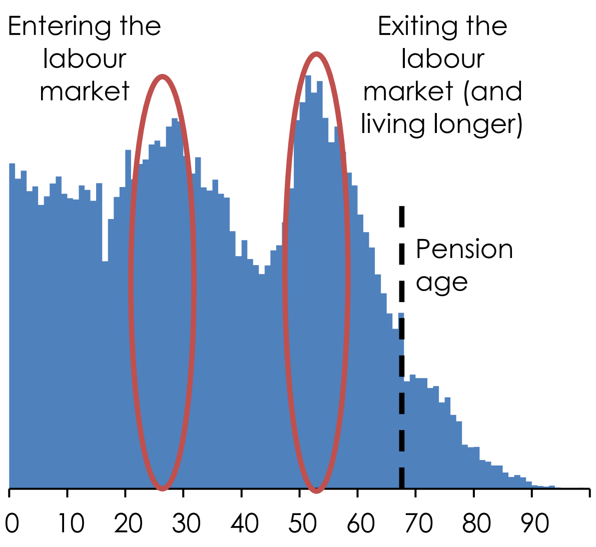
Looking ahead, Greenland faces two long-term challenges. *First of all*, the block grant from Denmark still accounts for a significant share of total public revenue. The block grant is frozen, and thus accounts for a smaller and smaller share of Greenland's expanding economy. This is a deliberate political choice, which is helping Greenland to become more and more self-reliant, in economic terms. After several years of high growth, Greenland has now come a little closer to economic independence. While the block grant and reimbursements together accounted for 36% of Greenland's GDP in 2003, this ratio had fallen to 27% in 2017, but is still considerable. However, freezing the block grant means that a large share of public revenue does not increase in step with the economy's growth, while virtually all public expenditure matches growth. This challenge constitutes the first part of the fiscal-policy sustainability problem.

The *second* part of the sustainability problem concerns how Greenland's population is ageing, and how fewer people will have to provide for more people in the future. The population group on its way out of the labour market is larger than the population group on its way into the labour market, cf. Figure 13.

Figure 13 Increasing dependency ratio

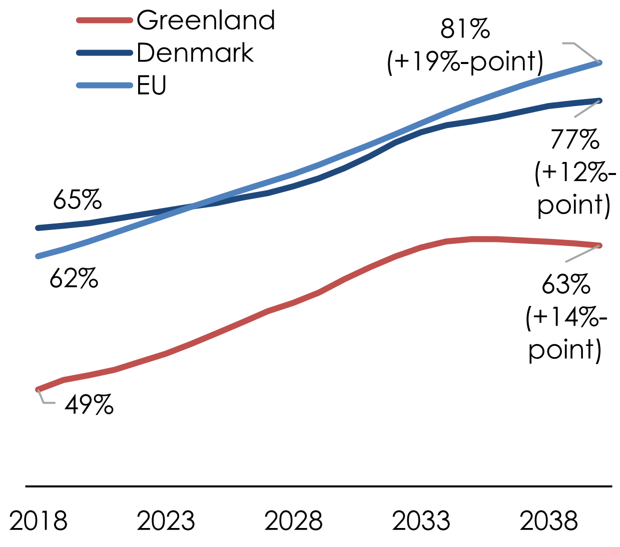
Greenland's population in 2018

Number of persons by age



Dependency ratio

Number of 0-17 year-olds and 65+ year-olds as a ratio of all persons aged 18-64



Note: Figure to the left: Population at 1 January 2018. Figure to the right: The population projection is the basic scenario calculated in 2017.

Sources: Statistics Greenland and Eurostat.

According to the Economic Council's calculations, the two challenges together make it necessary to permanently strengthen public finances by around DKK 1 billion annually. The challenge is not related to whether there is currently an upswing or a downturn in the economy. This is a long-term problem, since the public sector has a deficit over an average of upswings and downturns, going forward.

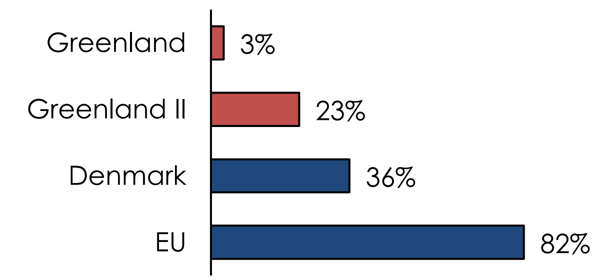
These challenges are well-known, however, and the increasing dependency ratio is by no means a specific Greenlandic problem. There is no prospect of the dependency ratio increasing by much more in Greenland than in Denmark, or in the EU overall, cf. the right side of Figure 13. Excluding the first part of the sustainability problem – phasing-out the block grant – the fiscal-policy sustainability problem is therefore also smaller in Greenland than in many European countries. But when phasing-out the block grant is included, the sustainability problem is significantly greater than in Denmark and the EU, cf. Figure 14.

The starting point in Greenland is favourable, however. The public debt level is low, cf. Figure 14. Recent years' Treasury surpluses have contributed to a combined decline in the net interest-bearing debt of the Greenland Government, the municipalities and the government-owned enterprises from DKK 1.8 billion in 2015 to DKK 1.1 billion in 2018, which is a very low level in international terms. A significant increase in overall indebtedness is expected in the coming years, however; to DKK 3.7 billion in 2022, as a consequence of the airport construction projects, but the level will still be acceptable.

Figure 14 Public debt and fiscal-policy sustainability in 2017

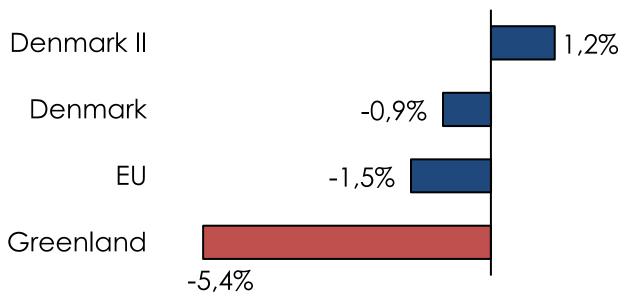
Gross government debt[1]

Per cent of GDP



Sustainability indicator[2]

Per cent of GDP



Note: 1 For "Greenland" the figure shows the Greenland Government and the municipalities' consolidated gross interest-bearing debt as a ratio of GDP. For "Greenland II" the consolidated gross interest-bearing debt of the government-owned enterprises is included.
2 For the EU member states, the figure shows the European Commission's S2 indicator, which specifies the structural adjustment of the primary government budget required in order to stabilise the debt level vis-à-vis GDP over an indefinite timeframe. "Denmark II" specifies the government's calculated sustainability indicator for Denmark. For Greenland, the indicator specifies the Economic Council's calculated sustainability indicator (calculated as DKK 1 billion per year, divided by GDP for 2017 of DKK 18.5 billion). The indicators are not 100% comparable, among other things because the Economic Council's indicator only runs to 2040, and not over an indefinite timeframe.

Sources: The Greenland Government's Finance Act Proposal, 2019, Statistics Greenland, Eurostat, the Economic Council's report from 2018, European Commission (2018): *"Debt Sustainability Monitor 2017"* and Danish Ministry for Economic Affairs and the Interior (2018): *"Denmark's Convergence Programme 2018"*.

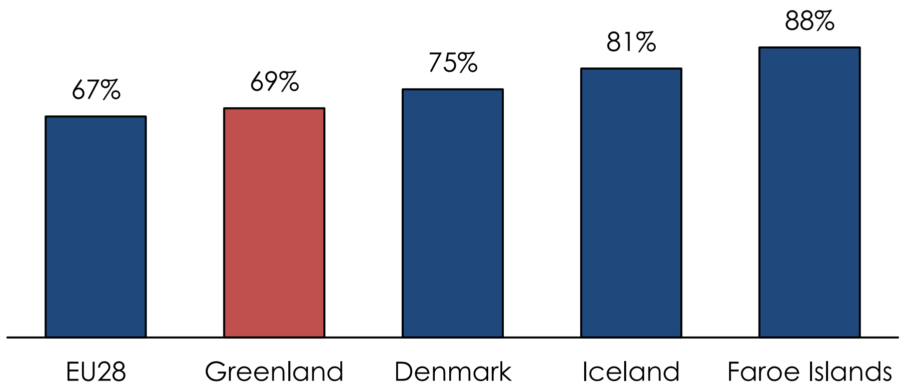
The fiscal-policy sustainability problem creates a need for prioritisation and reforms. The solution is either higher tax, or more work. Political decisions are needed concerning how government finances should be strengthened, if we are to retain the welfare level we know today, unless future generations are to pay for Greenland's current consumption.

A relatively small proportion of the adult population are in work today, cf. Figure 15. Fundamentally, the labour supply can be increased by those already in employment working more hours per week, or working for more years, or by making it easier to attract foreign manpower.

Figure 15

Employment rate in 2016

Employment as a percentage of the population



Note: The figure shows the employment rate of 18-64 year-olds for Greenland, 15-64 year-olds for the Faroe Islands and Denmark, 16-74 year-olds for Iceland, and 15-74 year-olds for EU28.

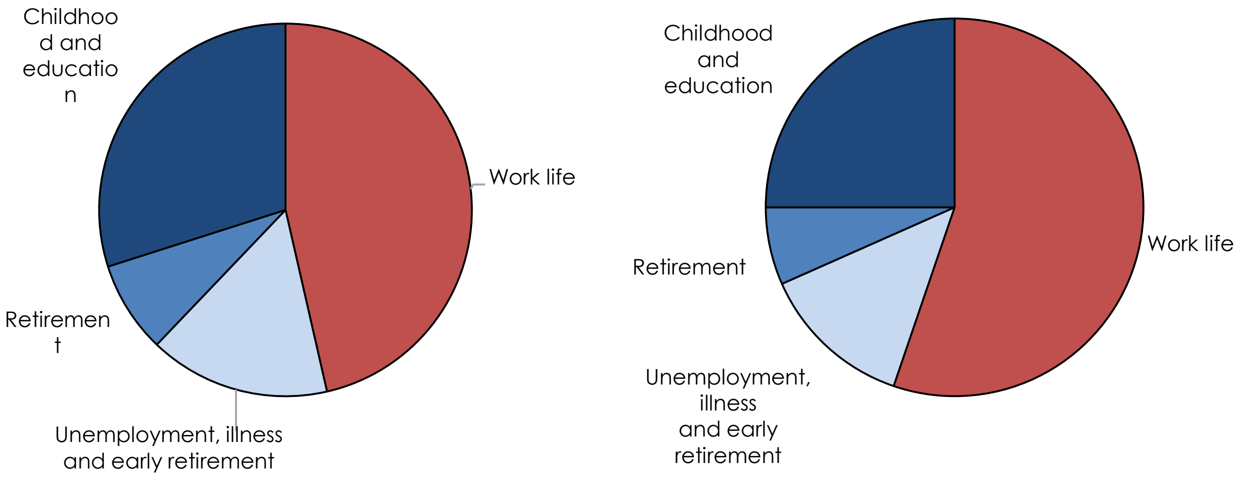
Sources: Eurostat, Statistics Faroe Islands, Statistics Iceland, Statistics Denmark and Statistics Greenland.

If the people are to work for a larger part of their lives than today, this time can potentially come from three sources: People can complete their education more quickly, they can reduce periods outside the labour market due to illness, social problems or unemployment, or they can defer their retirement from working life, cf. Figure 16.

Figure 16 Four situations in life – today and with reforms

Today (2016) Population breakdown

With reforms (hypothetical) Population breakdown



Note: "Today" is based on the population breakdown in 2016.

Source: Own calculations based on Statistics Greenland.

Reforms that change the breakdown in the figure are easier to achieve in upswings like the present situation. It is also easiest to bring marginal groups into the labour market during the good times. In an upswing, there is no need for short-term solutions to long-term challenges. Long-term investments in the future that can increase Greenland's economic self-reliance, and contribute to resolving the sustainability problem, can be more easily achieved during an upswing. The airport investment is an example of such a long-term investment (in infrastructure). Increasing the labour supply and offering greater opportunities for marginalised population groups to enter and stay in the labour market are also long-term investments of high economic and human value.

Education and social area

Over the years, there have been many initiatives in the education area, and a lot of resources are devoted to education. Nonetheless, today there are still many young people who do not achieve any skills training or further education. 54% of the population aged between 25 and 64 only have school-leaver qualifications. In Denmark, the equivalent figure is 27%.

The BANK of Greenland assesses that both major challenges and the greatest potential for Greenland lie in the education and social area. This applies to individual citizens, but also in economic terms. Yet there is no point in promising to increase the education level if we do not also seek to take some new and different measures. The results achieved in lower secondary schools are quite simply not good enough. The distribution of teacher resources is unbalanced and in many cases low class sizes are impeding the most appropriate use of resources. At the same time, a change of attitude towards more teachers coming in from abroad could change the situation. Finally, it is important that there is sustained focus by all parties on achieving good results from the many resources used.

GREENLAND'S SOCIETY AND ECONOMY

Another challenge lies in breaking the patterns of social disadvantage. If children and young people do not get support at home to get up early and have breakfast, and to do their homework, and if playing truant has no consequences, they are not likely to do well at school. Children and young people may also face psychological problems throughout their adult lives, and have very little opportunity to do well in the educational system and in their working lives.

There is certainly focus on these issues, and a lot of money is spent in this area. Since 2012, the municipalities' expenditure on the "social protection of families and children" has increased by 31%.[10] The general perception of the social area has changed. The magnitude of the problem has become more apparent and there are also positive results in some areas.

In many areas, however, there are significant challenges in the social area, even though the statistics do indicate some improvement. The challenges in the labour market, social area, housing market and educational area are inter-related. Even in an economic upswing, with an apparently high level of prosperity, there are still considerable inequalities. This is primarily because many young people never achieve educational qualifications as the basis for sound economic conditions and active involvement in society. These challenges also reflect considerable unrealised economic potential. The BANK of Greenland therefore supports significant reforms that can break down entrenched, inhibiting structures in society and which can provide opportunities for the required social and economic development, for the benefit of individual families, and in order to improve Greenland's economic sustainability.

Greenland's economy is currently prospering, and there is a basis for continued strong economic performance. There is thus scope to achieve real improvement in the conditions, for the benefit of coming generations. Giving even greater priority to immediate measures for underprivileged children and in lower secondary schools can provide a basis for long-term improvements in quality of life, and, ultimately, greater economic sustainability.

[10] Growth measured as real growth in 2012-2017.

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

The BANK of Greenland's mission
"The BANK of Greenland creates value through advisory services and other services in the financial area for all citizens of Greenland. We support society by promoting financial understanding, cooperating with educational institutions and the business community, and supporting sustainable local initiatives and development."
The Bank's mission should thus be viewed in a broader perspective whereby the BANK of Greenland can be seen as the *Bank for all of Greenland*. This imposes 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 highly aware of this vital role.

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

The BANK of Greenland's strategy, vision and objectives
"Strategy 2023" supports the vision and objective to be "Greenland's best company – for the benefit of Greenland". The strategy determines the Bank's key development areas for the coming years, as well as setting out an overall action plan. The Bank seeks to involve all employees in supporting the Bank in achieving the specific goal of being "Greenland's best company – for the benefit of Greenland".

The BANK of Greenland hereby wishes to ensure the continued favourable development of the Bank through balanced focus on the four main areas:

Greenland's best customer experience, best at employee development, best at business development, and we create growth in Greenland. On an annual basis, the main areas are included in objectives which are continuously adjusted to the long-term strategy and vision 2023. The BANK of Greenland will thereby ensure that we continue to give value to society and are the preferred bank for customers, shareholders and employees, and that we thereby fulfil the vision to be "Greenland's best company – for the benefit of Greenland".

Figure 1 The Bank's vision 2023 - Greenland's best company – for the benefit of Greenland

SUMMARY OF FINANCIAL HIGHLIGHTS AND KEY FIGURES

Selected operating items:	**2018**	**2017**	**2016**	**2015**	**2014**
Net interest and fee income	313,597	309,546	289,760	284,174	293,457
Value adjustments	-1,546	-6,368	-12,899	-10,775	7,687
Other operating income	5,385	5,240	4,854	6,002	5,657
Staff and administration expenses	157,407	152,528	144,207	139,414	136,440
Depreciation and impairment of tangible as-	6,765	6,840	5,981	6,150	9,160
Other operating expenses	2,011	2,709	4,136	7,780	4,961
Write-downs on loans and receivables, etc.	10,938	13,734	13,971	19,432	24,807
Profit before tax	**140,315**	**132,607**	**113,420**	**106,625**	**131,433**
Tax	44,595	42,158	36,029	33,899	41,776
Profit for the year	**95,720**	**90,449**	**77,391**	**72,726**	**89,657**
Selected balance sheet items:					
Lending	3,472,174	3,335,119	3,073,861	2,822,572	2,814,547
Deposits	4,899,044	4,205,612	4,822,362	4,741,477	3,739,768
Equity	999,159	958,458	926,210	914,282	909,872
Total assets	6,164,536	5,355,010	5,911,496	5,846,450	4,849,621
Contingent liabilities	1,277,604	1,161,181	1,216,537	1,122,842	1,091,249
Key figures for the Bank (in per cent)					
The period's return on equity before tax and after dividend	15.6	15.4	13.4	12.7	16.3
The period's return on equity after tax and after dividend	10.6	10.5	9.1	8.6	11.1
Capital ratio	22.7	22.7	21.2	20.8	20.3
Individual solvency requirement	10.3	10.4	10.1	10.4	10.2
Key ratios per share in DKK					
Profit for the year per share, before tax	78.0	73.7	63.0	59.2	73.0
Profit for the year per share, after tax	53.2	50.3	43.0	40.4	49.8
Net book value per share	555	532	515	508	505
Dividend per share	30	30	55	55	55
Closing share price	546	649	614	625	612

MANAGEMENT'S REVIEW FOR 2018

Principal activity
The BANK of Greenland's principal activity is to offer financial services to private customers, business customers and public institutions. The Bank's private customers are resident in Greenland and Denmark, while business customers are primarily from Greenland. The Bank wishes to offer a wide product range that is adapted to Greenland's society and customers' requirements, combined with professional advisory services.

Statement of income
Net interest income was TDKK 8,946 higher than in 2017. Accounting policies applied describe the effect of changes in accounting policies concerning fees and commission. Loan case fees are now amortised as an integrated element of the loan's effective interest, so that TDKK 8,591 is reclassified from fee and commission income to interest income. On the basis of the favourable increase in lending, net interest income is TDKK 355 higher than in 2017, taking the reclassification into account. The positive effect of the increase in lending offsets the expected decline in interest income from bond holdings. The Bank's largest deposits are subject to negative deposit interest rates, which contributes to reducing the effect of the negative interest on the Bank's certificates of deposit at Danmarks Nationalbank and on deposits with other banks.

Dividend on the Bank's shareholdings amounts to TDKK 1,946, compared to TDKK 807 in 2017.

Fee and commission income decreased by TDKK 6,034 from 2017 to 2018. Taking account of the aforementioned change of policy, the item shows an increase of TDKK 2,557 compared with the previous year. This reflects a good increase in guarantee commission and in the payment settlements item. Loan case fees show a decrease from 2017. In total, net interest and fee income increased by TKK 4,051 to TDKK 313,597.

Other operating income, primarily external rental income on the Bank's residential properties, amounted to TDKK 5,385, compared to TDKK 5,240 in 2017.

Staff and administration expenses increased by TDKK 4,879 to TDKK 157,407. This increase is as expected and concerns both staff expenses and administration expenses. It was expected that the Bank's increasing business volume would require an increase in staff numbers in 2018. Administration expenses increased by TDKK 1.957, which is primarily related to development costs of TDKK 4,111, especially for the Bank's own pension product and streamlining initiatives.

Depreciation of property and fixtures and fittings are at the 2017 level, amounting to TDKK 6,765, compared to TDKK 6,840 in 2017.

Other operating expenses decreased by TDKK 698 to TDKK 2,011. The decrease is primarily related to the impact in 2017 of the renovation of the branches in Maniitsoq and Aasiaat.

Selected Highlights and Key Figures (not audited)

(DKK 1,000)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net interest and fee income	80,468	77,625	76,684	78,820	76,525	78,378	77,243	77,400
Costs, depreciation and amortisation	44,440	39,071	41,097	41,575	45,206	37,420	35,851	40,600
Other operating income	1,251	1,278	1,545	1,311	1,194	1,594	1,194	1,258
Profit before value adjustments and write-downs	37,279	39,832	37,132	38,556	32,513	42,552	39,586	38,058
Value adjustments	-2,049	848	678	-1,023	-1,460	-9,833	915	4,010
Write-downs on loans, etc.	1,823	2,449	3,206	3,460	2,224	2,713	4,938	3,859
Profit before tax	33,407	38,231	34,604	34,073	28,829	30,006	35,563	38,209

The profit before value adjustments and write-downs is thereby at the 2017 level. The profit amounts to TDKK 152,799, compared to TDKK 152,709 in 2017. The profit before tax is TDKK 140,315, compared to TDKK 132,607 in 2017, with an increase of TDKK 7,708. The profit for the year is thus at the high end of the notified interval of DKK 120-140 million, and at the highest level in the Bank's history.

Considering Q4 2018 in isolation, net interest income amounted to TDKK 57,067, compared to TDKK 55,425 for the same period of 2017, after adjustment for the aforementioned change of policy. Fee and commission income is at a higher level, at TDK 23,401, compared to TDKK 21,099 for Q4 2017. Total costs are lower than for Q4 2017, amounting to TDKK 44,440, compared to TDKK 45,206 for Q4 2017, while write-downs and provisions of TDKK 1,823 are slightly lower than for the same period of 2017. The profit before tax in Q4 is thus DKK 33,407, compared to TDKK 28,829 million for Q4 2017.

For the overall year, value adjustment of securities and currencies resulted in a loss of TDKK 1,546, compared to a loss of TDKK 6,368 in 2017. In consideration of the markets' development, the capital loss is assessed to be moderate. The primary reason that 2017 was a significantly poorer year is that Bankernes EDB Central (BEC) wrote down development assets, as a consequence of which the Bank's capital contribution to BEC was reduced.

Impairment of loans, etc. amounts to TDKK 10,938, which is rather lower than in 2017. The total impairment in 2018 is a modest 0.2% of the Bank's loans and guarantees. Write-downs and provisions on the Bank's loans and guarantees are still at a modest level and thereby reflect the continued strong credit standing of the Bank's customers in Greenland.

The profit before tax is satisfactory, at DKK 140,315, compared to TDKK 132,607 in 2017, and is thus the best result in the Bank's history. The profit before tax gives a return of 15.6% p.a. on opening equity before tax and after disbursement of dividend.

Tax is calculated at 31.8% of the profit before tax, adjusted for non-tax-liable income and non-deductible expenses. The profit after tax is TDKK 95,720 in 2018.

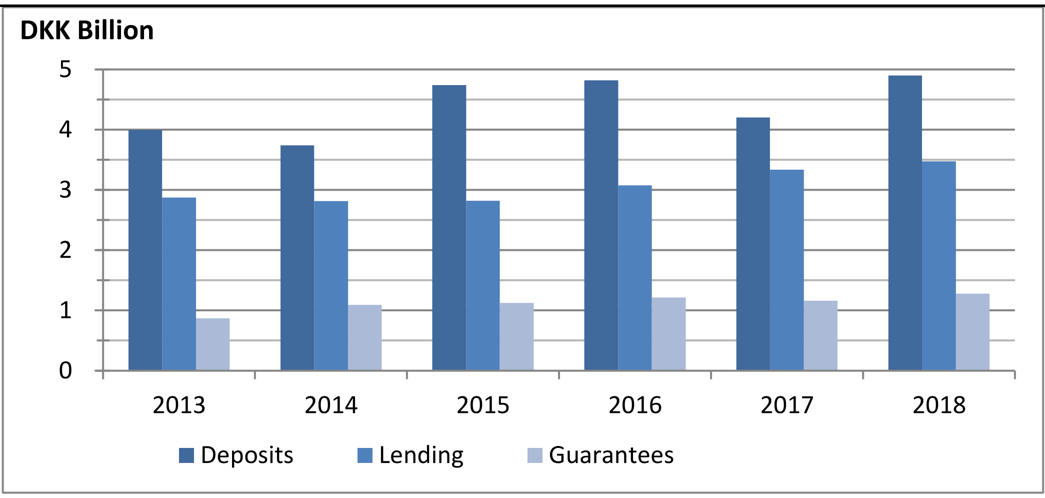
Balance sheet and net capital

The BANK of Greenland's balance sheet at year-end 2018 totals TDKK 6,164,536, which is an increase of TDKK 809,526 from 2017. As expected, deposits declined slightly in Q4 2018 and at year-end 2018 amounted to TDKK 4,899,044. Compared to 2017, however, this is an increase of TDKK 693,431. The bank's deposits are mainly held on demand.

Lending increased again in Q4 and showed a very satisfactory increase in 2018, by TDKK 137,055, to TDKK 3,472,174 or 5.0%, after adjustment for the effect of the amended accounting policy on lending at the beginning of the year. The effect of IFRS 9, which entered into force on 1 January 2018, entailed further impairment by TDKK 18,089 at the beginning of 2018, and the Bank's opening equity was thereby affected by this amount, which after tax comprised TDKK 12,337. See Note 1 for further information concerning the amended accounting policy.

As expected, guarantees increased during the year, by TDKK 116,423 to TDKK 1,277,604.

Total loans and guarantees thereby increased very satisfactorily by a total of TDKK 253,478 to TDKK 4,749,778 and are thus at the highest-ever level.



Development in business scope

Equity amounts to TDKK 999,159, compared to TDKK 958,458 at the end of 2017. Share capital amounts to TDKK 180,000. The Bank has no hybrid or other subordinate loan capital. The capital ratio is an unchanged 22.7.

Uncertainty of recognition and measurement

The main uncertainties concerning recognition and measurement are related to write-downs on loans, provisions on guarantees, the valuation of financial instruments, and properties. The management believes that the presentation of the accounts for 2018 is subject to an appropriate level of uncertainty that is unchanged from previous years.

Compliance and anti-money laundering

Like other banks, the BANK of Greenland is subject to increasing requirements concerning compliance and ongoing changes to the framework conditions. Measures to avoid the Bank being used for money laundering and financing of terrorism are an important focal point and the Bank is also increasingly devoting staff and IT resources to this area. This development can be expected to continue. Like a number of Danish banks, the BANK of Greenland was subject to a thematic investigation by the Danish FSA in May 2018, in order to establish whether the Bank complies with expected practice in this area. The Bank has not yet received a report from the Danish FSA, but on the basis of a provisional assessment it has adjusted a few of the Bank's procedures, as the Bank expects a few mandatory administrative orders in this area. The Bank does not assess that any mandatory orders will significantly affect the Bank's financial results.

Financial risks

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

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

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

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

Operational risk: The risk that the Bank in full or in part incurs financial losses as a consequence of inadequate or deficient internal procedures, human errors, 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 Activities Act, the Board of Directors and the Executive Management must ensure that the BANK of Greenland has an adequate capital base. The capital adequacy requirement is the capital which, according to the management's assessment, as a minimum is needed to cover all risks.

The BANK of Greenland's capital ratio is 22.7 at year-end 2018.

The BANK of Greenland was designated as an SIFI institution in April 2017. In view of the new SIFI requirements concerning capital reserves and new requirements concerning impairment liabilities (MREL requirements), the Board of Directors expects that the overall capital reserves must be increased. The aim of the Board of Directors is for the Bank to fulfil the maximum MREL capital requirements in full, in good time before the deadline for full phasing-in, and also that there must be sufficient capital for growth in the Bank's business activities. The BANK of Greenland does not yet have an MREL capital requirement, since BRRD has not yet been incorporated into Greenlandic legislation. When the final MREL capital requirement is known, more precise capital planning will be possible, including which capital instruments can be put to good use.

As at 31 December 2018, the Bank's individual solvency requirement was compiled at 10.3%. The BANK of Greenland thereby has surplus capital cover before the buffer requirements of 12.4%. After deductions for the capital reserve buffer requirement of 1.9% and the SIFI buffer requirement of 1.2%, the surplus cover is 9.3%. Once the capital reserve buffer requirement and the SIFI buffer requirement in 2019 have been fully phased in, at 2.5% and 1.5%, respectively, the surplus cover with the current capital ratio will be 8.4%.

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 FSA's guideline in this respect. On the basis of the calculated capital requirement, the Bank has compiled surplus cover at TDKK 522,469, which comprises the difference between the 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 of Greenland meets the requirements in full, so that the annual financial statements are presented on a going-concern basis.

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

In DKK 1,000	2018		2017	
	Capital requirement	Solvency requirement	Capital requirement	Solvency requirement
Pillar I requirement	337,637	8.0%	322,050	8.0%
Credit risk	71,838	1.7%	80,669	1.9%
Market risk	18,391	0.4%	10,350	0.3%
Operational risk	3,800	0.1%	3,800	0.1%
Other risk	2,100	0.1%	2,100	0.1%
Capital and solvency requirement	**433,767**	**10.3%**	**418,969**	**10.4%**

MANAGEMENT'S REVIEW FOR 2018

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 2018. Reference is also made to the Bank's risk management report for 2018 at http://www.banken.gl/report/ The report is unaudited.

Liquidity
The BANK of Greenland has a comfortable deposit surplus, and the Bank's funding is based solely on deposits.

The official measure of liquidity is the Liquidity Coverage Ratio (LCR), which is a minimum requirement of the ratio between short-term assets and liabilities, to ensure a satisfactory liquidity ratio. LCR must be at least 100%.

At the end of 2018, the Bank had an LCR of 282.1% and thereby fulfilled the LCR requirement.

The Supervisory Diamond
The BANK of Greenland has considered the benchmarks set out in the Danish FSA’s Supervisory Diamond for banks. The Supervisory Diamond states five benchmarks for banking activities which the Bank aims to fulfil. At the end of 2018, the BANK of Greenland lies within all of the threshold values in the Supervisory Diamond.

With effect from 1 January 2018, the Danish FSA has introduced a new benchmark which concerns large credit exposures. The sum of the Bank's 20 largest exposures is compiled at 160.4%, which is satisfactorily below the Danish FSA's new threshold of 175%. It must be noted that approximately 43% points concern exposures to publicly-owned enterprises.

The sum of large exposures (maximum 175% of the capital base)
The BANK of Greenland 160.4%

Lending growth (less than 20% per year)
The BANK of Greenland 5.0%

Property exposure (less than 25% of total loans and guarantees)
The BANK of Greenland 17.4%

Surplus liquidity cover (greater than 100%)
The BANK of Greenland 282.1%

Stable funding (loans/working capital minus bonds with a remaining maturity of less than 1 year) Limit value: less than 1
The BANK of Greenland 0.6

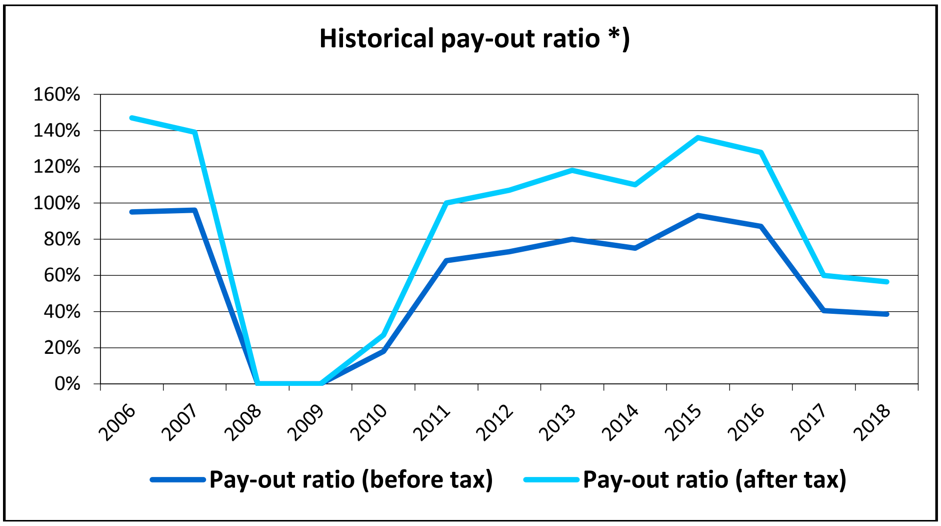
Shareholders
The BANK of Greenland's overall financial objective is to achieve a competitive return for the shareholders.

During 2018, the price of the BANK of Greenland's shares decreased from 649 to 546, while dividend of DKK 30 per share was paid during the year. The BANK of Greenland recommends to the Annual General Meeting that the dividend payment for 2018 is DKK 30 per share, or a total of DKK 54 million. 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 2,851 shareholders, of whom 898 were resident in Greenland. In accordance with Section 28a of the Danish Companies Act, four shareholders have notified shareholdings exceeding 5%, see Note 22.

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 and regulatory solvency requirements. The dividend payment for 2018 recommended to the Annual General Meeting is DKK 30 per share. The capital ratio of 22.7% is unchanged from 2017, which must be viewed in the light of the wish to comply with the maximum MREL capital requirement in reasonable time before the requirement of full phasing-in. This is assessed to be possible by either consolidation from the current operating surpluses and/or by using other capital instruments.

So far there is no clarification concerning the MREL requirement. The Board of Directors assesses that the Bank's capital ratio and consolidation are fully adequate in 2018. Once the final MREL capital requirement has been determined, a new capital adequacy target will be assessed. It is the Board of Directors' clear assessment, however, that that Bank's capacity for consolidation, after balanced dividend distribution, is fully adequate, also after the full phasing-in of the MREL capital requirement.



*) In accordance with 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 to today's date no events have occurred to change the assessment of the Annual Report.

Expected development in 2019
In 2018 Greenland continued to achieve favourable economic development. We also expect Greenland's economy to develop positively in 2019, although at a low level. The Bank has seen a good increase in lending during recent years and expects a further moderate increase in 2019. Deposits are expected to be at the level of the end of 2018.

With the expectation of moderately declining interest rate margins and a continuing very low level of interest rates, with unchanged bond yields, total income is expected to increase slightly compared to 2018.

Total costs including write-offs are expected to be moderately higher than in 2018, based on wage increases under collective agreements, a small increase in the number of employees, increasing compliance and IT costs, and declining development costs.

In 2019, the BANK of Greenland will continue the work of developing and expanding the pension area. This area is still only expected to make a small, but increasing, contribution to the Bank's earnings in 2019. In the longer term, the Bank considers pension savings to be a significant business area.

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

On the basis of the continued low level of interest rates, moderate capital losses on the Bank's bond portfolio must be expected, just as there is generally greater uncertainty in the market area.

On this basis, a profit before tax at the level of DKK 130-150 million is expected, compared to DKK 140 million in 2018.

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

Greenland's best customer experience is a key element of the Bank's strategy and in 2019 a new initiative was launched that will measure customer satisfaction immediately after the customer has had a meeting with a bank adviser. A system called NPS (Net Promoter Score) will be implemented, whereby, after the meeting, the customer will be asked to describe how they experienced the meeting. The feedback from customers will be used for continuous improvement of the customer experience.

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

The Bank is a professional partner to business enterprises throughout Greenland. The cooperation is to a great extent based on personal contact between business advisers and enterprises. This provides good insights into the enterprise's situation and requirements. Together with the Bank's local knowledge and insight into conditions in society, this provides for relevant advisory services. The customer has an adviser who is part of a team, of which the other members are also familiar with each other's customers, to ensure the flexibility of our customer service. The Business Department cooperates with other financial partners to ensure customers' access to opportunities that require cooperation with other partners, such as mortgage credit institutions.

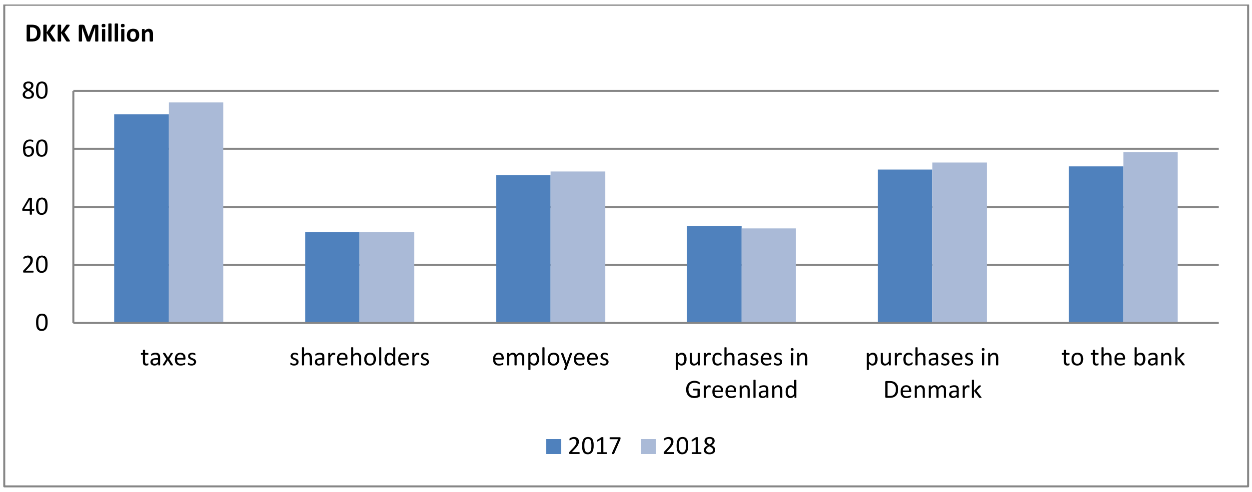
Private customers increasingly use the electronic services offered. Great use is made of online and mobile banking, as well as digital solutions for loan/credit applications, and for the establishment of new accounts and new cards, etc. The BANK of Greenland will continuously give customers greater access to use digital channels.

The Bank and society
The day-to-day business with the Bank's customers in the course of the year gave income totalling DKK 306 million, compared to DKK 295 million in 2017. Income is the sum of net interest and fee income, other operating income and value adjustments, after deduction of write-downs on loans.

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

The BANK of Greenland makes a significant contribution to society, among other things as tax payments in recent years amounting to around DKK 75 million per year.

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



Employees

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

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

The BANK of Greenland considers it important to ensure the recruitment of qualified banking professionals, and as of 1 August 2017, seven financial trainees commenced their two-year training. Four of these trainees are located at the head office in Nuuk, two in Sisimiut and one in Ilulissat.

Besides the actual trainee programme, the Bank has very successfully created internships and trainee positions for young people with a background as financial economists or bachelors of finance. In 2018, the Bank had one trainee financial economist in Sisimiut, and a financial economist in a three-month internship. In Nuuk, a financial economist has served a three-month internship, and three newly qualified financial economists commenced one-year traineeships.

A management training programme was completed by several managers, and in 2018, four employees commenced the graduate degree programme in Accounting and financial management.

In the customer area, all private advisers took a Sales and Advisory Services training programme, as a concept developed especially for the Bank. The Bank's customer services and call centre completed a training programme in active customer service.

In 2018, it was possible to keep 97.2% of the positions in the Bank filled via active HR activities, relevant online media, and sustained focus on employee development.

The total number of employees was 129 at the end of 2018. The average age is just over 46, and the average length of service is nine years and four months. 91 women and 38 men are employed. Of the total number of employees, 92 have financial or extended higher educational qualifications.

With regard to the Bank's strategic direction, there is still strong focus on employee development, for which a new “strategic development interview” concept is the basis for the requirements and the development of employee competences.

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

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 Goals for Sustainable Development, for the benefit of society and of the BANK of Greenland.

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

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

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

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

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

Our obligations
As a signatory to the UN Global Compact, the BANK of Greenland has endorsed ten principles for corporate sustainability with focus on human rights, employee rights, environmental protection and measures to prevent corruption. We will actively manage our obligation to respect the ten principles, including our obligation to handle human rights in accordance with the UN Guiding Principles on Business and Human Rights, 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's CSR policy. Pursuant to this, a new strategy and action plan for the coming years' activities have been drawn up. The overall responsibility for the Bank's CSR work lies with the managing director.

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

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 Governance Statement
can be found on the Bank's website: http://www.banken.gl/corporate/

Policy and target level 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". In 2018, the gender distribution of the BANK of Greenland's members of the Board of Directors elected by the Annual General Meeting comprised 40% women and 60% men. The Board of Directors' objective is for the ratio of the under-represented gender to be at least 33%. The target level for the under-represented gender is thus fulfilled.

At the other management levels, the Bank's overall objective is to achieve and maintain an appropriate 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 management positions. As at the end of 2018, the distribution ratio was 50% women and 50% men. The Bank's objective is for this ratio to be maintained, so that the distribution of male and female managers is maintained at between 40% and 60% at all times.

Board of Directors and Executive Management Board
Details must be given of the management positions in other business enterprises held by the members of the Bank's Board of Directors and Management Board. Reference is made to Note 33.

Evaluation of the Board of Directors
The Board of Directors of the BANK of Greenland performs an annual evaluation of the Board. 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 material for the Board of Directors. The most recent evaluation at 30 October 2018 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.

Authorisation of the Board of Directors concerning trading in own shares
In accordance with an Annual General Meeting decision of 20 March 2018, up to 27 March 2019 the Board of Directors is authorised to allow the Bank to acquire own shares at a nominal value of up to 10% of the share capital, at the listed price on the date of acquisition, with upward or downward variation of 10%.

Audit and Risk Committee
The Audit and Risk Committee consists of the full 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 the monitoring of:

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

In this respect, the Bank's control environment for the calculation of the significant accounting estimates is reviewed and assessed. The committee meets immediately prior to the meetings of the Board of Directors.

It must be noted that Greenland is not subject to the Danish rules for the appointment of an audit committee, although the rules are observed in practice. Section 80b of the Danish Financial Activities Act specifies that the Bank must establish a risk committee.

The remit of the Audit and Risk Committee is presented here: http://www.banken.gl/auditandriskcommittee/

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

The Remuneration Committee determines the remuneration policy, which is approved by the Annual General Meeting.

The remit of the Remuneration Committee is presented here: http://www.banken.gl/remunerationcommittee/

On the basis of a new recommendation from the Committee on Corporate Governance (published on 23 November 2017), the BANK of Greenland has prepared a remuneration report. The report adheres to the recommendations in item 4.2.3. of the Bank's Corporate Governance Report and is available on the Bank's website http://www.banken.gl/remunerationcommittee/

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

In 2018, the committee worked on a description, and the composition and evaluation of the competences of the Executive Management and Board of Directors, as well as the recommendation of new candidates for election to the Board of Directors. The Bank assesses that the composition of the Board of Directors reflects the diversity objective.

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

The number of meetings in 2018 and attendance of the meetings of the Board of Directors and all three committees can be seen here: https://www.banken.gl/media/742367/Moedeoversigt-2018_ENG.pdf

General meeting

The Board of Directors is authorised to make the changes and additions to the Articles of Association that are required by public authorities pursuant to the current legislation in force at any time. In addition, the BANK of Greenland's Articles of Association may be amended by a decision of the general meeting if the proposal is adopted by at least 2/3 of both the votes cast and the share capital with voting rights represented at the general meeting.

The members of the Board of Directors are elected by the general meeting, with the exception of the members who are elected in accordance with the statutory regulations concerning the representation of employees on the Board of Directors. The members of the Board of Directors elected by the general meeting comprise at least five and at most ten members. Each year, the three members of the Board of Directors elected by the general meeting who have served longest, calculated from the last election of the members concerned, will resign. If several members have served equally long, their resignation will be decided by drawing lots. The resigning members may be re-elected. No members over 70 years of age may be elected to the Bank's Board of Directors.

Significant agreements which will be amended or will expire on a change of control of the company

At the end of 2018, the BANK of Greenland had the following agreements which are assessed to be significant and will be amended or will expire on a change of control of the Bank in conjunction with e.g. a merger.

- Data processing agreement with Bankernes EDB Central (BEC)
- Cooperation agreement with DLR Kredit

BEC

It is specified in BEC's Articles of Association that membership of BEC can be subject to five years' notice of termination, by either BEC or the BANK of Greenland, to the end of a financial year. If membership expires by other means related to the BANK of Greenland, the Bank will pay a withdrawal fee to BEC, as specified in the Articles of Association. If a bank is subject to a merger, and ceases to be a separate bank, membership of BEC will expire without notice, but with the opportunity for a transition scheme.

DLR

As a shareholder of DLR Kredit and in view of the Bank's membership of the Association of Local Banks, the BANK of Greenland has entered into a cooperation agreement with DLR concerning the intermediation of mortgage loans to the Bank's customers.

The cooperation agreement is irrevocable for as long as the BANK of Greenland is a shareholder of DLR Kredit. If the BANK of Greenland divests or deposits its shareholding, the Bank will automatically be deemed to have withdrawn from the cooperation agreement with effect from the end of the calendar year in which the shareholding was divested/deposited. The cooperation agreement may be terminated by DLR Kredit, if this is adopted by DLR's Board of Directors, subject to three months' notice to the end of a calendar year.

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 2018 for the limited liability company, GrønlandsBANKEN A/S.

The Annual Report is presented in accordance with the Danish Financial Activities 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 2018, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2018.

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

The Annual Report is submitted for approval by the Annual General Meeting.

Nuuk, 28 February 2019

Executive Management Board

Martin Birkmose Kviesgaard

Board of Directors

Gunnar í Liða Chairman	Kristian Frederik Lennert Vice Chairman	Maliina Bitsch Abelsen
Hans Niels Boassen	Christina Finderup Bustrup	Lars Holst
Yvonne Jane Poulsen Kyed	Elise Love Nicoline Zeeb	

AUDIT STATEMENT

The independent auditor's report

To the shareholders of GrønlandsBANKEN A/S

Opinion
We have audited the annual financial statements of GrønlandsBANKEN A/S for the financial year from 1 January to 31 December 2018, which comprise the statement of income and the statement of comprehensive income, the balance sheet, statement of changes in equity and notes, including the accounting policies applied and the cash flow statement. The annual financial statements are prepared in accordance with the Danish Financial Activities Act and additional 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 2018, and of the result of the Bank's activities for the financial year from 1 January to 31 December 2018, in accordance with the Danish Financial Activities Act and additional Danish disclosure requirements for listed financial companies.

Basis for opinion
We conducted our audit in accordance with international auditing standards and additional requirements under Danish auditing legislation. Our responsibility according to these standards and requirements is described further in "Auditor's responsibility for the audit of the annual financial statements". We are independent of the Bank in accordance with international ethics standards for accountants (IESBA's Ethics Standards) and the additional requirements applicable in Denmark, just as we have fulfilled our other ethical obligations in accordance with these rules and requirements. It is our view that the audit evidence obtained is an adequate and appropriate basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming an opinion thereon, and we do not provide a separate opinion on these matters.

Write-downs on loans and provisions for losses on guarantees, etc.	***The matter was considered as follows during the audit***
Lending amounts to DKK 3,472 million and guarantees to DKK 1,278 million at 31 December 2018 (lending amounted to DKK 3,335 million and guarantees to DKK 1,161 million at 31 December 2017). During the period from 1 January 2018 to 31 December 2018, write-downs on loans and provisions for losses on guarantees, etc. total DKK 11 million (DKK 14 million in the period from 1 January 2017 to 31 December 2017) in the annual financial statements. The determination of expected write-downs on loans and provisions for losses on guarantees, etc. is subject to considerable uncertainty and to a certain extent is based on managerial estimates. As a consequence of the significance of these estimates and the size of the loans and guarantees, etc. of the Bank, the auditing of write-downs on loans and provisions for losses on	On the basis of our risk assessment, the audit has included a review of the Bank's relevant procedures for write-downs on loans and provisions for losses on guarantees, etc., the testing of relevant controls, and analysis of the development in the credit quality of loans and guarantees, etc., in the size of the write-downs, as well as the provisions. Our audit procedures included testing of relevant controls concerning: • Ongoing assessment of the credit risk • Assessment and validation of input and assumptions applied to the calculation of the write-downs and the provisions in stages 1 and 2.

guarantees, etc. is a key audit matter.

With effect from 2018, the Bank's write-downs are made in accordance with the rules in IFRS 9, which are incorporated into the Danish Accounting Order. This entails, inter alia, that an impairment model has been introduced which divides exposures into three stages, depending on whether there has been a significant increase in the credit risk compared to initial recognition, and whether the exposure is credit-impaired.

The matters concerning loans and guarantees, etc. which entail the greatest degree of estimation, and which therefore require greater auditing attention, are:

- Identification of exposures and guarantees, etc. that are credit-impaired.
- Parameters and managerial estimates in the calculation model applied to determining the expected losses in stages 1 and 2.
- Valuation of collateral security and future cash flows, including managerial estimates applied to determining the expected losses in stage 3.

The principles for the compilation of write-downs on loans and provisions for losses on guarantees, etc. are described in accounting policies applied, and the management has described the handling of credit risks and the assessment of the impairment requirement for loans and the need for provisions for losses on guarantees, etc. in Notes 2 and 13 to the annual financial statements.

- Determination of managerial estimates in the model.

Our audit procedures also included:

- Assessment of the effect of the implementation of the changes in the Danish Accounting Order recognised under equity as at 1 January 2018.
- Review and assessment of the impairment model applied, as prepared by the BEC data centre, including the audit declaration received that the model's calculations are within the framework of the rules in the Danish Accounting Order, and that the Bank's application of the impairment model takes account of the reservations stated in the audit statement.
- Review and assessment of the Bank's compilation of impairment in stages 1 and 2, including an assessment of the model variables and their conditions, which the Bank's management has assessed to cover the Bank's circumstances.
- Random control of the accuracy of the data on which the compilation is based, and re-calculation thereof.
- Review by random sampling of exposures to ensure correct identification of the credit impairment of loans, and provisions for losses on guarantees.
- For loans classified in stage 3, we have tested by random sampling that the impairment requirement compiled and the provisions for losses on guarantees are in accordance with statutory regulations and the Bank's guidelines in this respect. Our

	work included testing of the collateral values used, as well as the scenario determination. • Challenging of managerial estimates, with special focus on the management's consistency and objectivity, including the challenge of documenting the adequacy of managerial estimates.

Statement concerning the Management's Review
The Management is responsible for the Management's Review.

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

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

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

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

The management's responsibility for the annual financial statements
The management is responsible for the preparation of annual financial statements that present a true and fair view, in accordance with the Danish Financial Activities Act and the Danish disclosure requirements for listed financial companies. The management is also responsible for the internal control deemed 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.

On the preparation of the annual financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, for disclosing information concerning continuing as a going concern, where relevant, and for using the going concern basis of accounting, unless the management intends to either liquidate the bank, discontinue operations, or has no other realistic alternative to this.

Auditor's responsibility for the audit of the annual financial statements
Our objective is to obtain reasonable assurance of whether the financial statements as a whole are free from material misstatement, whether this is due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international auditing standards and additional requirements under Greenland's auditing legislation will always detect a significant material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial statements.

AUDIT STATEMENT

As part of an audit in accordance with international auditing standards and additional requirements under Greenland's auditing legislation, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of the accounting policies applied by the management, as well as the reasonableness of accounting estimates and related information prepared by the management.
- Draw conclusions concerning the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures in the Notes, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information for the Bank to express an opinion on the annual financial statements. We are responsible for the direction, supervision and performance of the audit of the annual financial statements. We remain solely responsible for our audit opinion.

We communicate with the top-level management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the top-level management with a statement that we have complied with relevant ethical requirements regarding independence, and notify them of all relations and other matters that might reasonably influence our independence and, where relevant, related safeguards.

AUDIT STATEMENT

On the basis of the matters communicated to the top-level management, we determine the matters of most significance to the audit of the annual financial statements for the relevant period and which are thereby key audit matters. We describe these matters in our auditor's report, unless disclosure of the matter is prescribed by statutory or other regulation, or in the very rare cases where we find that the matter is not to be communicated in our auditor's report because its negative consequences might reasonably be expected to carry greater weight than the advantages to the general public of such disclosure.

Copenhagen, 28 February 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Jens Ringbæk	Jakob Lindberg
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE no. 27735	MNE no. 40824

AUDIT STATEMENT

Internal auditor's report

To the shareholders of the BANK of Greenland

Audit statement

Opinion

It is our opinion that the Annual Financial Statements for Grønlandsbanken A/S give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2018, and of the result of the Bank's activities and cash flows for the financial year from 1 January to 31 December 2018, in accordance with the Danish Financial Activities Act and the Danish disclosure requirements for listed financial companies.

The audit performed

We have audited the annual financial statements of Grønlandsbanken A/S for the financial year from 1 January to 31 December 2018, which comprise the statement of income and the statement of comprehensive income, the balance sheet, statement of changes in equity and notes. The annual financial statements are prepared in accordance with the Danish Financial Activities Act.

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

The audit was planned and performed in order to achieve a high degree of assurance that the annual financial statements are free of material misstatement. We took part in the audit of all significant and risk-entailing areas.

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

Statement concerning the Management's Review

The Management is responsible for the Management's Review.

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

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

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

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

Nuuk, 28 February 2019

Kristian Thorgaard Sørensen

Audit Manager

(DKK 1,000)

STATEMENT OF INCOME

Notes		2018	2017
3	Interest income	236,632	227,068
4	Negative interest income	-10,825	-11,741
5	Interest expenses	1,706	1,871
6	Positive interest expenses	+6,761	+8,460
	Net interest income	**230,862**	**221,916**
	Share dividend, etc.	1,946	807
7	Fee and commission income	81,636	87,737
	Fees paid and commission expenses	847	914
	Net interest and fee income	**313,597**	**309,546**
8	Value adjustments	-1,546	-6,368
	Other operating income	5,385	5,240
9, 10	Staff and administration expenses	157,407	152,528
	Depreciation and impairment of tangible assets	6,765	6,840
	Other operating expenses	2,011	2,709
13	Write-downs on loans and receivables, etc.	10,938	13,734
	Profit before tax	**140,315**	**132,607**
11	Tax	44,595	42,158
	Profit for the year	**95,720**	**90,449**
	Proposed allocation of profit		
	Profit for the year	95,720	90,449
	Taxation value of dividend allocated	17,172	17,172
	In total available for allocation	**112,892**	**107,621**
	Proposed dividend	54,000	54,000
	Retained profit	58,892	53,621
	Total allocation	**112,892**	**107,621**

(DKK 1,000)

STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
Statement of comprehensive income		
Profit for the year	95,720	90,449
Other comprehensive income:		
Value adjustment of properties	3,747	13,681
Value adjustment of defined-benefit severance/pension scheme	-13	-13
Adjustment of		
Tax on value adjustment of properties	-1,192	-4,351
Other comprehensive income after tax	**2,542**	**9,317**
Comprehensive income for the year	**98,262**	**99,766**

BALANCE SHEET
(Year-end)

(DKK 1,000)

Notes		2018	2017
	Cash balance and demand deposit with central banks	180,193	178,789
12	Amounts receivable from credit institutions and central banks	1,160,234	522,060
13	Loans and other receivables at amortised cost	3,472,174	3,335,119
14	Bonds at fair value	879,093	894,679
15	Shares, etc.	85,243	89,353
18	Assets connected to pool schemes	63,043	6,767
16	Land and buildings in total, domicile properties	207,265	207,728
17	Other tangible assets	8,070	8,392
	Other assets	105,748	109,136
	Prepayments and deferred expenses	3,473	2,987
	Total assets	**6,164,536**	**5,355,010**
19	Liabilities to credit institutions and central banks	22,565	22,670
20	Deposits and other liabilities	4,899,044	4,205,613
	Deposits in pool schemes	63,043	6,767
	Current tax liabilities	17,522	10,957
	Other liabilities	73,570	65,687
	Accruals and deferred income	5,555	5,282
	Total debt	**5,081,299**	**4,316,976**
	Provisions for pensions and similar obligations	796	518
21	Provisions for deferred tax	60,719	59,708
13	Provisions for losses on guarantees	14,274	12,792
	Other provisions	5,606	6,558
13	Write-downs for losses on non-utilised credit facilities	2,683	0
	Total provisions	**84,078**	**79,576**
	Equity		
22	Share capital	180,000	180,000
	Revaluation reserves	29,092	26,776
	Retained earnings	753,239	714,854
	Proposed dividend	54,000	54,000
	Taxation value of proposed dividend	-17,172	-17,172
	Total equity	**999,159**	**958,458**
	Total liabilities	**6,164,536**	**5,355,010**

1 Accounting policies applied
2 Financial risks and policies
23-33 Other Notes

STATEMENT OF CHANGES IN EQUITY

(DKK 1,000)

	Share capital	Re-valuation re-serves	Retained earnings	Proposed dividend, net	Total equity
Equity, 1 January 2017	**180,000**	**17,446**	**661,246**	**67,518**	**926,210**
Dividend paid				-99,000	-99,000
Taxation value of dividend paid				31,482	31,482
Other comprehensive income		9,330	-13		9,317
Profit for the year			36,449	54,000	90,449
Taxation value of proposed dividend			17,172	-17,172	0
Equity, 31 December 2017	**180,000**	**26,776**	**714,854**	**36,828**	**958,458**
Equity at the end of the preceding financial year	**180,000**	**26,776**	**714,854**	**36,828**	**958,458**
Change in accounting policy	-	-	-20,733	-	-20,733
Dividend paid	-	-	-	-54,000	-54,000
Taxation value of dividend paid	-	-	-	17,172	17,172
Equity, beginning of 2018, after distribution of dividend and adjustments	**180,000**	**26,776**	**694,121**	**0**	**900,897**
Other comprehensive income	**-**	2,316	226	-	2,542
Profit for the year	**-**	-	41,720	54,000	95,720
Taxation value of proposed dividend	**-**	-	17,172	-17,172	0
Equity, 31 December 2018	**180,000**	**29,092**	**753,239**	**36,828**	**999,159**

CASH FLOW STATEMENT

(DKK 1,000)	2018	2017
Profit for the year	95,720	90,449
Write-downs on loans	10,938	13,734
Depreciation and impairment of tangible assets	6,765	6,840
Accruals and deferred expenses, net	-213	416
Change at the beginning of the year to the accounting policy applied to lending	-20,733	0
Tax effect of deductibility of dividend	17,172	31,482
Profit for the year after adjustment for non-cash operating items	**109,649**	**142,921**
Liabilities to credit institutions and central banks	-105	1,432
Deposits	749,707	-609,983
Loans	-147,993	-274,992
Other working capital	-262,508	135,858
Other liabilities	17,742	14,968
Change in working capital	**356,843**	**-732,717**
CASH FLOWS FROM OPERATING ACTIVITIES	**466,492**	**-589,796**
Sale of tangible assets	3,389	276
Purchase, etc. of tangible assets	-5,620	-4,984
CASH FLOWS FROM INVESTMENT ACTIVITIES	**-2,231**	**-4,708**
Dividend paid	-54,000	-99,000
Trade in own shares	0	0
CASH FLOWS FROM FINANCING ACTIVITIES	**-54,000**	**-99,000**
CHANGE IN CASH AND CASH EQUIVALENTS	**410,261**	**-693,504**
Cash and cash equivalents, beginning of year	1,208,363	1,901,867
Cash and cash equivalents, end of year	**1,618,624**	**1,208,363**
Cash balance and demand deposits with central banks	180,193	178,790
Certificates of deposit with Danmarks Nationalbank, cf. Note 12	352,000	0
Fully secured and liquid cash and cash equivalents in credit institutions, cf. Note 12	240,798	181,624
Non-mortgaged securities	845,633	847,949
Cash and cash equivalents, end of year	**1,618,624**	**1,208,363**

OVERVIEW OF NOTES

NOTES

Note 1

Accounting policies applied
The annual financial statements are presented in accordance with the Danish Financial Activities 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 2017, except for the content of the section below under “Changes in accounting policies applied”.

Changes in accounting policies applied
As of 1 January 2018, the accounting policies applied are changed as a consequence of amendments to the Danish Accounting Order. The IFRS 9 accounting standard, which replaces the IAS 39 standard, entered into force with effect from 1 January 2018. The IFRS 9 accounting standard significantly changes the current rules for the classification and measurement of financial assets, the financial impairment rules and, to some extent, the hedge accounting rules.

The overall provisions of IFRS 9 have been incorporated into the Danish Accounting Order and supplemented with special Danish impairment rules in Annex 10 of the Accounting Order that fulfil the overall principles in IFRS 9.

The implementation of the changes to the Danish Accounting Order has not had any consequences for the classification of financial instruments, but has had a significant influence on the measurement of loans and other receivables at amortised cost, non-utilised credit lines, loan undertakings, and guarantees as a consequence of new provisions for credit losses. The change has entailed an increase in the adjustment account by TDKK 18,089. In accordance with the transition provisions, the effect is recognised directly to equity, which as of 1 January 2018 is reduced by TDKK 12,337 after tax.

The overall accounting effect is presented as follows:

	Previous practice 31.12.2017 TDKK	Effect of change 01.01.2018 TDKK	New practice 01.01.2018 TDKK
Assets			
Lending and other receivables, etc.	3,335,119	16,031	3,319,088
Liabilities			
Provisions for losses on guarantees	12,792	42	12,834
Write-downs for losses on non-utilised credit facilities	0	2,016	2,016
Equity	958,458	12,337	946,121
Deferred tax	59,708	5,752	53,956

NOTES

Accounting policies applied are furthermore amended with regard to the access to amortisation of loan case fees. Previously, the Bank amortised the establishment fee, but after more detailed review of IFRS 15 has changed policy, so that loan case fees are also amortised to a certain extent, since they are considered to be an integrated element of the loan's effective interest rate. This is therefore not a new accounting policy, but a further specification of the existing policy. In accordance with the transition provisions, the effect is recognised directly to equity, which as of 1 January 2018 is reduced by TDKK 8,397 after tax.

The accounting effect can be compiled as follows (further to the above statement):

	Previous practice 31.12.2017 TDKK	Effect of change 01.01.2018 TDKK	New practice 01.01.2018 TDKK
Assets			
Lending and other receivables, etc.	3,319,088	12,312	3,306,776
Liabilities			
Equity	946,121	8,397	937,724
Deferred tax	53,956	3,915	50,041

No adjustment has been made to the comparative figures for previous periods since it is not assessed to be possible to apply the changed provisions retrospectively. The comparative figures for financial assets and liabilities therefore follow the accounting policy described in the Annual Report for 2017.

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 statement of income 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 concerning 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.

On the preparation of the annual financial statements, the management undertakes a number of accounting assessments as the basis for the presentation, recognition and measurement of the institution's assets and liabilities. This annual financial statements are presented in accordance with the going concern principle, based on current practice and interpretation of the rules for Danish banking institutions. The key estimates made by the management in conjunction with recognition and measurement of these assets and liabilities, and the most significant estimation uncertainty related to the preparation of the Annual Report for 2018, are:

- Write-downs for impairment of lending and provisions for guarantees and credit undertakings are made in accordance with the accounting policies, and are based on a number of assumptions. If these assumptions are changed, the presentation of the accounts may be affected, and this may be significant. In 2018, the new accounting policy concerning write-downs for impairment of lending and receivables, and provisions for guarantees and non-utilised credit undertakings, was implemented. As a consequence, the management has made a number of new estimates related to the compilation of impairment write-downs for 2018. Experience with write-downs according to IFRS 9 is still limited, and it is expected that the disclosures in the Notes will need adaptation in the coming year, when the experiences are greater. Reference is also made to Note 2.

- Listed financial instruments may be priced in markets with low turnover, whereby the use of stock exchange prices to measure fair value may be subject to some uncertainty.

- Unlisted financial instruments may involve significant estimates in connection with the measurement of fair value. See Notes 15 and 30.

- For provisions, there are significant estimates related to the determination of the future employee turnover rate, as well as determining the interest obligation for tax-free savings accounts.

- The measurement of the fair value of head office properties is likewise subject to significant estimates and assessments, including expectations of the properties’ future returns and the rates of return fixed. The Bank’s principal property is the head office property in Nuuk. A change in the percentage yield of e.g. 0.5% would change the valuation by DKK 8 million for this property. On the valuation of the Bank's head office property in Nuuk, different prices per square metre are used in relation to market rent and potential use.

Determination of fair value

The fair value is the amount at which an asset can be traded or a liability can be redeemed, in a trade under normal conditions between qualified, willing and mutually independent parties.

The fair value of financial instruments for which there is an active market is determined at the closing price on the balance sheet date or, if not available, another published price that must be assumed to be best 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 statement of income for changes in fair value concerning the hedged risks (fair value hedging). Hedging is established by the Bank for lending at fixed interest rates.

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

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

Set-offs
The Bank sets off receivables and liabilities when the Bank has a legal right to set off the recognised amounts and also has the intention of net set-off or realisation of the asset and redemption of 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 are recognised in the statement of income as of the transaction date.

Interest on lending classified as stage 3 is calculated on the basis of the net amount after write-downs. For other lending, the interest rate is calculated on the basis of the contractual outstanding amount. This entails that interest income from loans that have been written down either in full or in part is included under “Write-downs on loans and receivables, etc.” with regard to the interest on the impaired element of the loans.

Staff and administration expenses
Staff costs comprise salaries and social security expenses, pensions, staff accommodation, etc. Costs of services and benefits to employees, including anniversary bonuses, are recognised in step with the employees' performance of the work which entitles them to the services and benefits in question. Costs of incentive

programmes are recognised in the statement of income in the financial year to which the cost can be attributed.

Pension schemes
The Bank has established a defined benefit severance/pension scheme for the Bank's managing director. Under this scheme, the Bank is obliged to pay a fixed benefit for a period of time following the managing director's retirement/resignation. Obligations of this type are compiled as the present value of the amounts which, according to the best possible estimate, must be expected to be paid. This obligation, which is earned over the 2016-2023 period, may comprise 0-24 months' salary. See Note 9.

The Bank has established contribution-based pension schemes with all employees. Under the contribution-based pension schemes, fixed contributions are paid to an independent pension institution, or to the Bank's own pension product, “Qimatut”. The Bank's own pension product is not managed by the Bank itself, but by the employee or in pool schemes managed by an independent investment company.

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

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

Tax
Tax for the year, which consists of current tax and changes in deferred tax, is recognised in the statement of income 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.

Current tax liabilities are recognised in the balance sheet, compiled as the tax calculated on the taxable income for the year.

On calculating the taxable income, Greenland allows tax deduction of dividends for the dividend-paying company. The taxable value thereof is therefore carried to equity.

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

Loans and other receivables at amortised cost
Financial instruments that, after first recognition, are recognised on an ongoing basis at amortised cost must, however, on initial recognition be measured at fair value with addition of the transaction costs directly related to the acquisition or issue of the financial instrument, and deduction of the fees and commission received, which are an integral element of the effective interest rate.

NOTES

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.

Reference is also made to the descriptions in Note 2.

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

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

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

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

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

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

Every second year (at the latest in 2018) an independent assessment is obtained of the market value of the Bank's head office property in Nuuk. The fair value of other head office properties is reassessed annually on the basis of calculated capital values for the expected future cash flows.

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

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

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

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

Assets and deposits in pool schemes
All pool assets and deposits are recognised in separate balance sheet items. Pool schemes are managed by an external partner. The Bank's own return on pool activities is carried under fee and commission income.

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

Deposits and other liabilities
Financial instruments that, after first recognition, are recognised on an ongoing basis at amortised cost must, however, on initial recognition be measured at fair value with addition of the transaction costs directly related to the acquisition or issue of the financial instrument, and deduction of the fees and commission received, which are an integral element of the effective interest rate.

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

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

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

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

Off-balance-sheet items
The item concerns ceded guarantees and undertakings, irrevocable credit undertakings and similar obligations that are not carried to the balance sheet. Guarantees are measured at nominal value, with deduction of loss provisions. Provisions for losses are recognised under “Write-downs on loans and receivables, etc.” in the statement of income and under “Provisions for losses on guarantees” in the balance sheet.

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 in 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.

Cash flows concerning operating activities are compiled as the operating result adjusted for non-cash operating items, change in working capital and corporate tax paid. Cash flows concerning investment activities comprise payments concerning purchase and sale of companies, activities and the purchase, development, improvement and sale, etc. of intangible and tangible fixed assets. Cash flows concerning financing activities comprise changes in the size or structure of the company's share capital, subordinate capital contributions and related costs, purchase of own shares, and payment of dividend.

Liquid assets comprise cash balances and demand deposits with central banks and receivables from credit institutions with an original duration of up to three months, 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 definitions and guidelines of the Danish Financial Supervisory Authority.

Coming accounting regulations
In 2016, IASB issued a new standard for the accounting treatment of leasing agreements under the international accounting standards (IFRS 16). The standard enters into force for the financial year beginning on 1 January 2019.

The standard is not expected to affect the BANK of Greenland since the Bank does not use leasing as either a lessor or lessee.

NOTES

Note 2
Financial risks and policies and targets for management of financial risks

General
In accordance with Section 16 of the Order on the management and control of banks, etc. the BANK of Greenland must designate risk officer who is responsible for risk management at the Bank.

The Board of Directors of the BANK of Greenland have 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)

	2018	2017
Cash balances and demand deposits at central banks	180,193	178,879
Amounts receivable from credit institutions and central banks	1,160,234	522,060
Loans and other receivables at amortised cost	3,472,174	3,335,119
Bonds at fair value	879,093	894,679
Shares, etc.	85,243	89,353
Other assets, including derivative financial instruments	105,748	109,137
Off-balance-sheet items		
Guarantees	1,277,604	1,161,181

The distribution of “Loans and other receivables at amortised cost” and “Guarantees” is shown in Notes 13 and 24.

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

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

NOTES

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

Among other things, as a

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

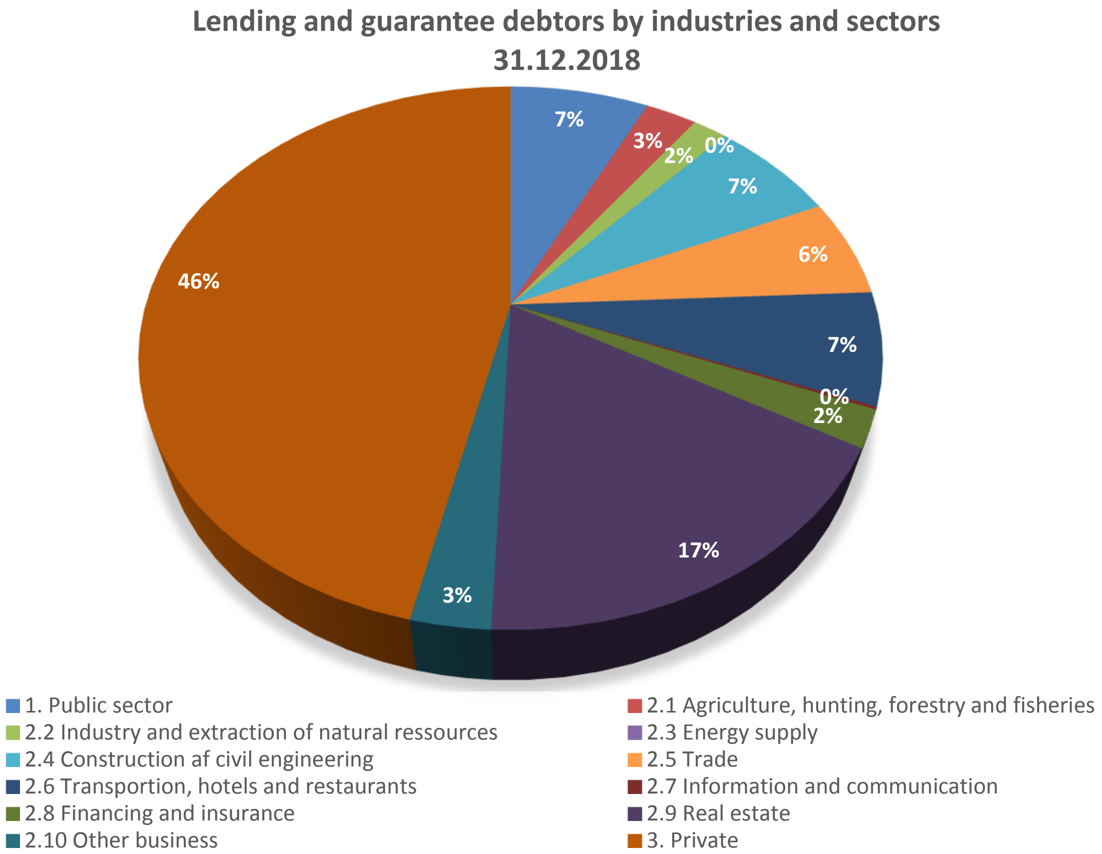
Risk diversification
The BANK of Greenland wishes to diversify its credit risk between lending to private customers and lending to business customers. The exposure to business customers and public authorities may thus not exceed 65% of the total exposure.

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

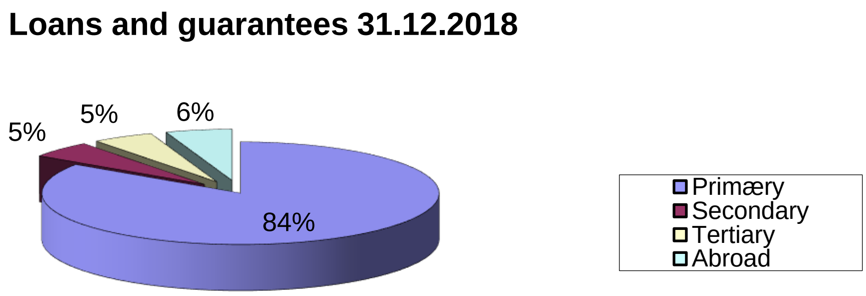
Standard terms
Business customers: Exposures can typically be terminated without notice by the Bank. The customer is normally required to provide the Bank with financial information on an ongoing basis.

Private customers: The typical term of notice from the Bank is two months. Financial information is normally required for new loans, and changes to existing loans.

NOTES



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



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 on 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 sample controls in the individual departments.

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

For financing, the collateral security primarily consists of:

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

The valuation of the collateral security 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 on fishing vessels are assessed at maximum 60% of fair value;
- mortgages on fishing rights are assessed at maximum 60% of fair value;
- mortgages on 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.

The Bank continuously assesses whether there have been changes in the quality of security and other conditions as a consequence of impairment or changes in practice concerning collateral security. There have been no changes during the year in the practice for the valuation of security, or the practice for handling security.

Write-down of loans and other receivables and provisions for guarantees and loan undertakings.

As a consequence of changes in the Danish Accounting Order, a new practice has been implemented for write-down of loans and other receivables and provisions for guarantees and loan undertakings.

Write-downs and provisions were previously made when there were actual objective indications of impairment. As a consequence of the changes, write-downs and provisions are made on the basis of the expected capital loss in relation to the credit risk. The credit risk is the probability that the borrower will default on the payment obligations. This change entails that on initial recognition, a write-down for expected losses is already made. In the following description, both write-downs on loans and receivables, and provisions on guarantees and credit undertakings, are referred to as write-downs.
The calculation of the expected credit loss depends on whether there has been a significant increase in the credit risk since initial recognition. The calculation of write-downs adheres to a model with three stages:

- Stage1 concerns assets for which there has been no significant increase in credit risk. In this stage, the write-downs equivalent to the expected 12-month credit loss are calculated.
- Stage 2 concerns assets for which there has been a significant increase in credit risk. In this stage, the write-downs equivalent to the expected credit loss in the asset's lifetime are calculated.
- Stage 3 concerns credit-impaired assets. In this stage, the write-downs are calculated on the basis of an individual assessment of the credit loss in the asset's lifetime.

During the accounting period there have been no changes in significant assumptions and assessment methods applied to the compilation in connection with the transition to the new impairment rules on 1 January 2018.

Write-downs on loans and receivables are carried to an adjustment account that is set off under lending, and provisions for guarantees and non-utilised credit undertakings are recognised as a liability. In the statement of income, write-downs and provisions on guarantees and credit undertakings are recognised collectively as write-downs on loans.

Division into stages

The division into stages is based on the BANK of Greenland's rating models in the form of PD models developed by BEC and internal credit management. The following principles are the basis for the division into stages 2 and 3.

Significant increase in credit risk (Stage 2)

Lending and other receivables are categorised according to whether the probability of default (PD) within 12 months on initial recognition is either under 1.0%, or 1.0% and above.

On assessment of the development in credit risk, it is assumed that there has been a significant increase in the credit risk in relation to the date of initial recognition when:

Under 1%
The probability of default (PD) in the remaining term to maturity increases by 100% and the 12-month PD increases by 0.5% point when PD on initial recognition was below 1%.

1% and higher
The probability of default (PD) in the remaining term to maturity increases by 100% or the 12-month PD increases by 2.0 when PD on initial recognition was above 1%. In addition, the credit risk is assessed to have increased considerably if the borrower has been in arrears for more than 30 days, without any special circumstances allowing this to be disregarded.

Financial assets for which a significant increase in the credit risk has occurred are, however, placed in the weak part of stage 2 in the following situations:

An increase in PD for the expected remaining term to maturity of 100%, or an increase in the 12-month PD of 0.05% point, when the 12-month PD on first recognition was below 1%, and the current 12-month PD is 5% or higher. An increase in PD for the expected remaining term to maturity of 100%, or an increase in the 12-month PD of 2.0% point, when the 12-month on first recognition was above 1%, and the current 12-month PD is 5% or higher.

The financial asset has been overdrawn for more than 30 days and the current 12-month PD is 5% or higher.

Credit-impaired assets (Stage 3)

Lending and other receivables measured at amortised cost, and guarantees and credit undertakings may be credit-impaired if one or several or the following events have occurred:

- 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.
- When the Bank or other borrowers grant the borrower an easement of terms that would not be considered if the borrower was not in financial difficulties.
- When it is probable that the borrower will file for bankruptcy or be subject to other financial restructuring.
- Lapse of an asset.

Furthermore, the loan is at the latest assessed to be credit-impaired if the borrower has been in arrears for more than 90 days.

Significant lending is assessed individually for any indication of credit impairment at each closure of the accounts. The Bank reviews all exposures with write-downs greater than DKK 100,000 that are considered individually, and other exposures are calculated on the basis of models.

Definition of default

The determination of when a borrower has defaulted on its obligations is decisive to the compilation of the expected credit loss. The Bank considers a borrower to have defaulted on its obligations if

- the borrower is in more than 90 days' arrears for significant elements of their obligations.
- It is unlikely that the borrower can repay the obligations in full.

The assessment of whether a borrower is in arrears concerns both overdrafts exceeding the fixed lines and failure to pay either instalments or interest. The assessment of whether it is unlikely that a borrower can fulfil its payment obligations is based on both qualitative and quantitative indicators. A qualitative indicator for business loans might be, for example, whether there is any breach of covenants. Quantitative indicators might, for example, be an assessment of whether a borrower can fulfil its obligations for other loans, or is in arrears for other loans.

Depreciation and write-downs

Write-downs in stages 1 and 2:

Calculation of the expected credit loss in stages 1 and 2 is based on a write-down model. The write-down model is based on the probability of default (PD), expected credit exposure at default (EAD) and expected loss given default (LGD). The model incorporates historical observations for the individual inputs and also forward-looking information, including macroeconomic conditions.

Determination of input to the write-down model

Input to the write-down model is based on the historical information developed by the Bank's data centre using statistic models.

The determination of probability of default (PD) is based on observed defaults during a period that covers an economic cycle, after which the observed defaults are converted to an estimated probability that applies to a specific time (12-month PD). Lifetime PD is compiled on the basis of 12-month PD according to mathematical models and projections of 12-month PD. This is based on expectations of the future and the development in the loans.

The determination of credit exposure at default (EAD) is based on the expected change in the exposure after the balance sheet date, including the payment of interest and instalments, and further drawing on the credit undertaking. Bankens EDB Central's determination of EAD is based on historical information concerning expected changes in exposures during the loans' lifetime within the individual loan's limits. Account is thereby taken of the redemption profile, early redemptions and changes in the use of credit facilities.

The expected loss given default (LGD) is estimated on the basis the difference between the contractual cash flows and the cash flows which the Bank expects to receive after default, including cash flows on realisation of security. The determination of LGD is based on the expected collateral values less costs of sales, as well as cash flows that a borrower might pay in addition to collateral. Account is also taken of any price reduction if the collateral is to be realised within a shorter period. The expected cash flows are discounted at present value. The present value is calculated for fixed-interest-rate loans and receivables based on the originally-fixed effective interest rate. For variable-interest-rate loans and receivables, the current effective interest rate on the loan or receivable is used.

Forward-looking macroeconomic scenarios

Forward-looking information is included in the calculation of expected losses in the form of macroeconomic prognoses and projections. The Bank uses a model that is developed and maintained by LOPI – the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark.

The model is based on the determination of historical relations between write-downs within a number of sectors and industries, and a number of explanatory macroeconomic variables. These relations are then subject to estimates of the macroeconomic variables, based on prognoses from consistent sources such as the Economic Council, Danmarks Nationalbank, et al. whereby the prognoses generally extend two years ahead, and include such variables as the increase in public consumption, increase in GDP, interest, etc. The prognoses are based on Danish figures. Currently, the economic future scenarios in Greenland and Denmark do not differ significantly and until further, it is believed that the Danish prognoses can be applied to conditions on Greenland.

The expected write-downs are thereby calculated for up to two years ahead within the individual sectors and industries, while for maturities beyond two years linear interpolation is made between the write-down ratio for year 2 and the write-down ratio in year 10, where in model-related terms a "long-term equilibrium" is assumed to occur, compiled as a structural level from the prognoses. Maturities beyond ten years are in model-related terms assigned the same write-down ratio as the long-term equilibrium in year 10. Finally, the calculated write-down ratios are transformed into adjustment factors that correct the data centre's estimates in the individual sectors and industries. The institution makes adjustments to these, based on own expectations of the future, and according to the composition of the loans.

Managerial estimates

On each balance sheet date the institution assesses the need for adjustments to the expected credit losses, calculated on the basis of the models applied in stages 1 and 2. This takes place on the basis of the calculated write-downs. The managerial estimate is primarily based on uncertainties concerning the model calculations and differences between the macroeconomic scenarios in Greenland and Denmark.

Write-downs in stage 3:

Write-downs on credit-impaired loans are compiled as the expected loss based on a number of possible outcomes for the borrower's situation and the Bank's credit handling. The expected loss is calculated by weighting together the calculated loss related to each scenario, based on the probability of the scenario occurring. For each scenario, the write-down is compiled on the basis of the difference between the accounting value before write-down and the present value of the expected future payments on the loan.

For the calculation of current value, fixed-interest-rate loans and receivables are subject to the effective interest rate originally determined. For variable-interest-rate loans and receivables, the current effective interest rate on the loan or receivable is used.

The general rule is that the write-down comprises the exposure, less calculated security.

Write-off

Financial assets are written off in full or in part if there is no longer any reasonable expectation that the outstanding amount will be paid. On write-off, the asset will cease to be carried to the balance sheet in full or in part.

The time at which there is no longer assessed to be any reasonable expectation that outstanding amounts will be paid in, is based on the concrete circumstances of the individual borrower. This might be a lack of earnings, equity, etc.

Before write-off is made, the borrower will have been subject to an extended collection process, with attempts to achieve voluntary payment arrangements, realisation of assets, etc.

After write-off has taken place, the debt collection process will continue. In the case of companies, typically until the borrower has completed bankruptcy proceedings, composition with creditors, etc. For private individuals, continued attempts are made to establish voluntary payment schemes and possible legal collection.

NOTES

Exposure and write-downs by sector

2018	Gross exposure DKK 1,000	Ratio of total gross exposure	Total write-downs DKK 1,000	Ratio of total write-downs
Public	356,891	7	1,169	1
Business:				
Agriculture and fisheries	132,245	3	8,099	5
Industry and extraction of minerals	86,844	2	3,224	2
Energy supply	0	0	0	0
Construction and civil engineering	324,269	7	27,840	15
Trade	290,409	6	16,651	10
Transport, restaurants and hotels	327,546	7	15,530	9
Information and communication	8,533	0	2,005	1
Financing and insurance	107,460	2	356	1
Real estate	854,594	17	9,019	5
Other business	142,496	3	7,075	4
Business in total	2,274,396	46	89,799	52
Private	2,278,924	46	79,374	47
Total	**4,910,211**	**100**	**170,342**	**100**

2017	Gross exposure DKK 1,000	Ratio of total gross exposure	Total write-downs DKK 1,000	Ratio of total write-downs
Public	487,747	11%	694	0%
Business:				
Agriculture and fisheries	152,636	3%	13,170	9%
Industry and extraction of minerals	99,438	2%	8,335	6%
Energy supply	0	0%	0	0%
Construction and civil engineering	406,718	9%	26,373	19%
Trade	310,360	7%	6,832	5%
Transport, restaurants and hotels	269,416	6%	3,976	3%
Information and communication	10,862	0%	1,432	1%
Financing and insurance	111,749	2%	344	0%
Real estate	651,782	14%	5,729	4%
Other business	88,569	2%	2,519	2%
Business in total	2,101,531	45%	68,710	49%
Private	2,048,787	44%	72,362	51%
In total	**4,638,065**	**100%**	**141,766**	**100%**
Of which group-based			36,021	

NOTES

Credit exposure distributed on classification, creditworthiness and stages:

Classification BANK of Greenland*	Classification Danish FSA	Stage 1 TDKK	Stage 2 TDKK	Stage 3 TDKK	In total TDKK
Ratings 1-3	3/2A	2,689,166	432,299	44,951	3,166,416
Ratings 4-7	2B	823,811	328,168	34,720	1,186,699
Ratings 8-9	2C	144,677	95,642	16,124	256,443
Ratings 10-11	1	0	43,704	256,959	300,663
Total		**3,657,654**	**899,803**	**352,754**	**4,910,211**

*****Classification BANK of Greenland

- Ratings 1-3 correspond to the Danish FSA's creditworthiness scale 3/2A – Customers with undoubtedly good creditworthiness and customers with normal creditworthiness
- Ratings 4-7 correspond to the Danish FSA's creditworthiness scale 2B – Customers that do not fulfil the criteria in 1-3, but which on the other hand do not have significant signs of weakness. The debt servicing ability is good, although the key financial indicators may be weak.
- Ratings 8-9 Customers with significant signs of weakness, but without OIK occurring. The customer's debt servicing ability is less satisfactory and the customer is economically vulnerable/has weak key indicators.
- Ratings 10-11 Customers with OIK. Customers with and without loss risk compilation (write-down). The debt servicing ability is poor or non-existent, and there is a risk of losses.

Rating is a credit tool that statistically calculates the probability of default – i.e. the probability of a customer defaulting on its debt to the bank within 12 months, based on the customer's historical behaviour pattern. Rating supports the Bank's opportunity for systematised and documentable management of credit risks, based on a credit classification model.
To achieve the greatest possible statistical strength, the calculations are based on a large amount of data and patterns, and the data basis is aggregated data with behaviour patterns from bank customers, to secure statistical calculations. Various credit-related parameters are used, such as overdraft, available amount, debit/credit turnover, accounts, strength profile, etc.

The statistical credit models cover three customer segments:

- Private
- Sole proprietorships
- Companies

The Danish FSA's creditworthiness scale of 3, 2A, 2B, 2C and 1 is a statement of the current overall credit status. The starting point for the creditworthiness scale is historical and statistical statements of the finances of a customer on an overall basis.

The focal point of the IFRS9 division into stages is the development in the credit risk. A facility will change stage if the customer's credit risk develops negatively in relation to the customer's credit risk at the time of the establishment of the facility. Stages 1 and 2 are facility-based. An overall customer perspective is not applied until stage 3.

IFRS9 measures the development in PD – probability of default. This means that IFRS9 is forward-looking in its assessment of credit risk.

NOTES

Credit exposure to industries broken down by stages:

	Stage 1 TDKK	Stage 2 TDKK	Stage 3 TDKK	In total TDKK
Public	356,874	17	0	356,891
Business:				
Agriculture and fisheries	91,380	32,003	8,862	132,245
Industry and extraction of minerals	18,196	653	67,995	86,844
Energy supply	0	0	0	0
Construction and civil engineering	127,469	132,094	64,706	324,269
Trade	212,454	61,038	16,917	290,409
Transport, restaurants and hotels	228,635	67,112	31,799	327,546
Information and communication	4,519	1,737	2,277	8,533
Financing and insurance	107,369	91	0	107,460
Real estate	645,223	175,632	33,739	854,594
Other business	63,579	65,383	13,534	142,496
Business in total	1,498,824	535,744	239,828	2,274,396
Private	1,801,956	364,042	112,926	2,278,924
Total	**3,657,654**	**899,803**	**352,754**	**4,910,211**

Reason for value adjustment of exposures in stage 3

2018	Credit exposure before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	9,366	9,061	305	244	61
Collection	23,885	17,228	6,657	6,657	0
Financial difficulties	319,503	100,969	218,534	182,465	36,019
Total	**352,754**	**127,258**	**225,496**	**189,366**	**36,130**

2017	Credit exposure before write-downs	Write-downs	Accounting value	Collateral security	Maximum credit risk
Bankruptcy	11,509	3,020	8,489	8,489	0
Collection	21,121	15,338	5,783	5,783	0
Financial difficulties	194,089	87,387	106,702	66,318	40,384
Total	**226,719**	**105,745**	**120,974**	**80,590**	**40,384**

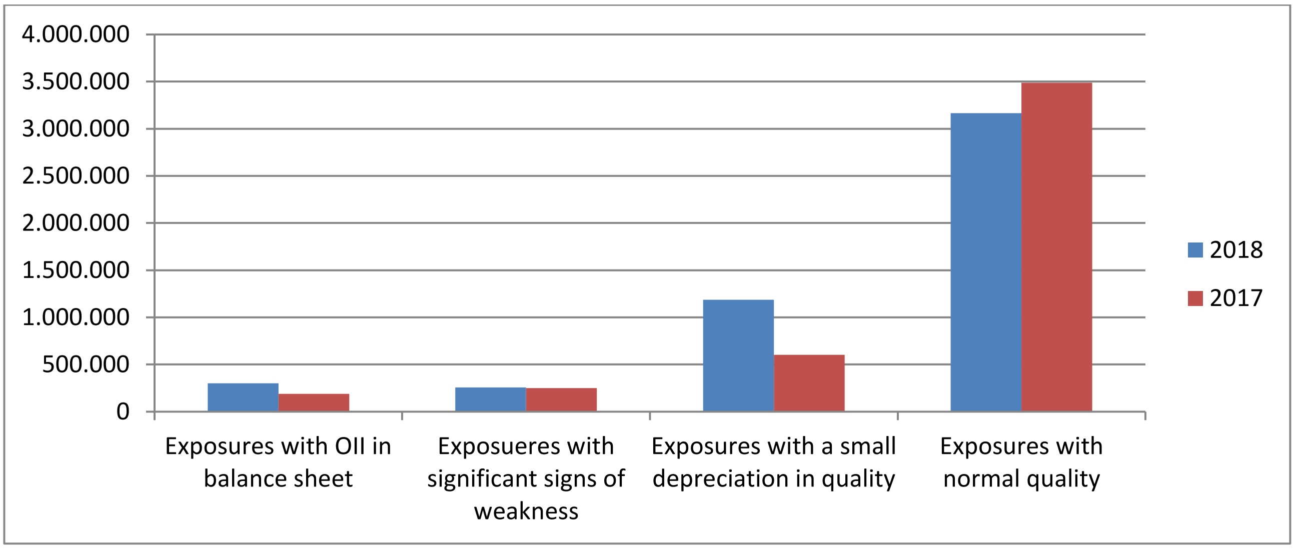
Credit quality of exposures in general
The BANK of Greenland has not developed scoring models to cover the entire lending portfolio.

Exposures with arrears or overdrafts > DKK 1,000

In DKK 1,000	2018	2017
0-30 days	3,489	15,455
31-60 days	8,411	2,906
61-90 days	1,711	6,884
> 90 days	8,435	11,646
Total	**22,046**	**36,891**

The BANK of Greenland applies a rating model that divides borrowers into 11 categories. The division is according to criteria such as the borrower's earnings, assets, account behaviour, etc. The 11 categories are then assigned to the Danish FSA's creditworthiness scale.

Credit exposure before write-downs distributed by creditworthiness (in DKK 1,000) – broken down on the FSA's creditworthiness*



*The rating model to classify exposures was changed in 2018 and the figures between 2018 and 2017 are therefore not fully comparable.

The BANK of Greenland has no "non-impaired loans or guarantees" for which the loan terms have been eased as a consequence of a borrower's financial difficulties.

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

Interest rate risk
The Board of Directors' guidelines for the Executive Management include a maximum interest rate risk for the Bank. The Bank's objective is to hold the interest rate risk below 3%. 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 works on the basis of a duration of 1.5 years. The Bank has entered into interest rate swaps for a total of DKK 10 million to partly cover the interest rate risk on the Bank's bond holdings. Reference is made to Notes 27 and 29.

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

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 no significant currency exposures at the end of 2018. Reference is made to Note 26 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 (levels 1 and 2), 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 a constant LCR ratio at the level of 175-225. LCR for the BANK of Greenland is calculated at 282.1% as of the end of 2018. Reference is also made to key figures for the Liquidity Coverage Ratio, as well as the key figures for lending as a ratio of deposits in Note 32.

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 on individual persons in key roles in the Bank, and the Bank continuously assesses the outsourcing of operating areas that are not important to the Bank's competitiveness. The Bank also has great focus on continuously improving the internal and external recruitment basis. The BANK of Greenland wishes to have a strong control environment and has therefore also drawn up a number of standards for how control is to take place.

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

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

In 2017, the BANK of Greenland commissioned a report on the Bank’s IT security and contingency measures. The report's recommendations have been incorporated in all significant respects.

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)		2018	2017
3	**Interest income**		
	Credit institutions	0	181
	Lending and other receivables	228,114	217,006
	Bonds	8,518	9,881
	Total interest income	**236,632**	**227,068**
4	**Negative interest income**		
	Amounts receivable from credit institutions and central banks	-6,614	-6,487
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	-4,211	-5,254
	Total negative interest	**-10,825**	**-11,741**
5	**Interest expenses**		
	Credit institutions and central banks	30	148
	Deposits and other liabilities	1,676	1,723
	Total interest expenses	**1,706**	**1,871**
6	**Positive interest expenses**		
	Deposits and other liabilities	+6,761	+8,460
	Total positive interest expenses	**+6,761**	**+8,460**
7	**Fee and commission income**		
	Securities and securities accounts	3,115	3,824
	Funds transfer	38,227	36,040
	Loan case fees	5,467	15,089
	Guarantee commission	20,265	18,481
	Other fees and commission	14,562	14,303
	Total fee and commission income	**81,636**	**87,737**
8	**Value adjustments**		
	Lending at fair value	-1,017	-1,710
	Bonds	-7,995	-2,742
	Shares	3,114	-6,540
	Currency	3,059	2,805
	Foreign exchange, interest rate, equity, commodity and other contracts, as well as derivative financial instruments	1,293	1,819
	Total value adjustments	**-1,546**	**-6,368**

NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)		2018	2017

Notes 3-8
The Bank has not distributed net interest and fee income and value adjustment on areas of activity and geographical markets. It is assessed that there are no significant deviations between the Bank's activities and geographical areas, and no segment data is therefore disclosed.

9 Staff and administration expenses

	2018	2017
Employee expenses		
Salaries	66,729	64,527
Other staff expenses	2,472	2,190
Pensions	8,382	8,021
Social security expenses	659	582
Total	**78,242**	**75,320**
Other administration expenses	79,165	77,208
Number employed The average number of employees in the financial year, converted to full-time employees	120.8	117.5
Of which salaries and remuneration to the Board of Directors and the Executive Management:		
Board of Directors		
Chairman of the Board of Directors, Gunnar í Liða	370	270
Vice Chairman Kristian Frederik Lennert	257	183
Board member Maliina Bitsch Abelsen, joined in 2018	131	0
Board member Bent Arabo, joined and resigned in 2018	93	0
Board member Frank Olsvig Bagger, resigned in 2018	44	125
Board member Hans Niels Boassen	175	10
Board member Anders Jonas Brøns, resigned in 2018	175	125
Board member Christina Finderup Bustrup	175	125
Board member Allan Damsgaard, resigned in 2017	0	115
Board member Lars Holst	175	125
Board member Yvonne Jane Poulsen Kyed	185	135
Board member Arne Ilannguaq Guldmann Petersen, resigned in 2017	0	104
Board member Elise Love Nicoline Zeeb	175	21
Total	1,955	1,338

NOTES TO THE STATEMENT OF INCOME

(DKK 1,000)		2018	2017
	Executive Management Board		
	Managing Director Martin Birkmose Kviesgaard		
	Contractual remuneration, including free car and other benefits	2,734	2,685
	Pension	725	707
	The Bank has established a defined benefit severance/pension scheme for the Bank's managing director. Under this scheme, the Bank is obliged to pay a fixed benefit for a period of time following the managing director's retirement. The present value of the benefit as of 31 December 2018 is compiled at TDKK 265, which is recognised under Executive Management Board pensions. This obligation, which is earned over the 2016-2023 period, may comprise 0-24 months' salary.		
	Two other employees whose activities have a significant influence on the Bank's risk profile		
	Contractual remuneration, including free car and other benefits	2,492	2,369
	Pension	342	337
10	**Audit fees**		
	Statutory audit of the annual financial statements	615	605
	Other declarations with assurance	41	22
	Tax advisory services	45	141
	Other services	26	298
	Total remuneration to the auditors elected by the Annual General Meeting who perform		
	the statutory audit	**727**	**1,066**
	Non-auditing services are provided by Deloitte, Statsautoriseret Revisionspartnerselskab and comprise fees for various statutory declarations, various tax assistance, and to a small extent advisory services concerning capital, etc.		
11	**Tax on the profit for the year**		
	Tax on the profit for the year is calculated as follows:		
	Current tax	27,603	11,143
	Deferred tax	-180	-467
	Taxation value of dividend paid	17,172	31,482
	Total	**44,595**	**42,158**
	Tax on the profit for the year is broken down as follows:		
	Calculated 31.8% tax on the profit for the year	44,620	42,169
	Other adjustments	-25	-11
	Total	**44,595**	**42,158**
	Effective tax rate	31.8%	31.8%
	Corporate and dividend tax paid in 2018 amounts to TDKK 11,371		

NOTES TO THE BALANCE SHEET

(DKK 1,000)		2018	2017
12	**Amounts receivable from credit institutions and central banks**		
	On-demand	240,798	181,624
	Up to and including 3 months	852,000	300,000
	Over 3 months and up to and including 1 year	6,000	0
	Over 1 year and up to and including 5 years	61,436	40,436
	Total	**1,160,234**	**522,060**
	Receivables subject to terms of notice at central banks	352,000	0
	Receivables from credit institutions	808,234	522,060
	Total	**1,160,234**	**522,060**
13	**Loans**		
	Write-downs on loans and receivables:		
	New write-downs	8,797	11,404
	Losses without preceding write-downs	1,389	247
	Received for claims previously written off	-1,355	-1,715
	Recognised in the statement of income	**8,831**	**9,936**
	Provisions for losses on guarantees, non-utilised credit lines and loan undertakings:		
	New provisions	2,107	3,798
	Recognised in the statement of income	**2,107**	**3,798**
	Recognised in the statement of income in total	**10,938**	**13,734**
	Lending at amortised cost	3,472,174	3,335,119
	Total lending by remaining term to maturity:		
	On demand	472,996	365,871
	Up to and including 3 months	226,492	253,865
	Over 3 months and up to and including 1 year	550,040	515,417
	Over 1 year and up to and including 5 years	1,500,000	1,409,906
	Over 5 years	722,646	790,060
	Total	**3,472,174**	**3,335,119**
	Write-downs on loans		
	Individual write-downs:		
	Start of the period	92,953	85,380
	Change in accounting policy	-92,953	0
	Write-downs during the year	0	48,403
	Reversal of write-downs in previous financial years	0	31,483
	Final loss (depreciated) previously individually depreciated	0	4,898
	Other movements	0	-4,449
	Total individual write-downs on lending	**0**	**92,953**

NOTES TO THE BALANCE SHEET

(DKK 1,000)	2018	2017
Group write-downs:		
Start of the period	36,021	31,841
Change in accounting policy	-36,021	0
Write-downs during the year	0	11,605
Reversal of write-downs in previous financial years	0	6,628
Other movements	0	-797
Total group write-downs on lending	**0**	**36,021**

in DKK 1,000	Stage 1	Stage 2	Stage 3	In total
Write-downs on loans				
Start of the period	0	0	0	0
Change in accounting policy	12,728	36,222	98,071	147,021
Write-downs during the year	1,464	0	12,895	14,359
Reversal of write-downs in previous years	0	-7,997	0	-7,997
Write-downs in total	**14,192**	**28,225**	**110,967**	**153,383**
Provisions for losses on guarantees, non-utilised credit lines and loan undertakings				
Start of the period	350	262	12,181	12,792
Change in accounting policy	0	0	2,058	2,058
Provisions during the year	111	0	2,052	2,163
Reversal of write-downs in previous years	0	-56	0	-56
Total provisions	**461**	**206**	**16,291**	**16,957**
Total	**14,653**	**28,431**	**127,258**	**170,340**

14 Bonds at fair value

	2018	2017
Mortgage-credit bonds	878,073	878,007
Other bonds	1,020	16,672
Total	**879,093**	**894,679**

Of which nominal TDKK 50,000 deposited as security for debt at Danmarks Nationalbank

15 Shares, etc.

	2018	2017
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen	4,469	19,943
Unlisted shares included at fair value	80,774	69,410
Total	**85,243**	**89,353**

NOTES TO THE BALANCE SHEET

(DKK 1,000)		2018	2017
16	**Head office properties**		
	Reassessed value, beginning of year	207,728	197,128
	Additions during the year, including improvements	2,762	1,100
	Disposals during the year	-3,108	0
	Write-off	-4,365	-4,337
	Value changes recognised in other comprehensive income	3,747	13,681
	Value changes recognised in the statement of income	501	156
	Reassessed value, year-end	**207,265**	**207,728**

There is no public property valuation in Greenland.
In 2018, an independent expert assessment was obtained of the market value of the Bank's head office property in Nuuk. The valuation has not made it necessary to change the book value.
No expert assessment was used in conjunction with the measurement of the Bank's other head office properties.

		2018	2017
17	**Other tangible assets**		
	Cost, beginning of year, without depreciation or write-downs	48,325	45,097
	Additions during the year, including improvements	2,578	3,884
	Disposals during the year	-333	-656
	Cost, year-end	**50,570**	**48,325**
	Depreciation and write-downs, beginning of year	39,933	37,654
	Depreciation for the year	2,900	2,659
	Reversal of depreciation concerning disposals	-333	-380
	Depreciation and write-downs, year-end	**42,500**	**39,933**
	Accounting value, year-end	**8,070**	**8,392**
18	**Assets connected to pool schemes**		
	Investment associations	63,032	6,764
	Non-invested funds	11	3
	Total	**63,043**	**6,767**
19	**Liabilities to credit institutions and central banks**		
	On demand	22,565	22,670
	Total	**22,565**	**22,670**
	Debt to central banks	22,565	22,670
	Debt to credit institutions	0	0
	Total	**22,565**	**22,670**

NOTES

(DKK 1,000)		2018	2017
20	**Deposits and other liabilities**		
	On demand	4,726,714	4,113,307
	Up to and including 3 months	4,058	4,224
	Over 3 months and up to and including 1 year	17,169	7,163
	Over 1 year and up to and including 5 years	89,583	56,276
	Over 5 years	61,520	24,642
	Total	**4,899,044**	**4,205,612**
	On demand	4,366,433	3,774,589
	On terms of notice	281,756	267,379
	Fixed-term deposits	60,436	40,436
	Special deposit conditions	190,419	123,208
	Total	**4,899,044**	**4,205,612**
21	**Provisions for deferred tax**		
	The year's changes in deferred tax can be summarised as follows:		
	Deferred tax, beginning of year	59,708	55,824
	Adjustment of deferred tax, beginning of year from change of policy,	-9,667	0
	Adjustment of current tax	9,667	0
	The year's deferred tax recognised in the statement of income for	-180	-467
	Adjustment of deferred tax concerning equity items	1,191	4,351
	Total	**60,719**	**59,708**
	Deferred tax concerns:		
	Head office properties	59,851	58,814
	Operating equipment	868	894
	Total	**60,719**	**59,708**

22 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

	2018	2017
Number of own shares	0	0

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

Greenland Holding A/S	Nuuk	15.26%
BETRI P/F	Kongabrúgvin, Torshavn	14.58%
NunaFonden	Nuuk	13.98%
AP Pension Livsforsikringsaktieselskab	Copenhagen	11.39%

NOTES

(DKK 1,000)	2018	2017

23 Capital Statement

	2018	2017
Credit risk	3,486,548	3,367,369
CVA risk	5,707	8,066
Market risk	161,366	107,567
Operational risk	566,841	542,621
Total risk exposure	**4,220,462**	**4,025,623**
Equity	999,159	958,458
Proposed dividend, accounting effect	-36,828	-36,828
Framework for ratio of own shares	-4,914	-5,840
Deductions for prudent valuation	1,182	-1,204
Actual core capital	**956,236**	**914,586**
Capital base	**956,236**	**914,586**
Actual core capital ratio	22.7	22.7
Capital ratio	22.7	22.7
Statutory requirement of actual core capital ratio	4.5	4.5
Statutory capital ratio requirements	8.0	8.0

24 Contingent liabilities

	2018	2017
Mortgage finance guarantees	707,584	674,335
Registration and remortgaging guarantees	136,340	47,371
Other guarantees	433,680	439,475
Total	**1,277,604**	**1,161,181**

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

25 Legal cases

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

NOTES

(DKK 1,000)		2018	2017
26	**Currency exposure**		
	Assets in foreign currency, in total	53,850	41,922
	Liabilities in foreign currency, in total	48,737	26,973
	Exchange-rate indicator 1	5,091	14,882
	Exchange-rate indicator 1 as a ratio of core capital	0.5	1.63
	Exchange-rate indicator 2	64	367
27	**Interest rate risk**		
	The Bank solely has fixed-interest-rate assets in Danish kroner.		
	Interest-rate risk for debt instruments, etc.	19,297	10,481

28 **Related parties**

Related parties comprise the Bank's Board of Directors and Executive Mana 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

	2018	2017
Executive Management:	100	100
Board of Directors, including members elected by the employees	9,805	109,484
Pledges:		
Executive Management Board	0	0
Board of Directors, including members elected by the employees	7,950	60,527

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 2018 are in the range of 2.25%-7.5%.

The Board of Directors' and Executive Management's holdings of shares in (BANKEN A/S
compiled in accordance with the insider rules (number).

	2018	2017
Board of Directors:		
Kristian Frederik Lennert	10	10
Anders Jonas Brøns, resigned in 2018	-	14,249
Hans Niels Boassen	10	10
Yvonne Jane Poulsen Kyed	10	10
Executive Management:		
Martin Birkmose Kviesgaard	1,455	1,455

NOTES

(DKK 1,000)

29 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-rate assets and liabilities which are measured at amortised cost. Provided that certain criteria are fulfilled, 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.

	2018	2017
Lending		
Amortised/nominal value	185,850	197,487
Accounting value	157,581	227,026
Covered with interest rate swap		
Synthetic principal/nominal value	174,909	188,210
Accounting value	9,178	8,926
Lending at fixed interest rates without cover		
Amortised/nominal value	24,863	16,789
Accounting value	27,965	19,111

In addition, the BANK of Greenland has entered into an interest rate swap totalling DKK 10 million, for partial cover of the interest rate risk on the Bank's bond portfolio.

NOTES

(DKK 1,000)

29 Derivative financial instruments

2018	Nominal value	Positive market value	Negative market value	Net market value
Currency contracts				
Spot	6,993	26	-1	25
Interest rate contracts				
Swaps	184,840	0	-10,307	-10,307
Share contracts				
Spot, purchase	4	4	-5	-1
Spot, sale	4	5	-4	1
Total	**8**	**9**	**-9**	**0**
Total	**191,841**	**35**	**-10,317**	**-10,282**
2017				
Currency contracts				
Spot	0	0	0	0
Interest rate contracts				
Swaps	232,993	60	-11,879	-11,819
Share contracts				
Spot, purchase	8	3	0	3
Spot, sale	8	0	-3	-3
Total	**16**	**3**	**-3**	**0**
Total	**233,009**	**63**	**-11,882**	**-11,819**

NOTES

(DKK 1,000)

29 Derivative financial instruments

Term structure by remaining term to maturity

2018

	Up to and including 3 months		Over 3 months and up to and including 1 year	
	Nominal value	**Net Market value**	**Nominal value**	**Net Market value**
Interest rate contracts, Swaps	0	0	0	0
Currency contracts, Spot	6,993	25	0	0
Share contracts				
Spot, purchase	4	-1	0	0
Spot, sale	4	1	0	0
Total	**8**	**0**	**0**	**0**
Total	**7,001**	**25**	**0**	**0**

	Over 1 year and up to and including 5 years		Over 5 years	
	Nominal value	**Net market value**	**Nominal value**	**Net Market value**
Interest rate contracts, Swaps	58,555	3,026	126,285	7,280
Total	**58,555**	**3,026**	**126,285**	**7,280**

2017

	Up to and including 3 months		Over 3 months and up to and including 1 year	
	Nominal value	**Net Market value**	**Nominal value**	**Net Market value**
Interest rate contracts, Swaps	0	0	25,558	413
Currency contracts, Spot	0	0	0	0
Share contracts				
Spot, purchase	8	-3	0	0
Spot, sale	8	3	0	0
Total	**16**	**0**	**0**	**0**
Total	**16**	**0**	**25,558**	**413**

	Over 1 year and up to and including 5 years		Over 5 years	
	Nominal value	**Net market value**	**Nominal value**	**Net Market value**
Interest rate contracts, Swaps	46,863	2,453	160,572	8,953
Total	**46,863**	**2,453**	**160,572**	**8,953**

NOTES

(DKK 1,000)

30 Fair value of financial instruments

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

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

Level 1: Listed prices in an active market for the same type of financial instruments, i.e. with no change in form or structure.

Level 2: Listed prices in an active market for similar assets or liabilities, or other valuation methods in which all significant input is based on observable market data.

Level 3: Valuation methods where any significant input is not based on observable market data.

Transfers are made between the categories if an instrument's classification on the balance sheet date differs from its classification at the beginning of the financial year. However, changes during the period do not reflect changes in the credit risk.

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

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

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

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

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

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

NOTES

(DKK 1,000)

2018 in DKK 1,000	Listed prices Level 1	Observable prices Level 2	Non-observable prices Level 3	In total
Financial assets				
Bonds	878,073	0	1,020	879,093
Shares	4,469	0	80,774	85,243
Head office properties	0	0	207,265	207,265
Positive market value of derivative financial instruments	0	35	0	35
Total	**882,542**	**35**	**289,059**	**1,171,636**
Financial liabilities:				
Negative market value of derivative financial instruments	0	10,317	0	10,317
Total	**0**	**10,317**	**0**	**10,317**

2017 in DKK 1,000	Listed prices Level 1	Observable prices Level 2	Non-observable prices Level 3	In total
Financial assets				
Bonds	884,680	0	9,999	894,679
Shares	19,943	0	69,410	89,353
Head office properties	0	0	207,728	207,728
Positive market value of derivative financial instruments	0	63	0	63
Total	**904,623**	**63**	**287,137**	**1,191,823**
Financial liabilities:				
Negative market value of derivative financial instruments	0	11,882	0	11,882
Total	**0**	**11,882**	**0**	**11,882**

in DKK 1,000	**2018**	**2018**	**2017**	**2017**
Financial instruments recognised at amortised cost:	Amort. cost.	Fair value	Amort. cost.	Fair value
Receivables from credit institutions and central banks	1,160,234	1,160,199	522,060	522,675
Lending and other receivables	3,472,174	3,485,646	3,335,119	3,344,106
Liabilities to credit institutions and central banks	22,565	22,565	22,670	22,670
Deposits and other liabilities	4,899,044	4,898,536	4,205,612	4,206,101
Derivative financial instruments				
Interest rate swaps	0	10,307	0	11,819

NOTES

(DKK 1,000)

31 Sensitivity calculations

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

Interest rate risk:
The sensitivity calculation in relation to the Bank's interest rate risk is based on the interest rate risk key ratio that is reported to the Danish FSA. This key ratio shows the effect on the core capital after deductions on a change in interest rates of 1% point, equivalent to 100 basis points. The calculation shows that if the average interest rate on 31 December 2018 had been100 basis points higher, the profit for the year would, all other things being equal, have been TDKK 19,297 lower (2017 TDKK 10,481 lower) primarily as a consequence of negative fair value adjustment of the Bank's holdings of fixed-interest-rate bonds.

Currency risk:
The sensitivity calculation in relation to the Bank's currency risk is based on the currency indicator 1 key ratio that is reported to the Danish FSA. Currency indicator 1 expresses a simplified measure of the extent of the Bank's positions in foreign currency, and is calculated as the largest of the sum of all of the short currency positions and the sum of all of the long currency positions. If the Bank on 31 December 2018 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 127 lower (2017: TDKK 372 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 2018 had been 10% lower, the profit for the year before tax, all other things being equal, would have been TDKK 8,524 lower (2017 TDKK 8,935 lower) as a consequence of negative fair value adjustment of the share portfolio.

The unlisted shares include shares with a repurchase right, but not obligation, of TDKK 18,743. The repurchase right can be utilised once a year for a period of 14 days, and expires in Q3 2019. The BANK of Greenland may not sell the shares to any third party before the expiry of the repurchase right in 2019.

Property risk:
If the value of the Bank's properties on 31 December 2018 had been 10% lower, the negative value adjustment of the properties, all other things being equal, would have been TDKK 20,727 before tax (2017 TDKK 20,773 lower).

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(DKK 1,000)	2018	2017	2016	2015	2014
32 5-year financial highlights and key figures					
Net interest and fee income	313,597	309,546	289,760	284,174	293,457
Value adjustments	-1,546	-6,368	-12,899	-10,775	7,687
Other operating income	5,385	5,240	4,854	6,002	5,657
Staff and administration expenses	157,407	152,528	144,207	139,414	136,440
Depreciation and impairment of tangible assets	6,765	6,840	5,981	6,150	9,160
Other operating expenses	2,011	2,709	4,136	7,780	4,961
Write-downs on loans and receivables, etc.	10,938	13,734	13,971	19,432	24,807
Profit before tax	**140,315**	**132,607**	**113,420**	**106,625**	**131,433**
Tax	44,595	42,158	36,029	33,899	41,776
Profit for the year	**95,720**	**90,449**	**77,391**	**72,726**	**89,657**
Selected balance sheet items:					
Lending	3,472,174	3,335,119	3,073,861	2,822,572	2,814,547
Deposits	4,899,044	4,205,612	4,822,362	4,741,477	3,739,768
Equity	999,159	958,458	926,210	914,282	909,872
Total assets	6,164,536	5,355,010	5,911,496	5,846,450	4,849,621
Contingent liabilities	1,277,604	1,161,181	1,266,537	1,123,022	1,093,349
Official key figures:					
Solvency ratio	22.7	22.7	21.2	20.8	20.3
Core capital ratio	22.7	22.7	21.2	20.8	20.3
Return on equity before tax	14.3	14.1	12.3	11.7	14.7
Return on equity after tax	9.8	9.6	8.4	8.0	10.0
Rate of return	1.6	1.7	1.3	1.2	1.9
Income per cost krone	1.79	1.75	1.67	1.62	1.75
Interest rate risk	2.0	1.1	1.3	1.1	1.3
Foreign exchange position	0.5	1.6	2.4	5.6	3.1
Loans plus write-downs in relation to deposits	73.1	82.2	66.2	61.7	77.5
Lending as a ratio of equity	3.5	3.5	3.3	3.1	3.1
Growth in lending during the year	5.0	8.5	8.9	0.3	-2.1
Liquidity Coverage Ratio	282.1	222.4	207.4	181.9	157.3
The sum of large exposures	160.4	160.2	n/a	n/a	n/a
Ratio of receivables at reduced interest rates	0.9	0.6	0.8	0.9	0.7
Write-down ratio for the year	0.2	0.3	0.3	0.6	0.7
Accumulated write-down ratio	3.5	3.1	2.9	2.8	2.4
Profit for the year per share	53.2	50.3	43.0	40.4	49.8
Net book value per share	555	532	515	508	505
Dividend per share	30	30	55	55	55
Listed price/profit for the year per share (PE)	10.3	12.9	14.3	15.4	12.3
Stock exchange quotation/net book value per share	1.0	1.2	1.2	1.2	1.2

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32 Definitions of key ratios

Solvency ratio
Capital base as a percentage of risk exposure.

Core capital ratio
Core capital after percentage deduction of risk exposure.

Return on equity before tax
Profit before tax as a ratio of average equity. Average equity is calculated as a simple average of equity at the beginning and end of the year.

Return on equity after tax
Profit after tax as a ratio of average equity. Average equity is calculated as a simple average of equity at the beginning and end of the year.

Rate of return
Profit for the year as a ratio of total assets.

Income per cost krone
Net interest and fee income, value adjustments and other operating income as a percentage of personnel and administration expenses, depreciation and write-down of intangible and tangible assets, other operating expenses and write-downs on loans and receivables.

Interest rate risk
Interest rate risk as a percentage of core capital after deductions.

Currency position (currency indicator 1)
Currency indicator 1 is defined by the Danish FSA and expresses the risk of losses on positions in foreign currency due to fluctuating exchange rates. On an overall basis, the risk is calculated as the larger amount of positions in currencies in which the Bank has a net receivable, or positions in which the Bank has net debt.

Lending as a ratio of deposits
Lending + write-downs as a ratio of deposits.

Lending as a ratio of equity
Lending/equity.

Growth in lending during the year
Percentage growth in lending from the beginning to the end of the year.

Sum of large exposures
Sum of large exposures as a ratio of the capital base.

Ratio of receivables at reduced interest rates
Receivables at reduced interest rates as a ratio of lending + guarantees + write-downs.

Write-down ratio for the year
Write-downs for the year as a ratio of lending + guarantees + write-downs.

Accumulated write-down ratio
Total write-downs as a ratio of lending + guarantees + write-downs.

Profit for the year per share
Profit for the year after tax/average number of shares. Average number of shares is calculated as the weighted average of the beginning and end of the year.

Net book value per share
Equity/number of shares, excluding own shares.

Dividend per share
Proposed dividend/number of shares.

Listed price as a ratio of the profit for the year per share
Listed price/profit for the year per share.

Stock exchange quotation as a ratio of net book value.
Stock exchange quotation/net book value per share.

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33 Management posts

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 Activities Act, at least 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. More information is available 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 2017. Current term expires in 2019.
Does not comply with the Committee on Corporate Governance's definition of independence.
Chairman of the Audit and Risk Committee, Nomination Committee and Remuneration Committee.

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

Gunnar í Liða holds an MSc(Econ) and was employed in the Faroese financial sector from 1988 to 2010 – until the end of 2010 as the Director of the Faroe Islands' largest insurance company, when he resigned from this position. Gunnar í Liða also has substantial Board experience from Faroese companies, including financial activities, 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 2018. Current term expires in 2020.
Does not comply with the Committee on Corporate Governance's definition of independence.
Member of the of the Audit and Risk Committee, Nomination Committee and Remuneration Committee.

Managing Director of:
Ejendomsselskabet Issortarfik ApS

Kristian Frederik Lennert holds an MSc in structural engineering and has been employed by INUPLAN A/S since 1984, and since 2002 as managing director of the company. Kristian 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.

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Commercial Director, CCO Maliina Bitsch Abelsen
Air Greenland A/S
Born on 7 February 1976
Joined the Board of Directors on 20 March 2018. Current term expires in 2020.
Complies with the Committee on Corporate Governance's definition of independence.
Member of the of the Audit and Risk Committee.

Member of the Boards of Directors of:
- Visit Greenland (Chair)
- Grønlands Rejsebureau A/S
- Air Greenland ATO A/S
- UN Board of Indigenous Peoples Partnership Programme

Maliina Abelsen holds an MSc in social sciences and a Masters in Policy and Applied Social Research. Since 2016 she has been Commercial Director of Air Greenland with responsibility for commercial development, sales and marketing. From 2014 to 2016 Maliina Abelsen was Director of the 2016 Arctic Winter Games. From 2015 to 2017 Maliina Abelsen was Vice Chair of the Board of Directors of TELE Greenland A/S. Maliina Abelsen was a member of Inatsisartut (the Greenland Parliament) from 2009 to 2014 and held posts in Naalakkersuisut (the Greenland Government), most recently as Naalakkersuisoq (Minister) for Finances from 2011 to 2013. Maliina Abelsen has previously worked at the UN Human Rights Commission in Geneva and the Foreign Affairs Directorate in Nuuk.

Christina Finderup Bustrup
Born on 16 August 1973
Joined the Board of Directors on 25 March 2015. Last re-elected in 2017. Current term expires in 2019.
Complies with the Committee on Corporate Governance's definition of independence.
Member of the of the Audit and Risk Committee.

As the former CEO of Nærpension A/S and as a member of the Audit and Risk Committee, Christina F. Bustrup has many years' accounting and auditing experience, so that the Board considers her to be an independent member of the of the Audit and Risk Committee with accounting qualifications.

Christina F. Bustrup holds an MSc in actuarial science and also has executive management qualifications from IMD Business School. Christina F. Bustrup has been CEO of Nærpension A/S served for many years as COO (Customer Director) at AP Pension.

Former Executive Vice President Lars Holst
Born on 15 February 1952
Joined the Board of Directors on 25 March 2015. Last re-elected in 2017. Current term expires in 2019.
Complies with the Committee on Corporate Governance's definition of independence.
Member of the of the Audit and Risk Committee.

As former EVP at Nykredit and as a member of the Audit and Risk Committee, Lars Holst has many years' accounting and auditing experience, so that the Board considers him to be an independent member of the of the Audit and Risk Committee with accounting qualifications.

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).

NOTES

Customer Manager Hans Niels Boassen
GrønlandsBANKEN A/S
Born on 01 July 1963
Joined the Board of Directors on 6 December 2017. Current term expires in 2019.
Member of the of the Audit and Risk Committee.

Member of the Boards of Directors of:
Fonden Nuummi Illorsuit Timersortarfiit – Godthåb-hallerne
Andelsboligforeningen Taliffik

Deputy manager Yvonne Jane Poulsen Kyed
GrønlandsBANKEN A/S
Born on 29 January 1970
Joined the Board of Directors on 23 March 2011. Last re-elected in 2015. Current term expires in 2019.
Member of the Audit and Risk Committee and the Remuneration Committee.

Customer adviser Elise Love Nicoline Zeeb
GrønlandsBANKEN A/S
Born on 03 October 1960
Joined the Board of Directors on 1 November 2017. Current term expires in 2019.
Member of the of the Audit and Risk Committee.

Managing 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:
BEC a.m.b.a.
Fugleværnsfonden

ABOUT THE BANK OF GREENLAND

BANK of Greenland
Imaneq 33
Postbox 1033
3900 Nuuk

Company reg. no. 39.070
GER no. 80050410

Domicile municipality: Sermersooq

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Fax: +299 34 77 20

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banken@banken.gl

Board of Directors

Director Gunnar í Liða, Chairman
Director Kristian Lennert, Deputy Chairman
Commercial Director, CCO Maliina Bitsch Abelsen
Customer Manager Hans Niels Boassen*)
Christina Finderup Bustrup
Former Executive Vice President Lars Holst
Deputy Manager Yvonne Kyed*)
Customer adviser Elise Love Nicoline Zeeb*)

*) Employee representatives

Executive Management Board

Managing Director Martin Kviesgaard

Audit and Risk Committee
Comprises the full Board of Directors

Remuneration Committee
Comprises the Chairman and Vice 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 2019

Annual Report 2018	28 February
Annual General Meeting in Nuuk	27 March
Interim Report, First Quarter 2019	8 May
Interim Report, First Half 2019	20 August
Interim Report, First Nine Months 2019	31 October

Notifications to the stock exchange in 2018

22 February	Annual Report 2017
1 March	Notice convening the Annual General Meeting
7 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
14 March	Reporting of insider trading
15 March	Flagging of Annual General Meeting powers of attorney to the Board of Directors
20 March	Annual General Meeting of the BANK of Greenland
25 April	Interim Report, First Quarter 2018
20 June	Major shareholder notification – Greenland Holding A/S
20 June	Major shareholder notification – Government of Greenland
15 August	Interim Report, First Half 2018
22 August	Financial Calendar 2019
3 October	Change in the Board of Directors of the BANK of Greenland
30 October	Interim Report, First Nine Months 2018
10 December	Death of a member of the Board of Directors