

Danish Financial Supervisory Authority  
Nasdaq Copenhagen A/S

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**Decision from the European Commission concerning state aid to Vestjysk Bank**

In April 2012, the European Commission temporarily approved state aid for Vestjysk Bank. In continuation hereof, the European Commission in December 2015 opened an in-depth investigation into the state aid received. See in this respect the bank's company announcements dated 25 April 2012 and 4 December 2015.

The Danish State has today notified the bank that the European Commission has decided to approve the State aid subject to certain conditions, including that the overall solution announced by the bank in the company announcement of 12 June 2017 be carried through and that the bank complies with certain terms.

The overall solution, as described in the decision and the bank's company announcement of 12 June 2017, comprises the following main elements:

- The investor group, which on 19 June 2017 advanced a voluntary offer to the shareholders in Vestjysk Bank, acquires shares from the shareholders in Vestjysk Bank, who accept the investor group's voluntary offer, including the shareholding of the Danish State.
- The investor group will ensure completion of a subsequent share issue, which will contribute approx. DKK 745 million in equity to Vestjysk Bank and will ensure that the shareholders, who do not wish to accept the offer of the investor group, receive the opportunity to become part of the overall solution on the same terms as the investor group.
- It is additionally ensured that Vestjysk Bank can issue new subordinated debt in the form of hybrid core capital in the amount of approx. DKK 150 million and Tier 2 capital of between DKK 175 and DKK 225 million.
- Redemption at par value of subordinated capital in the amount of DKK 666 million, including approx. DKK 287.6 million of state capital, which according to the terms of the loan must be redeemed at a price of 110% of the principal, corresponding to approx. DKK 316 million.

Vestjysk Bank will in a restructuring period be subject to certain conditions:

- The bank must have a capital base corresponding to the higher of (i) 2% of the total risk exposure and (ii) DKK 325 million in addition to the solvency requirement and the combined capital buffer requirement under applicable law.
- The bank must maintain an LCR of at least 100%, surplus liquidity coverage of at least 50% and a funding ratio of maximum 1; all measured in compliance with applicable rules.
- The bank's 2017 balance sheet cannot be higher than for 2016 and cannot exceed DKK 20,300 million in 2018 and DKK 21,000 million in 2019 (if applicable).
- The bank must re-balance its lending with specific caps to lending in respect of real estate (25% of total lending) and agriculture, hunting, forestry and fishery (a total of 20% of all lending).

- The bank cannot provide new lending outside the region of Jutland, unless the customer self-finances a specific minimum part at a level to be fixed in the interval between 35-45% and the loan is collateralised. The bank shall not provide new lending outside Denmark.
- The bank cannot assume exposure with new customers constituting on its own more than 10% of the bank's total capital.
- The bank will, with certain limited exceptions, be subject to an acquisition ban and restrictions on advertising.
- The bank must restructure its risk management and in relation to pricing comply with certain requirements for average gross income and return on equity pre-tax (at a fixed level in the interval between 8-12% for business customers) for new loans in 2018 and for all customer relationships in 2019 (if applicable).
- The bank will be subject to certain restrictions in relation to the size of the bank's cost base with the effect that ongoing operating costs cannot exceed certain fixed levels in the intervals between DKK 435-475 million in 2017, DKK 420-460 million in 2018 and DKK 405-445 million in 2019 (if applicable).
- The bank must redeem its state hybrids within 6 months following the European Commission's decision.

The restructuring period ends on 31 December 2019. If the bank obtains a return on equity after tax in 2018 at a fixed level in the interval between 7-11 %, the restructuring period ends on 31 December 2018. The European Commission will on a current basis monitor the terms and the development in the restructuring plan through an independent monitoring trustee to be approved by the Commission.

The decision of the Commission is expected to be published and made available later today on the Commission's webpage: ([http://ec.europa.eu/competition/state\\_aid/register/](http://ec.europa.eu/competition/state_aid/register/)). The published decision includes (with intervals) certain internal projections of certain key figures regarding 2017-2019. These projections have been prepared on the basis of certain assumptions and are subject to significant uncertainties. The projections do not constitute and cannot be regarded as announced financial expectations, guidance or forecasts for the bank.

The bank is pleased that a decision has been made in the matter and finds the terms of the decision to be in line with the bank's present action plan. The decision, including the terms, does therefore not give rise to changing the bank's strategy or profit forecast for 2017.

## **Vestjysk Bank A/S**

Vagn Thorsager  
*chairman of the board of directors*