2012

vestjyskBANK **Annual Report**

vestjyskBANK

Table of Contents

Introduction	3
Management's Review	6
Key Figures and Financial Ratios	6
Quarterly Key Figures and Financial Ratios	8
Financial Review	10
Investor relations	20
Governance	23
Organisation and Corporate Social Responsibility	26
Management's Statement	29
Auditors' Reports	30
Consolidated Financial Statements	34
Statement of Income and Statement of Comprehensive Income	34
Statement of Financial Position	35
Statement of Changes in Equity	36
Statement of Cash Flows	37
Notes	38
Financial Statements – Parent company	82
Statement of Income and Statement of Comprehensive Income	82
Statement of Financial Position	83
Statement of Changes in Equity	85
Notes	86

Vestjysk Bank A/S
Torvet 4-5, DK-7620 Lemvig
Denmark
CVR No. 34631328
Registered office: Lemvig, Denmark
Telephone +45 96 63 20 00
Fax +45 96 63 22 99
www.vestjyskbank.dk
vestjyskbank@vestjyskbank.dk
Read or download this report at vestjyskbank.dk.
The vestjyskBANK Finanancial Report for 2012 is a translation
of the original report in Danish (vestjyskBANK Årsrapport for 2012).
In case of discrepancies, the Danish version prevails.

Introduction

Eventful and dramatic year

Two thousand and twelve became the fourth consecutive year when the financial crisis left its marks on social developments resulting in unfavourable market conditions for a wide range of business areas. The earnings capacity of many enterprises was heavily impaired and employment was affected negatively.

The social climate affects earnings of banks. In vestjyskBANK's case, we have to acknowledge that our impairment need and realised losses on loans were extraordinarily heavy. The key reasons for this can be summarised as follows:

- The Bank's previous growth strategy relied too heavily on a capital base that, structurally, was underpinned by relatively high interest expenses. A lack of patience and non-interest bearing core capital has hampered longer term strategic manoeuvring.
- With respect to the Bank's customer composition in the business segment, the real estate industry is overrepresented. Rental properties are difficult to sell at acceptable prices—it is a buyer's market, provided buyers can be found.
- Because of vestjyskBANK's geography and history, the agricultural sector is a natural and major factor in the Bank's lending activities. However, the agricultural sector is undergoing its own "crisis within a crisis." For a long time, the relationship between attainable settlement prices and production costs for agricultural commodities has been shifting out of reasonable proportion and this has affected the Bank especially hard.
- For a number of years, the Bank has built up a credit culture that has been too optimistic in several areas.

The Bank has therefore had to make downward adjustments of its expected annual results for 2012, as specified in its company notices issued on 25 September 2012 and 1 February 2013.

In September 2012, vestjyskBANK's Supervisory Board decided to alter the composition of the Bank's Executive Board.

In spite of the challenges, there were also bright spots in 2012. During the first six months, the Bank successfully implemented its very extensive capital plan. It did so, among other things, thanks to major local backing.

Chairman of th Board Steen Hemmingsen and CEO Vagn Thorsager

The bank obtained full subscription of additional capital with proceeds of DKK 300.5 million and in the summer of 2012, the Bank obtained a commitment for new government guarantees of DKK 6.8 billion. The guarantee commitment is reduced on an ongoing basis and will lapse in full on 30 June 2016.

First quarter 2012 vestjyskBANK completed a merger with Aarhus Localbank A/S. The merger proceeded according to plan and the expected synergies were realised in step with the combination of the two organisations, both organisationally and technically as it transitioned to a shared IT platform.

The Bank has maintained the expected and relatively high core earnings.

The Bank's process of slimming down its balance sheet and its ongoing reduction of its deposit deficit proceeded according to plan and without affecting customers' ordinary need for sustainable investment loans.

The Bank has carried out cost reductions of at least DKK 50 million as announced in the autumn of 2012, by adjusting a number of support functions in its headquarters and by splitting up its branch network into four regions. These efforts have enabled the Bank to attain greater efficiency improvements for internal production without weakening its attentive and competent customer-focused advisory and service efforts. The number of employees increased by 68 in connection with the Aarhus Lokalbank merger with declined overall by 74 for all of 2012 and totalled 564 full-time employees at year's end.
The year's disappointing and clearly unsatisfactory results ended with a loss of DKK 1,149 million before tax. The need for

Introduction

impairments stood at DKK 1,515 million and, combined for 2011 and 2012, required DKK 2,499 million in impairments related to weak loans.

Expectations and outlook

The outlook for 2013 is based on a view of a bank that is poorly capitalised, whose composition of subordinated capital must be optimised. The Bank's solvency ratio was calculated at 10.9 percent at 31 December 2012, while the solvency need stood at 10.0 percent. The Bank's surplus funding of 0.9 percentage points met the statutory requirements but was below Management's ambitions.

The Bank's Supervisory Board has therefore decided to take further steps in order to enable convert more government hybrid core capital. The conversion is expected to improve the Bank's solvency by approx. 1 percentage point and strengthen actual core capital by more than 1 percentage point.

The Bank expects that it can maintain core earnings before impairments at around DKK 500 million. We similarly expect the need for impairments to fall significantly based on the critical examinations we performed of our lending portfolio in 2012. Even as the performed impairments are deemed to match the current risks, the Bank will also have to perform impairments in 2013.

Our outlook is based on unchanged economic conditions—but just how those conditions will develop remains highly uncertain. The earnings trend for individual customers can change rapidly from acceptable to critical and businesses that are currently described as financially critical but with clear signs of positive improvements will, during this process, often need to request additional liquidity from their bank without having the capacity to provide new collateral. Accommodating such requests often seems sensible; the alternative can easily mean closing the business in question with disproportionately major losses of assets and jobs. The Bank makes its decisions on a case-to-case basis. However, the consequence of helping this type of enterprises through a crisis will often mean that raising a customer's credit will have to be matched in the Bank's income statement as an impairment.

Tightened strategy

In Management's assessment, assuming a very tight management process and without a worsening of the economic climate, the Bank may be able to restore its bottom line earnings capacity successfully. The process is based on the following strategy:

- It is expected that the Bank's solvency will be strengthened by approx. 1 percentage point by exercising its right to convert government hybrid core capital to share capital in full or in part. The effect will be even greater when determining the actual core capital. The Supervisory Board will move for adoption by the members at the Annual General Meeting on 26 March 2013 a proposal to reduce the nominal amount of the Bank's shares from DKK 10 to DKK 1.
- Close monitoring of trends in the Bank's revenue and expenditures;
- A continuation of already implemented and planned measures within the handling of credit processes, which will provide a better overview of credit quality and trends that require preventive actions;
- Action-oriented follow-up of commitments with impairments with a special emphasis on settlement or survival strategies. If the commitment needs to be settled by realising collaterals, it will be determined both if the impairments are sufficient and what are the proceeeds for reducing loans on which interest is not paid.
- Continuation of the current process whereby the Bank proactively deselects individual customers who, due to either size and/or complexity, do not fit the Bank's business model and capital structure;
- The Bank wants to have customers on the books whose loan commitment to the bank exceeds 10 percent of the Bank's core capital, regardless of offered collaterals only in very special circumstances;
- Optimisation of the provision of the necessary liquidity that, substantially, is based on the assumption that most depositors have balances that are covered by the Danish Guarantee Fund for Depositors and Investors of approx. DKK 750,000.
- The process of slimming down the Bank's balance sheet by adjusting lending and guarantees is designed to optimise how the Bank's capital base is used and a reduction in weighted assets is designed to contribute to increased surplus solvency;

- Providing attentive and proactive servicing and advisory services to present customers—as well as new ones who can be handled within the scope of the Bank's strategies and business plans.

The Bank's challenges are great but, unless we see a worsening of general business conditions, we believe 2013 will represent a financial turning point for vestjyskBANK in spite of everything, and that—with a sustained and focused effort—we will be able to recreate a strong regional bank in the long term.

Steen Hemmingsen	Vagn Thorsager
Chairman of the Board	*Chief Executive Officer*

Management's Review

Consolidated key figures and financial ratios

Key figures	2012 *)	2011	2010	2009	2008
Statement of Income (in MDKK)					
Net interest income	892	846	816	789	572
Net fee income	279	236	233	225	142
Dividends on equity securities etc.	5	3	3	7	5
Market value adjustments for foreign currency and sector shares	96	-25	49	141	-58
Other operating income	10	6	9	66	255
Core income	1,282	1,066	1,110	1,228	915
Personnel and administrative expenses	-660	-590	-590	-622	-447
Other operating expenses as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	-48	-51	-102	-128	-39
Operating expenses and operating depreciations and amortisations	-708	-641	-692	-750	-486
Core earnings before impairments	574	425	418	478	430
Impairment of goodwill	-208	0	0	0	0
Impairments of loans and receivables etc.	-1,515	-984	-408	-537	-176
Profit/loss before tax	-1,149	-559	10	-59	254
Tax	299	-136	4	-18	-4
Profit/loss	-1,448	-423	6	-41	258
Statement of Financial Position (in MDKK)					
Assets, total	32,765	29,280	33,583	32,838	32,216
Loans	20,697	21,716	23,468	23,874	24,069
Deposits, including pooled funds	18,057	15,029	15,564	18,635	16,643
Contingent liabilities	5,154	4,353	4,485	5,715	6,731
Business volume	43,908	41,098	43,517	48,224	47,443
Equity	992	1,733	2,161	2,149	2,196

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

*) Consolidated figures. There is no material difference between the group and the parent company.

Financial ratios	2012 *)	2011	2010	2009	2008
Solvency					
Solvency ratio	10.9%	12.4%	13.6%	14.7%	9.8%
Core capital ratio	5.4%	9.1%	11.4%	11.4%	6.4%
Earnings					
Return on equity before tax, annually [1]	-84.3%	-28.7%	0.4%	-2.7%	13.0%
Return on equity after tax, annually [1]	-106.3%	-21.7%	0.3%	-1.9%	13.2%
Income-cost ratio [2]	0.53	0.66	1.01	0.95	1.39
Rate of cost [3]	55.3%	60.1%	62.4%	61.1%	53.1%
Employees converted to full-time (average)	621.3	614.8	642.1	658.9	471.7
Market risk					
Interest rate risk [4]	-11.5%	-4.6%	-2.0%	-1.6%	2.9%
Foreign currency position [5]	1.7%	1.5%	4.7%	3.9%	25.4%
Foreign currency risk	0.0%	0.0%	0.1%	0.1%	0.1%
Excess cover in relation to statutory liquidity requirements [6]	144.8%	98.8%	126.7%	125.8%	71.6%
Credit risk					
Loans plus impairments on loans in relation to deposits	133.2%	158.9%	160.3%	135.0%	150.3%
Loans in relation to equity	20.9	12.5	10.9	11.1	10.9
Growth in loans for the year [7]	-4.7%	-7.5%	-1.7%	-0.8%	65.3%
Total of large commitments [8]	46.1%	30.7%	40.7%	38.1%	80.5%
Accumulated impairment ratio	11.6%	7.8%	5.1%	5.1%	3.0%
Impairment ratio for the year	5.2%	3.5%	1.4%	1.7%	0.6%
vestjyskBANK share					
Profit/loss for the year per share (denomination DKK 10)	-39.5	-34.2	0.5	-3.4	25.3
Equity value per share (denomination DKK 10)	16.2	140.8	174.2	175.8	179.9
Price of vestjyskBANK shares, end of the year	13.0	18.8	68.5	87.0	46.0
Market price / profit/loss for the period per share	-	-	142.0	-	1.8
Market price / equity value per share	0.8	0.1	0.4	0.5	0.3

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

*) Consolidated figures. There is no material difference between the group and the parent company.

1 Based on average equity.

2 Income from ordinary activities in relation to costs from ordinary activities.

Income from ordinary activities = net interest and fee income + value adjustments + other operating income

Costs from ordinary activities = operating costs and operating depreciations and impairments + impairment of goodwill + impairment of loans and amounts receivable, etc.

3 Operating costs and operating depreciations and impairments in relation to core income.

4 Interest rate risk in relation to core capital, less deductions.

5 Foreign Currency Indicator 1 in relation to core capital, less deductions.

6 Surplus funding in relation to the 10% requirement set out in sec 152 of the Danish Finance Act.

7 Growth in loans measured in relation to vestjyskBANK's loans, beginning of the year .

8 Commitments exceeding 10 percent of the capital base in relation to the capital base.

Management’s Review

Quarterly Key Figures and Financial Ratios

Key figures	Q4 2012 *)	Q3 2012 *)	Q2 2012 *)	Q1 2012 *)	Q4 2011
Statement of Income (in MDKK)					
Net interest income	211	239	231	211	225
Net fee income	82	61	81	55	60
Dividends on equity securities etc.	0	0	4	1	0
Market value adjustments for foreign currency and sector shares	53	29	-1	15	4
Other operating income	-4	7	6	1	1
Core income	342	336	321	283	290
Personnel and administrative expenses	-156	-172	-181	-151	-158
Other operating expenses as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	-14	-13	-9	-12	5
Operating expenses and operating depreciations and amortisations	-170	-185	-190	-163	-153
Core earnings before impairments	172	151	131	120	137
Impairment of goodwill	0	-208	0	0	0
Impairments of loans and receivables etc.	-611	-669	-129	-106	-726
Profit/loss before tax	-439	-726	2	14	-589
Tax	115	184	1	4	-146
Profit/loss	-554	-910	1	10	-443
Statement of Financial Position (in MDKK)					
Assets, total	32,765	33,309	33,894	35,959	29,280
Loans	20,697	21,700	22,983	23,824	21,716
Deposits, including pooled funds	18,057	17,717	18,529	17,843	15,029
Contingent liabilities	5,154	4,634	5,234	4,464	4,353
Business volume	43,908	44,051	46,746	46,131	41,098
Equity	992	1,526	2,454	2,137	1,733

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

*) Consolidated figures. There is no material difference between the group and the parent company.

Financial ratios	Q4 2012 *)	Q3 2012 *)	Q2 2012 *)	Q1 2012 *)	Q4 2011
Solvency					
Solvency ratio	10.9%	13.7%	15.0%	12.7%	12.4%
Core capital ratio	5.4%	8.0%	10.5%	8.4%	9.1%
Earnings					
Return on equity before tax, annually [1]	-138.8%	-145.1%	0.4%	2.9%	-119.7%
Return on equity after tax, annually [1]	-173.8%	-181.9%	0.2%	2.1%	-90.0%
Income-cost ratio [2]	0.44	0.32	1.01	1.05	0.33
Rate of cost [3]	50.0%	55.1%	59.0%	57.7%	52.0%
Employees converted to full-time (average)	604.7	636.1	649.5	594.8	605.7
Market risk					
Interest rate risk [4]	-11.5%	-8.2%	-5.3%	-5.6%	-4.6%
Foreign currency position [5]	1.7%	1.3%	1.5%	1.2%	1.5%
Foreign currency risk	0.0%	0.0%	0.0%	0.0%	0.0%
Excess cover in relation to statutory liquidity requirements [6]	144.8%	135.2%	143.5%	178.6%	98.8%
Credit risk					
Loans plus impairments on loans in relation to deposits	133.2%	138.3%	136.2%	146.2%	158.9%
Loans in relation to equity	20.9	14.2	9.4	11.1	12.5
Growth in loans for the period [7]	-4.6%	-5.6%	-3.5%	9.7%	-3.8%
Total of large commitments [8]	46.1%	17.8%	15.4%	26.4%	30.7%
Accumulated impairment ratio	11.6%	9.8%	7.5%	7.5%	7.8%
Impairment ratio for the period	2.1%	2.3%	0.4%	0.3%	2.6%
vestjyskBANK share					
Profit/loss for the period per share (denomination DKK 10)	-9.0	-14.9	0.0	0.5	-35.8
Equity value per share (denomination DKK 10)	16.2	25.0	40.2	70.1	140.8
Price of vestjyskBANK shares, end of the period	13.0	13.6	16.0	25.0	18.8
Market price / profit/loss for the period per share	0.8	0.5	0.4	0.4	0.1

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

*) Consolidated figures. There is no material difference between the group and the parent company.

1 Based on average equity.

2 Income from ordinary activities in relation to costs from ordinary activities.

Income from ordinary activities = net interest and fee income + value adjustments + other operating income .

Costs from ordinary activities = operating costs and operating depreciations and impairments + impairment of goodwill + impairment of loans and amounts receivable, etc.

3 Operating costs and operating depreciations and impairments in relation to core income.

4 Interest rate risk in relation to core capital, less deductions.

5 Foreign Currency Indicator 1 in relation to core capital, less deductions.

6 Surplus funding in relation to the 10% requirement set out in sec 152 of the Danish Finance Act.

7 Growth in loans measured in relation to vestjyskBANK's loans, beginning of the period .

8 Commitments exceeding 10 percent of the capital base in relation to the capital base.

Management’s Review

Financial Review

Introduction

The merger between vestjyskBANK and Aarhus Lokalbank was carried out on 30 March 2012 with vestjyskBANK as the continuing company.

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at 31 March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

vestjyskBANK has prepared 2012 annual financial statements for both the Group and the parent company. The Management's Review is based on the financial figures for the vestjyskBANK Group.

Statement of income

Results

The results for the year were negative at DKK 1,149 million before tax, which means that they correspond to those notified in the Company Notice of 1 February 2013. The results are disappointing and clearly inadequate and should be seen in the context of the continuing challenging market conditions.

The trend in vestjyskBANK's 2012 core income was satisfactory and income was realised as expected.

For 2012, the Bank's core earnings before impairments on goodwill as well as loans and receivables stood at DKK 574 million. In spite of the Bank’s solid revenue performance, its core earnings reflect an increase in operating costs due to the Aarhus Lokalbank merger as well as benefits paid out in connection with terminations in Q2, Q3 and Q4, 2012.

Goodwill impairments stood at DKK 208 million, *cf.* Company Notice of 25 September 2012.

Impairments of loans and receivables, etc. were DKK 1,515 million in 2012. The impairment ratio was 11.6 percent.

The Bank has revaluated its capacity to exercise tax assets primarily derived from tax losses. As a result of the heightened uncertainty, changes to the tax laws in June 2012 as well as the Danish Securities Council’s decision relating to the recognition of deferred tax assets, tax assets have been impaired by DKK 588 million to zero for precautionary reasons. The impairment affects the Bank’s income after tax by a corresponding amount but has no significance with respect to solvency.

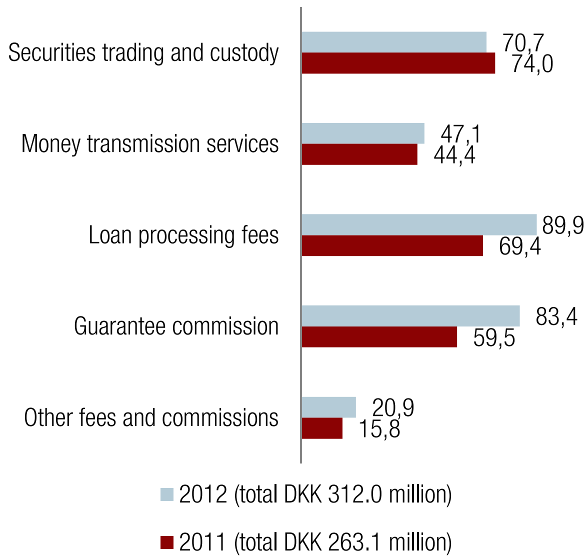
Core income

For 2012, vestjyskBANK realised core income of DKK 1,282 million, an increase of DKK 216 million (or 20.3 percent) compared with the same period last year.

The increase was primarily a result of an increase in net interest income, which rose by DKK 46 million, corresponding to 5.4 percent from DKK 846 million in 2011 to DKK 892 million in 2012.

At the same time, net fee income was realised at DKK 279 million in 2012, which is an improvement of DKK 43 million or 18.2 percent over the same period last year. In addition to the net impact of the Aarhus Lokalbank merger, the income reflects a high level of activity, not least within the mortgage credit area in connection with the conversion of housing loans.

Commissions and fees (in MDKK)



Dividends on equity securities etc. stood at DKK 5 million in 2012 compared with DKK 3 million for the same period last year.

Value adjustments in 2012 totalled DKK 96 million while value adjustments in 2011 were negative at DKK 25 million.

Other operating income stood at DKK 10 million in 2012 compared with DKK 6 million for the same period last year.

Operating expenses and operating depreciations and amortisations

The Bank's total operating expenses and operating depreciations and amortisations stood at DKK 708 million in 2012. DKK 11.3 million of these were linked to costs related to the Aarhus Lokalbank merger. Moreover, all known costs related to employee departures in 2012 have been recognised in the annual financial statements at DKK 46.2 million, which also includes termination benefits related to the Bank's former chief executive officer.

Less costs related to the merger and departures as well as impairments of goodwill, the Bank's costs have developed as expected and the current focus on cost management is maintained. The Bank has completed the efficiency improvement process to realise cost savings of around DKK 50 million.

vestjyskBANK's contributions to the Danish Deposit Guarantee Fund for 2012 were recognised as an expense at DKK 28 million.

The rate of cost for the period was 55.3, which is 4.8 percentage points lower than in 2011.

Core earnings before impairments

In 2012, the Bank's core earnings before impairments stood at DKK 574 million. Because of the Bank's solid revenue performance, core earnings before impairments were DKK 149 million higher than in 2011.

Impairment of loans and receivables, etc.

As set out in vestjyskBANK's Company Notice of 25 September 2012, the Bank's Supervisory Board requested the Bank's day-to-day management to lead a special examination of the Bank's loan and guarantee portfolio, in order to clarify the current risk of losses for the Bank's commitments based on:

- Continued weak economic climate;
- A deteriorating earnings capacity within certain branches of agriculture, especially milk production as well as negative trends in the terms of trade for feed expenses and settlement prices. This deterioration of many farmers' operating results often occurs in the context of negative consolidation throughout several years.
- The real estate market is still exhibiting sluggishness in terms of the turnover of letting and housing properties. Parts of the market are nearly frozen solid and price formation is extremely unfavourable for owners and lenders.
- Many commercial properties are affected by long periods of idleness in letting.

The situation described here also caused the Bank to implement a more thorough and conservative interpretation of the Danish Financial Supervisory Authority's new guidelines for impairments.

This extraordinary review of the Bank's loan and guarantee portfolio prompted the Bank to increase its outlook for the year's impairments and provisions for loans and guarantees at around DKK 600 million.

Since the downward adjustment in September 2012, Management has initiated more extensive individual reviews also of small/medium-sized commitments. These reviews have shown that the random sample analysis as well as empirical assessments of the need for impairments and provisions on which the assessments of September 2012 were based had been set too low. The average creditworthiness for a number of small/medium-sized loan commitments have thus turned out to be significantly poorer than assumed.

Thus, on 1 February 2013, the Bank published a company notice detailing a further downward adjustment of net DKK 375 million to the projected results for the year. The projected impairments for the year were increased by DKK 450 million.

For 2012, vestjyskBANK's impairments of loans and receivables, etc. were DKK 1,515 million.

For the Bank's business segments, it was especially real estate and agricultural commitments that influenced the Bank's results negatively. Generally, the agricultural sector is still undergoing difficult economic conditions and 38 percent of the Bank's 2012 impairments thus originated in agriculture, where especially cattle farming is undergoing difficult times. As all other Danish banks

Management's Review

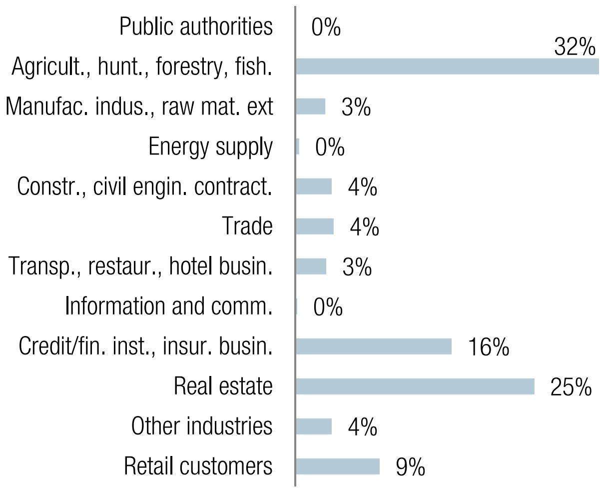
Financial Review

with agriculture customers, vestjyskBANK is subject to the prevailing economic climate in the agricultural sector.

Apart from the agricultural sector and real estate, impairments in 2012 were especially performed within financing and insurance and, more broadly, across the various other industry segments.

The Bank's cumulative impairment ratio stood at 11.6 at 31 December 2012 compared with 7.8 at 31 December 2011. The distribution of cumulative impairments and provisions across industry segments at 31 December 2012 is illustrated in the figure below.

Accumulated impairments and provisions by industry segment as at 31 december 2012



We have to acknowledge that the need for impairments has been great and realised losses on loans have turned out to be extraordinarily heavy. The key reasons for this can be summarised as follows:

- During times when the economic climate was favourable, the Bank failed to focus sufficiently on preventing risks and to pay sufficient attention to establishing precautionary measures that could mitigate the consequences of the current economic challenges.
- The Bank's previous growth strategy relied too heavily on a capital base that, structurally, was underpinned by relatively high interest expenses. A lack of patience and non-interest bearing core capital has hampered longer term strategic manoeuvring.
- With respect to the Bank's customer composition in the business segment, the real estate industry is overrepresented. Rental properties are difficult to sell at acceptable prices—it is a buyer's market, provided buyers can be found.
- Because of vestjyskBANK's geography and history, the agricultural sector is a natural and major factor in the Bank's lending activities. However, the agricultural sector is undergoing its own "crisis within a crisis." For a long time, the relationship between attainable settlement prices and production costs for agricultural commodities has been shifting out of reasonable proportion and this has affected the Bank especially hard.
- For a number of years, the Bank has built up a credit culture that has been too optimistic in several areas.

Balance

vestjyskBANK's balance stood at DKK 32.8 billion at 31 December 2012 compared with DKK 29.3 billion at year-end 2011. This increase is primarily a result of the Aarhus Lokalbank merger in Q1 2012.

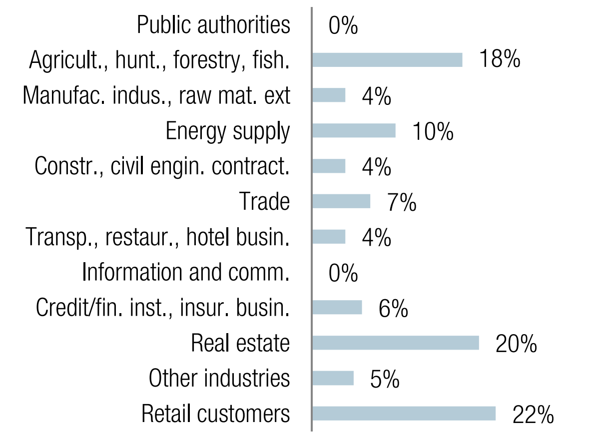
At 30 September 2012, vestjyskBANK's balance sheet stood at DKK 33.3 billion. The balance was thus reduced by DKK 0.5 billion over the course of Q4 2012. The Bank will continue its planned balance sheet adjustment designed to ensure the Bank's necessary funding and liquidity.

Loans

As a result of the Aarhus Lokalbank merger in Q1 2012, vestjyskBANK's loans rose from DKK 21.7 billion at year-end 2011 to DKK 23.8 billion at 31 March 2012. However, the ongoing balance sheet adjustment meant that the Bank's loans at 31 December 2012 were lower than at year-end 2011 and thus stood at DKK 20.7 billion. In Q4 2012 alone, the Bank's loans were reduced by DKK 1.0 billion. However, it should be noted that, also in Q4, some of the reduction could be attributed to the previously mentioned impairments of the Bank's loan portfolio.

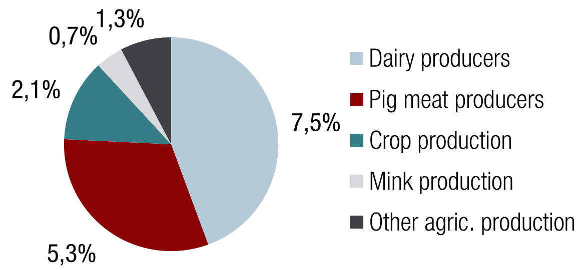
The industry segment distribution of vestjyskBANK's loans is illustrated in the figure on the next page.

Loans and guarantees by industry segment as at 31 December 2012



Agriculture is and has historically been an important vestjyskBANK's core business component and it is a business area within which the Bank has great experience. The Bank's agricultural commitments stood at approx. 16.9 percent of total loans and guarantees at 31 December 2012 and are distributed across the various production branches as shown in the figure below.

Agricultural commitments distributed across production branches



The sum of major commitments (commitments of 10 percent or more of the capital base) stood at 46.1 percent at 31 December 2012 and comprised three commitments.

Deposits, including pool

As at 31 December 2012, the Bank's deposits including pooled funds stood at DKK 18.1 billion, which is DKK 3.0 billion higher than at year-end 2011.

The Aarhus Lokalbank merger and the Bank's efforts to increase deposits meant that vestjyskBANK's deposits increased by DKK 2.8 billion in Q1 2012.

Throughout the rest of 2012, the Bank continued its targeted efforts at attracting deposits and increasing these. At 31 December 2012, the item deposits incl. pooled funds showed a small increase of DKK 340 million compared with 30 September 2012.

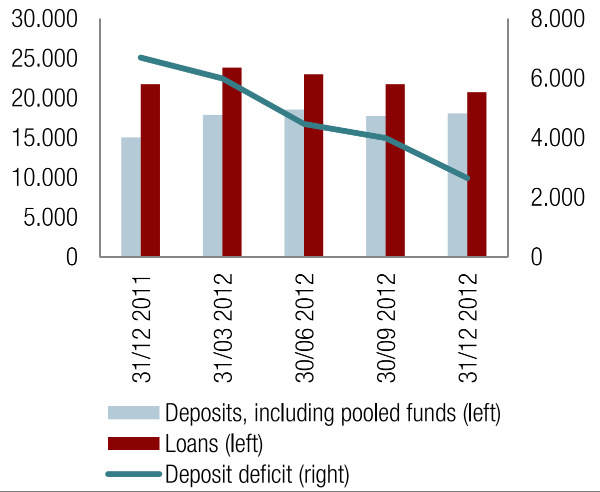
Gap between deposits and loans

For the year, the positive trend within deposits and lending has meant that vestjyskBANK's deposit deficit has been reduced by DKK 4.0 billion from DKK 6.7 billion at year-end 2011 to DKK 2.7 billion at year-end 2012.

In Q4 2012 alone, the deposit deficit was reduced by DKK 1.3 billion.

The figure below shows how vestjyskBANK's deposits, loans and its deposit deficit have developed over the past five quarters.

Development in deposits, including pooled funds, loans and deposit deficit (in MDKK)



vestjyskBANK BANK continues the focused efforts to reduce the difference between deposits and loans.

Business volume

As at 31 December 2012, vestjyskBANK's business volume—that is, total deposits, loans and contingent liabilities—stood at DKK

43.9 billion compared to DKK 41.1 billion at year-end 2011. The change in business volume can be ascribed to increases of DKK 3.0 billion in deposits including pooled funds as well an increase in contingent liabilities of DKK 0.8 billion. Lending levels declined by DKK 1.0 billion compared with 31 December 2011.

Subsidiaries

vestjyskBANK and Aarhus Lokalbank merged in the first quarter of 2012 and in doing so, the wholly-owned subsidiary Center Finansiering A/S became part of the vestjyskBANK Group. The company has no actual activities.

Capital and liquidity conditions

Equity

vestjyskBANK's equity totalled DKK 992 million at 31 December 2012. The trend in equity since 1 January 2011 is detailed in the Statement of Changes in Equity.

Subordinated debt

vestjyskBANK's subordinated debt stood at DKK 2,384 million at 31 December 2012, of which government hybrid core capital under Bank Package II represented DKK 1,220 million. Of these funds, DKK 1,185 million accrued interest at a rate of 9.943 percent, while DKK 35 million accrued interest at 11.11 percent.

In February 2012, vestjyskBANK converted hybrid core capital to share capital for DKK 287.6 million, including accrued interest of DKK 8.7 million, totalling DKK 296.3 million. This took place as part of the Bank's capital plan.

Special rules apply to hybrid core capital under Bank Package II as set out by law. Thus, no dilution of the capital may occur, which is the reason buyback programmes aimed at impairing the Bank's share capital are not permitted. Additionally, the tax credit issued will only be for 50 percent of Executive Board salaries.

Solvency

The capital base less deductions totalled DKK 2,782 million at 31 December 2012, which together with risk-weighted items of a total of DKK 25,595 million, produced a solvency ratio of 10.9 percent. At 31 December 2011, the Bank's solvency ratio stood at 12.4 percent.

As a result of the implementation of the capital plan during the first six months of 2012, the Bank's solvency ratio rose to, respectively, 12.7 percent at 31 March 2012 and 15.0 percent at 30 June 2012.

The Bank's negative results for Q2 2012 resulted in a decline of the solvency ratio of 4.1 percentage points compared with 30 June 2012.

At the same time, the Bank's core capital ratio has declined to 5.4 percent as at 31 December 2012, a decline of 3.7 percentage points compared with 31 December 2011 and a decline of 2.6 percentage points compared with 30 September 2012. The execution of the capital plan during the first six months of 2012 resulted in a core capital ratio of 10.5 percent at 30 June 2012.

The Bank's initiatives to improve its solvency are described in the section entitled "Bank's general action plan" on page 19.

Solvency need

The individual solvency need for vestjyskBANK has been calculated at 10.0 percent.

The adequate capital base has been recognised at DKK 2,560 million, which can be compared to the core capital less deductions of DKK 2,782 million. The difference between the capital base and the adequate capital base constitutes the surplus solvency, which has been estimated at 0.9 percentage points corresponding to DKK 222 million as at 31 December 2012. Please refer to note 2 for a description of Capital base risk.

For a detailed discussion of the Bank's solvency need as at 31 December 2012, please see the Bank's website.

Liquidity

vestjyskBANK's loans have traditionally exceeded the Bank's deposits. In recent years the Bank has therefore raised loans and issued debt securities through both Danish and non-Danish credit institutions. At 31 December 2012, the Bank's external funding totalled DKK 11.3 billion.

As part of the implementation of its capital plan, vestjyskBANK repaid a government guaranteed bond loan of DKK 1.0 billion on 17 May 2012. This served to reduce the total Financial Stability

Company guarantee framework from DKK 9.6 billion to DKK 8.6 billion.

As anticipated, the Bank's deposit deficit and the implementation of the capital plan's components have improved vestjyskBANK's liquidity-related situation. In June 2012, a decision was therefore made to seek early redemption of government guaranteed bond loans for an additional DKK 1.8 billion. As a result, the Financial Stability Company’s commitment for new individual government guarantees was reduced from the expected DKK 8.6 billion to DKK 6.8 billion.

At 31 December 2012, the Bank’s liquidity was good, and surplus funding in relation to statutory requirements was estimated at 144.8 percent. vestjyskBANK has moreover decided to utilise Danmarks Nationalbank's loan scheme for DKK 3 billion, with a maturity date of 25 September 2015

Uncertainties related to recognition and measurement

The most material uncertainties related to recognition and measurement are associated with impairments of loans and provisions against guarantees. In addition to those, there are uncertainties related to the Bank’s owner-occupied and investment properties, acquired assets and financial instruments.

Over the course of 2012, the Bank’s Management determined that the Bank’s business processes and internal procedures were insufficient for ensuring the proper credit-related treatment of the Bank’s commitments for the timely assessment and determination of impairment needs. Furthermore, the practices notified by the Danish Financial Supervisory Authority for the valuation of real estate had also not been sufficiently implemented in the Bank’s notional projections of the size of necessary impairments.

However, in Management’s opinion, the Bank’s assessment and determination of the need for impairments as at 31 December 2012 substantially conform with the Financial Supervisory Authority’s guidelines and reflect the risk of losses in current economic climate.

However, because a number of efforts to improve the Bank’s overall credit quality—including the development of additional management tools—were only implemented in the latter half of 2012, the measurement of loans and other guarantee commitments are still subject to material uncertainty. Additionally, there is still considerable uncertainty with respect to changes in the general economy, nationally and globally.

Risks related to going concern

If Management's expectations for core earnings and materially lower impairments are not substantially realised or if material, unexpected negative events transpire, this may ultimately mean that the Bank will have its license to conduct banking activities revoked or be forced to enter settlements that will have a negative impact on the Bank’s results, financial position and going concern.

Management is aware that the Bank has a relatively substantial number of customers displaying signs of weakness and customers with impairments. If the economic climate deteriorates further, especially within the agricultural and real estate sectors, this may also have a material impact on the Bank’s operating results, financial position and going concern.

The Financial Supervisory Authority’s Supervisory Diamond

vestjyskBANK’s goal is to remain within the limit values for the five parameters established by the Danish Financial Supervisory Authority’s “Supervisory Diamond” and with which, in principle, all banks should comply at year-end 2012. vestjyskBANK is meeting this goal.

vestjyskBANK’s assets in relation to the relevant limit values are listed in the table below.

Realised values at 31 December 2012

Supervisory Diamond Benchmarks	Realised values
Major commitments, total (< 125%)	46.1%
Growth in loans (< 20%)	–4.7%
Property exposure (< 25%)	20.9%
Funding ratio (< 1)	0.84
Liquidity surplus (> 50%)	144.8%

Management's Review

Financial Review

Miscellaneous accounting information

Changes in executive board

Frank Kristensen stepped down as chief executive officer on 25 September 2012.

The Executive Board now consists of Vagn Thorsager who was appointed chief executive officer and Michael N. Petersen who was appointed managing director.

Related parties

vestjyskBANK's related parties comprise the members of the Supervisory Board as well as these persons' relatives. Over the course of the year, the Bank has conducted normal trade on arm's-length terms with Kaj Bech A/S, an enterprise wholly owned by Director Anders Bech.

Related parties furthermore comprise the Danish State, which holds a controlling interest by virtue of its ownership of 52.2% of the Bank's share capital and voting rights.

The Bank's transactions with related parties are specified in Note 32.

Apart from what is considered normal management remuneration, no transactions have been carried out with related parties during the period.

Pay policy

vestjyskBANK's pay policy is described in the Bank's Pay Policy, which is available at vestjyskbank.dk/ om-banken/profil/governance/loenpolitik.

Collaboration partners

vestjyskBANK collaborates with and receives commissions from the following:

Mortgage credit

In the mortgage credit area, vestjyskBANK is primarily collaborating with Totalkredit within the mortgaging of full-year and second homes as well as owner-occupied dwellings.

vestjyskBANK is also a shareholder in the holding company Pras A/S.

Within mortgaging of commercial properties, including agriculture, residential rental properties and cooperatives,

vestjyskBANK collaborates primarily with DLR Kredit, which is also co-owned by the Bank.

In addition to these primary partners, vestjyskBANK is collaborating with Nykredit.

Insurance and pension

Within the insurance area, vestjyskBANK collaborates with PFA insurance in respect of life and disability insurance policies.

vestjyskBANK is moreover, via Letpension Holding A/S, co-owner of Letpension A/S, which functions as an advisory and intermediation platform, and insurance policies taken out are transferred to PFA.

vestjyskBANK is also collaborating with Pensionsinfo about data exchange in connection with pension advisory services.

Within the non-life insurance area, vestjyskBANK is primarily collaborating with Vestjylland Forsikring and Privatsikring.

Securities trading and management

vestjyskBANK collaborates with BankInvest for intermediation of BankInvest investment societies and other related products and is shareholder of BI Holding A/S, which is the parent company for the Group.

vestjyskBANK is collaborating with Garanti Invest A/S for the provision of structured products and is a shareholder of Garanti Invest A/S.

vestjyskBANK collaborates with Sparinvest for the intermediation of Sparinvest investment societies and is a shareholder in Sparinvest Holding A/S.

vestjyskBANK is also collaborating for the intermediation of financial products with Sydinvest, Alm. Brand Invest, Maj Invest, Danske Invest, Carnegie, Dexia Invest and ValueInvest.

vestjyskBANK is collaborating with Forvaltningsinstituttet for Lokale Pengeinstitutter, which has been authorised by the Danish Ministry of Justice to handle administrative duties. This collaboration includes referring customers to Forvaltningsinstituttet.

Payment services
vestjyskBANK collaborates with NETS A/S for payment intermediation, cards and NemID. vestjyskBANK is a co-owner of NETS A/S via NETS Holding A/S.

Payroll processing for customers
vestjyskBANK collaborates with Bluegarden A/S for payroll systems. vestjyskBANK is a co-owner of Bluegarden A/S via Bluegarden Holding A/S.

In addition to the partners specified above, vestjyskBANK collaborates with the following enterprises but without receiving commissions:

Mortgage credit
vestjyskBANK is collaborating with BoligCenterVestjylland, a local real estate broker. This collaboration covers valuation of properties as well as mutual referral of customers.

vestjyskBANK is also collaborating with Nykredit Mægler. This collaboration includes valuations of properties as well as mutual referral of customers.

vestjyskBANK is using the e-net for electronic registration of property transactions.

Insurance
vestjyskBANK is collaborating with Euler Hermes. This collaboration includes referring customers for matters relating to credit insurance.

Securities transactions
vestjyskBANK collaborates on securities trading with Arbejdernes Landsbank, Danske Bank, Nordea, Sydbank, Spar Nord Bank, Maj Invest, Lind Capital and Nykredit Bank.

vestjyskBANK is collaborating with Arbejdernes Landsbank for the execution of securities orders received by vestjyskBANK from customers via NetBank.

Foreign exchange activities
vestjyskBANK is collaborating on foreign exchange trades with Danske Bank, Nordea Finland, Jyske Bank, SEB Stockholm and KBC Bruxelles.

Employees
vestjyskBANK is collaborating with Finanssektorens Uddannelsescenter, which is used for basic studies, continuing studies and advanced studies.

vestjyskBANK is also collaborating with Bankpension in connection with its employee pension funds.

Other collaboration partners
vestjyskBANK is co-owner of BEC, one of Denmark's three jointly owned bank computer centres. The Bank's collaboration with BEC means that vestjyskBANK always has at its disposal reliable, user-friendly and competitive IT solutions. BEC is also a significant provider of services to other players in the financial sector.

vestjyskBANK is collaborating with e-Boks A/S to maintain an electronic archive of correspondence from the Bank to the customers who subscribe to e-Boks. vestjyskBANK is a co-owner of e-Boks A/S via NETS Holding A/S.

vestjyskBANK is collaborating with and is a co-owner of VP SECURITIES A/S, whose most important duty is to handle the electronic issuance of securities, to register ownership and rights as well as perform clearing and settlement of securities trades.

vestjyskBANK is collaborating with Bankernes Kontantservice, whose most important duties involve handling cash and money transports.

vestjyskBANK is a member of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark. The objective of the Association is to support its members, promote members' common interests taking into consideration individual members' independence, freedom of action and integrity and to promote the sound development of the financial sector, so that its members can solve their tasks in the best possible manner.

Management's Review
Financial Review

vestjyskBANK is also a member of the Danish Employers' Federation for the Financial Sector (Finanssektorens Arbejdsgiver-forening) as well as the Danish Bankers' Association (Finansrådet).

Process for presenting the accounts
The Supervisory and Executive Boards maintain overall responsibility for the Bank's control and risk management systems for presenting the accounts, including ensuring compliance with relevant laws and other rules and regulations related to presenting the accounts. The Bank's control and risk-management systems can provide for reasonable, but not absolute, certainty that assets are not being misappropriated or misapplied, and that losses and/or material errors and omissions are avoided in connection with presenting the accounts.

The Supervisory Board performs an evaluation of the Bank's organisational structure, the risk of fraud, and verifies the presence of the Bank's internal rules and guidelines. The Supervisory and Executive Boards approve the general procedures and control mechanisms in material areas in connection with the presentation of the accounts. The Executive Board continuously monitors compliance with relevant laws and other regulations and provisions related to presenting accounting and briefs the Supervisory on its findings on a regular basis.

The Supervisory Board performs an overall risk assessment in connection with the process for presenting the accounts. As part of this risk assessment, the Supervisory Board determines the risk of fraud and what measures are required to reduce and/or eliminate such risks. In that connection, discussions are held regarding any incentives/motives Management may have to manipulate the accounts or commit other kinds of fraud.

Individual government guarantees
On 25 April 2012, the European Commission provisionally approved a government subsidy to parts of vestjyskBANK's capital plan, including awarding new individual government guarantees. As described in detail in the Company Notice of 25 April 2012, the European Commission's final approval is conditional on vestjyskBANK's preparing and submitting a restructuring plan to the European Commission. vestjyskBANK has submitted a draft for a restructuring plan and maintains ongoing cooperation with the Danish State and the European Commission for the completion of the restructuring plan.

Since the restructuring plan is still on the drawing board and under discussion, the European Commission's approval has not yet been granted. Therefore, at the present time, we do not yet know what final terms the European Commission would establish as a condition for approving the restructuring plan.

Events since the end of the financial year

In a Company Notice of 18 February 2013, the Bank made public that it had repaid a bond loan of SEK 1,500 million with a maturity of three years guaranteed by the Financial Stability Company (Finansiel Stabilitet) on behalf of the Danish State in accordance with its terms.

With the permission of the Financial Supervisory Authority, the Bank repaid subordinated debt of DKK 75 million early at rate 66.67. The transaction affects the solvency positively with 0.34 percentage point.

Expectations and outlook

The outlook for 2013 is based on the view of a bank that is poorly capitalised and with a composition of subordinated capital that must be optimised. The Bank's solvency ratio was 10.9 percent at 31 December 2012, while the solvency need stood at 10.0 percent. The Bank's surplus funding of 0.9 percentage points is below Management's ambitions.

The Bank's Supervisory Board has therefore decided to take further steps to convert government hybrid core capital. This will improve the Bank's solvency by approx. 1 percentage point and strengthen actual core capital by more than 1 percentage point.

The Bank expects to be able to maintain core earnings before impairments at around DKK 500 million. We similarly expect the need for impairments to decline significantly, based on the critical examinations we performed of our lending portfolio in 2012. Even though the performed impairments are assessed to match the current risks, it will also be necessary to perform impairments in 2013.

Our outlook is based on unchanged economic conditions while the direction in which they might develop remains highly uncertain. The earnings trend for individual customers can change rapidly from acceptable to critical and businesses that are currently described as financially precarious but with clear signs of improvements will, during this process, often require additional liquidity from their bank without having the capacity to provide new collaterals. Accommodating such requirements often seems sensible and the alternative can easily mean that the business will be forced to close with disproportionately major losses of assets and jobs as a result. The Bank makes its decisions on a case-to-case basis. However, the consequence of helping this type of enterprises through a crisis will often mean that raising a customer's credit will have to be matched in the Bank's income statement as an impairment.

Management is aware that the Bank continues to hold a relatively large number of commitments that exhibit signs of weakness.

vestjyskBANK's general action plan

In Management's assessment, assuming a very tight management process and without a worsening of the economic climate, the Bank may be able to restore its bottom line earnings capacity successfully. The process is essentially based on the following strategy:

- It is expected that the Bank's solvency will be strengthened by approx. 1 percentage point by exercising its right to convert government hybrid core capital to share capital in full or in part. The effect will be even greater when determining the actual core capital. The Supervisory Board will move for adoption by the members at the Annual General Meeting on 26 March 2013 a proposal to reduce the nominal amount of the Bank's shares from DKK 10 to DKK 1.
- Close monitoring of trends in the Bank's revenue and expenditures;
- Action-oriented follow-up of accumulated impairments; by realising collaterals the Bank will be able to determine the sufficiency of performed impairments and where proceeds can reduce loans on which interest is often no longer paid;
- A continuation of already-implemented and planned measures within the handling of credit processes, which will provide a better overview of credit quality and trends that require preventive actions;
- Action-oriented follow-up of accumulated impairments; by realising collaterals the Bank will be able to determine the sufficiency of performed impairments and where proceeds can reduce loans on which interest is often no longer paid;
- Continuation of the current process whereby the Bank proactively deselects individual customers who, due to either size and/or complexity, do not fit the Bank's business model and capital structure;
- The Bank wants to have customers on the books whose loan commitment to the bank exceeds 10 percent of the Bank's core capital, regardless of offered collaterals only in very special circumstances;
- Optimisation of the provision of the necessary liquidity that, substantially, is based on the assumption that most depositors have balances that are covered by the Danish Guarantee Fund for Depositors and Investors of approx. DKK 750,000.
- The process of slimming down the Bank's balance sheet by adjusting lending and guarantees is designed to optimise how the Bank's capital base is used and a reduction in weighted assets is designed to contribute to increased surplus solvency; and
- Providing attentive and proactive servicing and advisory services to present customers—as well as new ones who can be handled within the scope of the Bank's strategies and business plans.

The Bank's challenges are great but, unless we see a worsening of general business conditions, we believe 2013 will represent a financial turning point for vestjyskBANK in spite of everything, and that—with a sustained and focused effort—we will be able to recreate a strong regional bank in the long term.

Management's Review
Investor relations

Through its Investor Relations (IR) activities, vestjyskBANK's ambition is to provide a true and fair view of its activities and outlook to investors, analysts and other stakeholders in the capital markets.

Disclosure of information takes place subject to the rules of NASDAQ OMX Copenhagen.

IR portal at vestjyskBANK's website

vestjyskBANK's website has an IR portal that contains relevant and updated information to shareholders and other stakeholders. The portal contains published company notices, investor presentations, the current share price, financial statements and other IR-related information. vestjyskBANK's IR policy is also posted at vestjyskbank.dk/irpolitik (web content in Danish).

vestjyskBANK share

The shares of vestjyskBANK are listed at NASDAQ OMX Copenhagen.
The closing price of the vestjyskBANK share was DKK 13.0 at 31 December 2012 compared with a closing price at 31 December 2011 of DKK 18.8, a decline of nearly 31 percent. The price corresponds to approx. 81 percent of the equity value per share. During the same period, the OMXC-20 Index for the 20 most active shares rose by nearly 27 percent. The share transaction volume for 2012 was roughly 8.5 million at a combined market value of DKK 158.3 million.

Share capital

On 20 February 2012, some of vestjyskBANK's government capital injection was converted to shares. As a result of this, vestjyskBANK's share capital was increased by a nominal DKK 141,779,950 from a nominal DKK 125,000,000 to a nominal DKK 266,779,950.

In accordance with the wording of section 55 of the Danish Companies Act, the Danish State disclosed that it held more than 5 percent of the total share capital.

As a result of the merger between Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab on 30 March 2012, vestjyskBANK's share capital was raised from a nominal DKK 266,779,950 by a nominal DKK 39,664,440 to a nominal DKK 306,444,390.
As part of vestjyskBANK's capital plan and as mentioned above, the Bank executed a share offering in April 2012, which resulted in an increase in the share capital of DKK 306,444,390 to DKK 612,888,780. The share capital is distributed across 61,288,878 shares with a nominal value of DKK 10.

vestjyskBANK has approximately 46,000 registered shareholders. The Danish State holds 32,017,428 shares, corresponding to an interest of 52.2 percent. Additionally, the Financial Stability Company, which is wholly owned by the Danish State, holds 1,291,222 shares in vestjyskBANK, which corresponds to an interest of 2.1 percent. In total, including this interest, the Danish State holds 54.3 percent of the share capital and the voting rights of vestjyskBANK.

Second only to the Danish State, the ten biggest shareholders hold 8.4 percent of the share capital in vestjyskBANK.

Capital

At the Annual General Meeting on 29 March 2012, the Supervisory Board was authorised to acquire treasury shares until 29 March 2017 at a nominal value of up to 10 percent of the share capital. At year-end 2012, vestjyskBANK holds 174,000 treasury shares, which corresponds to 0.3 percent of the share capital.

Hybrid capital contributions made by the government may be converted at up to a nominal DKK 1.438 billion under specific rules. On 20 February 2012, contributions at a nominal value of DKK 287.6 were converted to share capital.

Similarly, hybrid capital contributed by the government may take place for up to DKK 177.8 million. Of this, DKK 142.2 million has previously been converted to share capital.

The Supervisory Board will move for adoption by the members at the Annual General Meeting on 26 March 2013 a proposal to reduce the nominal amount of the Bank's shares from DKK 10 to DKK 1

The rules concerning the Bank's share capital as well as other matters related to the Bank's share capital are set out in the

Bank's Articles of Association, which are available at vestjyskbank.dk/vedtaegter.

Dividend policy

vestjyskBANK has received government capital injections under the Danish Act on State-Funded Capital Injections (lov om statsligt kapitalindskud) and exercised individual government guarantee scheme under the Danish Act on Financial Stability. The Bank is therefore subject to limitations in its capacity to pay dividends until the Bank has neither any outstanding government capital injection nor issuance under the individual government guarantee scheme. This means that vestjyskBANK may only distribute dividends to the extent that they can be financed by the Bank's net profits after tax, that consist of distributable reserves and that have been generated after 1 October 2010.

Under the terms for government capital injections, vestjyskBANK is obligated to pay a variable dividend supplement to the state, in the event dividends are paid out during the period the government injections are made.

For the period during which the government hybrid capital was contributed, no reduction of capital may take place and no treasury shares may be acquired apart from what is transacted as part of general daily trade.

Annual General Meeting and shareholder meetings

vestjyskBANK's Annual General Meeting will be held on Tuesday, 26 March 2013 at Lemvig Idræts- og Kulturcenter, Christinelystvej 8, DK-7620 Lemvig, Denmark.
A shareholder meeting will be held in Holstebro on Monday, 8 April 2012 in the concert hall of Musikteatret, Den Røde Plads 16, DK-7500 Holstebro, Denmark.
A shareholder meeting will be held in Ringkøbing on Tuesday, 9 April 2013 at the ROFI Centre, Kirkevej 26, DK-6950 Ringkøbing, Denmark.

Investor Relations manager

The Bank's Supervisory Board is responsible for vestjyskBANK's investor relations activities; shareholders and other interested parties are welcome to contact the board with questions or comments. The Bank's primary contact person for equity market stakeholders and for inquiries regarding the Bank's IR policy is:

Vagn Thorsager, Chief Executive Officer
vestjyskBANK
Torvet 4-5
DK-7620 Lemvig
Tel. 96 63 21 03
vth@vestjyskbank.dk

Financial Calendar 2013

- 11. February Deadline for receipt of shareholders' request for items inclusion on agenda for the Annual General Meeting
- 19. February Ekstraordinary general meeting
- 28. Februar Annual Report 2012
- 26. March Annual General Meeting
- 01. May Quarterly Report, Q1 2013
- 29. August Half-year Report, H1 2013
- 06. November Quarterly Report, Q3 2013

Management's Review

Investor relations

2012 company announcements

Over the course of 2012 vestjyskBANK has published the following company announcements

10. January	Company announcement based on press coverage
19. January	Company announcement of 19 January 2012
25. January	Message regarding merger and implementation of capital plan
1. February	Update of Financial Calendar 2012
15. February	Conversion price for state hybrid capital
20. February	Conversion of state hybrid capital completed
20. February	Major shareholder announcement from the Danish State
22. February	Annual Report 2011
28. February	Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab enter into merger plan
28. February	Notice of annual general meeting in Vestjysk Bank A/S
29. February	Share capital and voting rights
27. March	Approval of merger by the Danish Competition and Consumer Authority
28. March	Determination of price for fractional shares, expected time for completion of the merger etc.
29. March	vestjyskBANK's general meeting held on 29 March 2012
30. March	Completion of the merger between Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab
30. March	Share capital and voting rights
12. April	Early redemption of bonds
25. April	Temporary approval from the European Commission of new individual state guarantees
26. April	Shareholders' equity end of first quarter 2012. Confirmation of expectations for 2012.
26. April	vestjyskBANK publishes prospectus in connection with offering of shares with pre-emptive rights to existing shareholders
1. May	Coupon rate of vestjyskBANK's floating-rate bond 2010/2013 (DK0030241138)
9. May	Report on transaction(s) with subscription rights and/or shares in Vestjysk Bank A/S
22. May	Report on transactions with interims and/or subscription rights in Vestjysk Bank A/S
23. May	Right issue in vestjyskBANK fully subscribed
23. May	Correction to report on transactions with interims and/or subscription rights in Vestjysk Bank A/S
29. May	Completion of rights issue and capital increase
31. May	vestjyskBANK's Quarterly Report for Q1 2012
31. May	Changes in share capital and voting rights
7. June	Early redemption of bonds with a nominal value of DKK 1,400,000,000
11. June	Early redemption of bonds with a nominal value of DKK 400 million
28. June	Implementation of the capital plan
23. August	vestjyskBANK's Half-Year Report for First Half 2012
25. September	Increase of expected losses for the year and changes to the executive board
7. November	vestjyskBANK's Quarterly Report for Q1-Q3 2012
21. November	Report on transactions with shares in Vestjysk Bank A/S
21. December	Vestjysk Bank A/S repays subordinated loan capital

Report on corporate governance

The principles for vestjyskBANK's Management are based on the Recommendations on Corporate Governance issued by the Committee on Corporate Governance in Denmark (Komitéen for god Selskabsledelse) and are therefore in line with the principles that NASDAQ OMX Copenhagen A/S has decided listed companies must address. The principles on corporate governance are furthermore based on the Recommendations for Members of the Danish Bankers Association (Anbefalinger for Finansrådets medlemmer).

vestjyskBANK has decided to publish its statutory report on corporate governance at the Bank's website. For more details, see vestjyskbank.dk/corporategovernance. The report provides details for the Bank's status for each of the recommendations for corporate governance.

Supervisory and Executive Boards

Bank's Supervisory Board

vestjyskBANK's Supervisory Board consists of eight members, of which three are elected by the Bank's employees.

Steen Hemmingsen (b. 1945), Director, Chairman of the Supervisory Board
Newly elected to vestjyskBANK's Supervisory Board at the special general meeting on 19 February 2013, after which he was elected chairman.

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected to vestjyskBANK's Supervisory Board in 2013.
- Expiry of current term of office: 2014

Other executive positions or organisational duties:

- Director of Falck Holding A/S and two subsidiaries, H.J. Hansen Holding A/S and one subsidiary, Obel-LFI Ejendomme A/S and Det Østasiatiske Kompagnis Almennyttige Fond.

Carsten Andersen (b. 1945), Director
Carsten Andersen was chairman of the Supervisory Board since the Aarhus Lokalbank merger on 29 March 2012. Carsten Andersen retired from the Supervisory Board on 11 January 2013 due to illness.

Anders Bech (b. 1947), Deputy Chairman of the Supervisory Board
Chairman of the Supervisory Board until the Aarhus Lokalbank merger on 29 March 2012, after which the Supervisory Board was constituted with Anders Bech as Deputy Chairman. After Carsten Andersen's departure on 11 January 2013, Anders Bech was constituted as chairman for the period until the special annual meeting on 19 February 2013 where the Supervisory Board was constituted with Anders Bech as deputy chairman.

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- First elected to the Supervisory Board of the then Vestjysk Bank in 1997.
- Continued serving on the Supervisory Board for vestjyskBANK after its merger with Nordvestbank in 2002 and was elected chairman at the same time.
- Was re-elected to vestjyskBANK's Supervisory Board.
- Expiry of current term of office: 2014

Other executive positions or organisational duties:

- Chief Executive Officer of Kaj Bech Holding A/S and one subsidiary.
- Member of the Supervisory Board of Kaj Bech Holding A/S and one subsidiary, Ejendomsselskabet Doktorvænget A/S and Fonden Nørre Vosborg.

Own and related parties' shares, options or warrants in vestjyskBANK: 64,870 shares.

Changes to holdings in the course of the financial year: Acquired 40,860 shares.

Management's Review
Governance

Carl Olav Birk Jensen (b. 1955), Director
Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected for the first time to Ringkjøbing Bank's Supervisory Board in 2001 and elected Deputy Chairman in 2007.
- Continued on the Supervisory Board of vestjyskBANK after the 2008 merger.
- Was re-elected to vestjyskBANK's Supervisory Board.
- Expiry of current term of office: 2013

Other management positions or organisational duties:
- Member of the Supervisory Board of Ringkøbing Håndbold ApS.

Own and related parties' shares, options or warrants in vestjyskBANK: 29,385 shares.

Changes to holdings in the course of the financial year: Acquired 21,011 shares.

Kirsten Lundgaard-Karlshøj (b. 1951), Farmer
Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.
- First elected to the Supervisory Board of the then Vestjysk Bank in 1998.
- Continued on the Supervisory Board of vestjyskBANK after its merger with nordvestBANK in 2002.
- Was re-elected to vestjyskBANK's Supervisory Board.
- Expiry of current term of office: 2014

Other executive positions or organisational duties:

- Practises large-scale farming.

Own and related parties' shares, options or warrants in vestjyskBANK: 122,070 shares.

Changes to holdings in the course of the financial year: Acquired 61,035 shares.

Poul Hjulmand (b. 1945), Director
Deputy Chairman of the Supervisory Board up until the Aarhus Lokalbank merger on 29 March 2012, after which Poul Hjulmand resigned his deputy chairmanship of the Supervisory Board. After Carsten Andersen's departure on 11 January 2013, Poul Hjulmand was constituted as deputy chairman for the period up to the special general meeting on 19 February 2013, after which Poul Hjulman resigned his deputy chairmanship of the Supervisory Board.

Meets the definition of independence issued by the Committee on Corporate Governance in Denmark.

- Elected for the first time to Ringkjøbing Bank's Supervisory Board in 2003 after which he was elected chairman.
- Continued serving on the Supervisory Board for vestjyskBANK after its merger in 2008 and was elected Deputy Chairman at the same time.
- Was re-elected to vestjyskBANK's Supervisory Board.
- Expiry of current term of office: 2013

Other management positions or organisational duties:

- Member of the supervisory boards of Landia Holding A/S and two subsidiaries, Vestas Aircoil A/S and two subsidiaries, Pipecon A/S, Hydromann Holding A/S, ConSet A/S and one subsidiary, RAH Holding A/S and five subsidiaries, RTG Holding A/S, Iron Pump Holding A/S and two subsidiaries, Ølgaard-Jensens Fond, Hvide Sande Havn and Lem Varmeværk.

Own and related parties' shares, options or warrants in vestjyskBANK: 30,804 shares.

Changes to holdings in the course of the financial year: Acquired 23,827 shares.

Malene Rønø (b. 1971), Business Advisor
Elected by vestjyskBANK's employees Meets the definition of independence issued by the Committee on Corporate Governance in Denmark—with the exception of her employment with the Bank.

- Elected as employee supervisory board representative in 2011.
- Expiry of current term of office: 2013

Own and related parties' shares, options or warrants in vestjyskBANK: 672 shares.

Changes to holdings in the course of the financial year: Acquired 336 shares.

Palle Hoffmann (b. 1972), Vice President of Business Sales
Elected by vestjyskBANK's employees Meets the definition of independence issued by the Committee on Corporate Governance in Denmark—with the exception of her employment with the Bank.

- Elected as employee supervisory board representative in 2011.
- Expiry of current term of office: 2015

Own and related parties' shares, options or warrants in vestjyskBANK: 5,910 shares.

Changes to holdings in the course of the financial year: Acquired 5,455 shares.

Peter Bækkelund Rasmussen (b. 1967), Vice President of Retail Sales
Elected by vestjyskBANK's employees Meets the definition of independence issued by the Committee on Corporate Governance in Denmark—with the exception of her employment with the Bank.

- First elected to the Supervisory Board of vestjyskBANK as employee board member in 2007.
- Was re-elected to vestjyskBANK's Supervisory Board.
- Expiry of current term of office: 2013

Own and related parties' shares, options or warrants in vestjyskBANK: 7,979 shares.

Changes to holdings in the course of the financial year: Acquired 6,080 shares.

Bank's Executive Board

Vagn Thorsager, Chief Executive Officer (b. 1948)
Chief Executive Officer of Aarhus Lokalbank from 1 March 2011 and continued as executive vice president of vestjyskBANK after the merger of 29 March 2012. Took up the position as chief executive officer of vestjyskBANK on 25 September 2012.

Own and related parties' shares, options or warrants in vestjyskBANK: 19,637 shares.

Changes to holdings in the course of the financial year: Acquired 19,637 shares.

Michael Nelander Petersen, Managing director (b. 1963)
Took up position of managing director of vestjyskBANK on 25 September 2012.

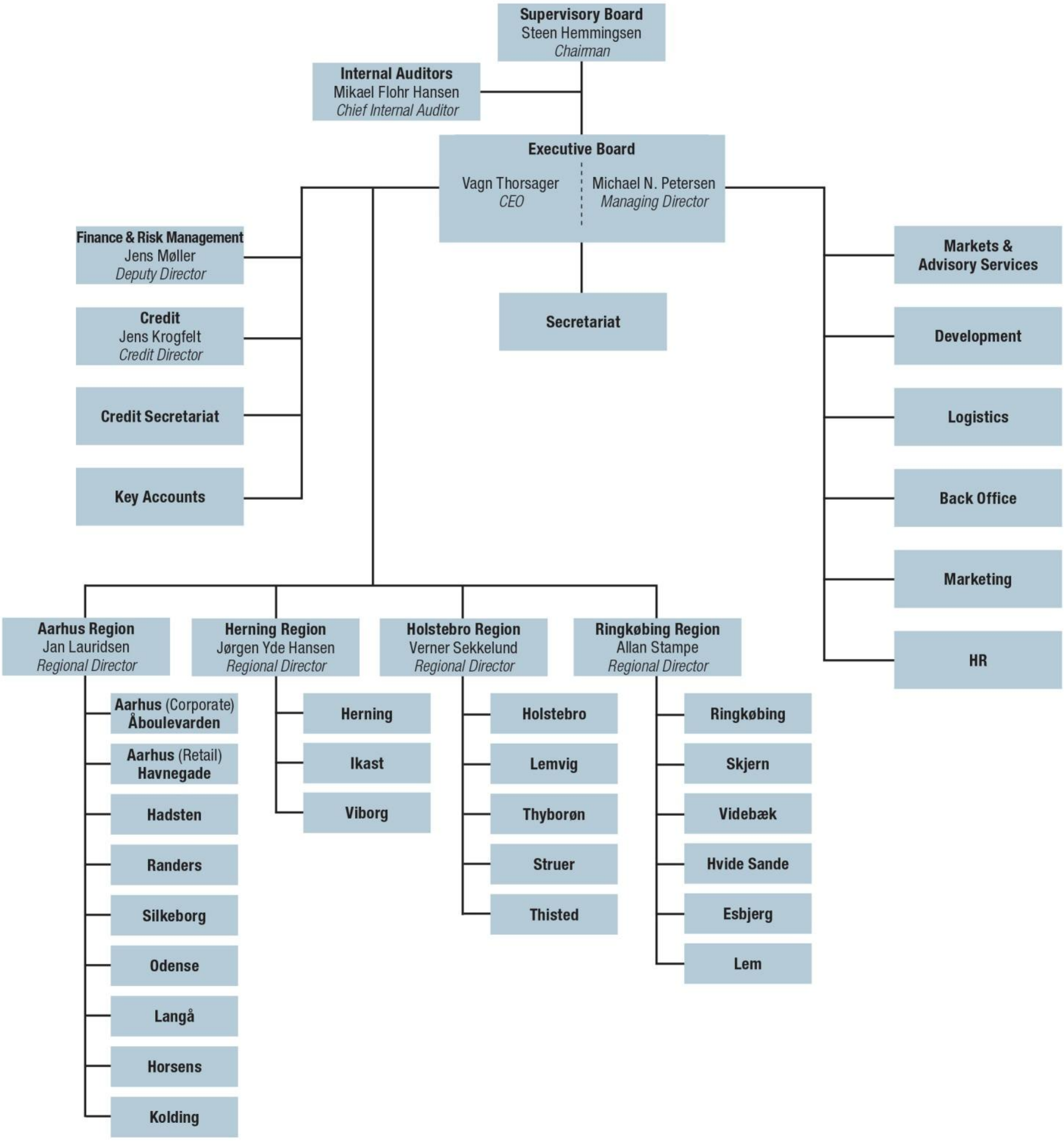
Other executive positions or organisational duties:
- Director of BEC (Bankernes EDB Central)

Own and related parties' shares, options or warrants in vestjyskBANK: 10,000 shares.

Changes to holdings in the course of the financial year: Acquired 10,000 shares.

Management's Review

Organisation and Corporate Social Responsibility



Organisation of the Bank

vestjyskBANK is a full-service bank that—putting the customer first—provides advisory services to retail and business customers locally and regionally via our branch network in Jutland and on Funen. vestjyskBANK’s central Jutland core area is defined by our three former principal offices in Ringkøbing, Lemvig and Holstebro. Additionally, we are working on maintaining the Aarhus area and Funen/East Jutland as a market area that is a major part of our business.

We offer a targeted array of products and services within lending to both retail and business customers. Within the agricultural area, we address the needs of small to medium-sized businesses. vestjyskBANK has special expertise within lending for financing wind turbines, farming and the fisheries. Furthermore, the business area is strengthened via select niche areas, such as for example the private healthcare sector.

For deposits as well as within the pension and investment areas, we offer up-to-date products that are constantly in development while avoiding that they conflict with our ambition to offer simple and easily understandable products.

Foundation

Based on vestjyskBANK’s history, vision and values, the Bank draws its strength from traditional banking. The Bank’s—and therefore its employees’—mission is to create the financial freedom our customers need through steadfast and responsible banking.

Our ambition is to create the framework for a business-oriented bank by developing new products and services that will accommodate our customers' desires and needs.

The Bank is oriented towards consolidating our solid core earnings, combined with a sharp focus on credit management to ensure that we will have a period where we can create a healthier balance sheet and capital structure.

Organisation

In order to sharpen our business focus and management, in 2012 the organisation has been structured around four regions with responsibilities for sales, management disciplines and close sparring within the credit area.

We created the four regions to link together more closely the various customer-facing divisions and the central corporate functions in the Bank's top management The regional vice presidents are thus part of the future management group that meets regularly with the Executive Board to work with strategy, results and action plans.

The division into regions ensures more decentralised management within the HR area. A major part of this task is solved in the individual region together with the regional management and the division vice presidents, with the assistance and support of the central human resource department.

Similarly, close follow-up and sparring structures within regional management’s sales efforts with individual departments have been created. Pension and investment advisors have been assigned to regional principal offices and will support the regional departments with special expertise.

Finally, we have attained major efficiencies by centralising administrative tasks and production tasks in regional principal offices. We will continue to digitise documents and work processes within these areas.

The Bank’s corporate departments will support the regions with special expertise and develop the Bank in parallel with discharging its tasks of an administrative nature.

To strengthen work with particularly complex customer commitments, a Task Force has been established to improve credit management for these commitments.

In addition to establishing the four regions, a number of new management forums are being formed. Thus, a Credit Committee has been established to review major credit cases. Similarly, a Solvency and Market Risk Committee has been formed to review the Bank’s funding and liquidity ratios on an ongoing basis. Finally, developments and the composition of the Bank's prices and products are reviewed by a special committee.

Management's Review

Organisation and Corporate Social Responsibility

Management and employee development
We are constantly aiming for a high level of expertise for both our managers and employees. The Bank's ambition to do things properly makes cultivating expertise a strategic priority.

This emphasis enables the Bank to retain and attract skilled and expert employees with respect to both competencies of a general nature and specialist expertise. The average age and seniority for the Bank's employees are, respectively, 46.5 years and 14.3 years. The number of employees in 2012 was 621.3 converted to full time (average), which is 6.5 more than in 2011.

At the merger at 31 March 2012, the Bank had 638.8 full-time employees. At 31 December 2012, this number was 564.4. This represents a net reduction of 74.4 full-time positions over the course of 2012.

Report on Corporate Social Responsibility (CSR)

vestjyskBANK's work involving corporate social responsibility focuses on three key areas: Our employees, our customers and the local communities with which we are seeking to become an active part. Through its vision, mission and values, the Bank has worked with social responsibility as an integral part of its business for several years.

Customers
vestjyskBANK aims at providing expert and substantive advisory services. Based on the individual customer's financial situation and needs, we offer simple and clear products.

Employees
It is important for vestjyskBANK that our vision be implemented in our day-to-day work. Our vision must be complied with not only in our employees' contact with customers but also among our employees themselves.

Community
vestjyskBANK prioritises being involved in the local community. This is evidenced in vestjyskBANK's many sponsorships of sports, culture and charitable causes, among other things.

Environment
vestjyskBANK wants to contribute to a cleaner environment and healthier living—but we will leave it up to the individual to take appropriate action. We have therefore posted information about energy and the environment on vestjyskBANK's website.

vestjyskBANK has decided to publish its statutory report on corporate governance at our website. The report can be read at vestjyskbank.dk/om-banken/profil/csr-politik.

.

Management's Statement

The Bank's Supervisory and Executive Boards have today considered and approved the Annual Report, representing the period 1 January–31 December 2012 for Vestjysk Bank A/S.

The Bank's consolidated financial statements are presented under the International Financial Reporting Standards (IFRS) as approved by the EU; the parent company's financial statements are presented under the Danish Financial Business Act. Moreover, the Annual Report is presented under supplementary Danish disclosure requirements relating to annual reports for listed financial enterprises.

In our opinion, the Consolidated Financial Statements and the Financial Statements provide a true and fair view of the assets, liabilities and financial position of the Group and the parent company at 31 December 2012 as well as of the results of the activities of the Group and the parent company and consolidated cash flows for the financial year 1 January–31 December 2012.

In our opinion, the present Management's Review provides a true and fair view of the developments in the Group and parent company's activities and financial situation, as well as a true and fair description of the most material risks and uncertainties that may affect the Group and the parent company.

The section 'Uncertainties related to recognition and measurement' and 'Risks related to going concern' in the Management's Review, Notes 2 and 3 of the Consolidated Financial Statements, and the general Financial Statements portion contain a discussion of the following: Uncertainties related to the execution of the Bank's action plan designed to strengthen the Group's capital and solvency; the expectation of significantly lower loan impairments in 2013 than those realised in 2012; and the risks and consequences of not executing the action plan in part or in full contrary to expectation, and of the risks and consequences of a further deterioration in the current economic climate. It is the opinion of Management that, in conjunction with the projected impairment need for 2013, the Bank's action plan will be sufficient to ensure compliance with relevant statutory requirements and to ensure that the Bank has the continued capacity to conduct banking operations.

We hereby recommend the Annual Report for approval by the Annual General Meeting.

Lemvig, 28. february 2013

Executive Board

....	....
Vagn Thorsager	Michael Nelander Petersen
Chief Executive Officer	Managing Director

Supervisory Board

....	....	....
Steen Hemmingsen	Anders Bech	Carl Olav Birk Jensen
Chairman of the Board of Directors	*Deputy Chairman of the Board of Directors*	
....	....	....
Kirsten Lundgaard-Karlshøj	Poul Hjulmand	Malene Rønø
....	....	
Palle Hoffmann	Peter Bækkelund Rasmussen	

Auditors' Reports

Internal auditor's report

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Vestjysk Bank A/S for the financial year 1 January to 31 December 2012, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Business Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Basis of opinion

We have conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance that the Financial Statements for the Group, as well as the Parent Company, are free from material misstatement.

The audit has been performed in accordance with the division of work agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Financial Statements for the Group, as well as the Parent Company. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements for the Group, as well as the Parent Company.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks, are working satisfactorily.

In addition, in our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2012 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2012 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2012 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed companies.

Emphasis of Matter

Without qualifying our opinion, we refer to note 2 to the Consolidated Financial Statements with a description of uncertainty relating to recognition and measurement, in which the Bank describes certain weaknesses relating to its internal controls and reporting processes. During the year, the Bank noted that registration of objective identification of impairment of loans, advances and guarantees and change of collateral values has been effected too late. We agree with the Bank that this control weakness has been compensated for by a comprehensive review of exposures at 31 December 2012.

Furthermore, without qualifying our opinion, we refer to notes 2 and 3 to the Consolidated Financial Statements describing the Bank's risks, credit risks, including in particular the share of loans and advances with significant weaknesses, and capital resources. Management has assessed the capital resources as adequate to ensure the continued operations of the Bank, albeit subject to significant uncertainty.

When assessing the required capital resources, Management has emphasised expectations of the Bank's core earnings as well as expected provisions for impairment of loans, advances and guarantees in 2013. As mentioned in note 2 to the Consolidated Financial Statements, Management's estimate of provisions for impairment of loans, advances and guarantees is subject to significant uncertainty, both as regards the amount and the timing of recognition. As mentioned in note 2 to the Consolidated Financial Statements, Management has, based on a review of the portfolio of loans and advances, considered realistic an expectation of significantly lower impairment charges than realised by the Bank in the past financial years.

According to the mention in note 2 to the Consolidated Financial Statements, the action plan prepared by Management provides the option of exercising the right to convert in full or in part the Bank's hybrid core capital into share capital.

A strengthening of the core capital, as described in note 2 to the Consolidated Financial Statements, is required in order for the Bank to comply with the anticipated new capital adequacy rules. In the Bank's internal forecasts for 2014 – 2019, Management has applied expectations of core earnings and impairment charges similar to those described above for 2013.

If the action plan, including Management's expectations of core earnings and significantly lower impairment charges, are not realised, in all material respects, in 2013, there is a significant risk that the Bank will not be able to continue operating.

Statement regarding Management Review

We have, in accordance with the Danish Financial Business Act, read the Management Review. We have not conducted any additional procedures in connection with our audit of the Financial Statements for the Group, as well as the Parent Company.

On this basis, it is our opinion that the information presented in the Management Review is in accordance with the Financial Statements for the Group, as well as the Parent Company.

Lemvig, 28. february 2013

Mikael Flohr Hansen
Head of internal Audit Department

Auditors' Reports

Independent Auditor's Report

To the shareholders of Vestjysk Bank A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Vestjysk Bank A/S for the financial year 1 January to 31 December 2012, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Business Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2012 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2012 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2012 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed companies.

Emphasis of Matter

Without qualifying our opinion, we refer to notes 2 and 3 to the Consolidated Financial Statements describing the Bank's risks, credit risks, including in particular the share of loans and advances with significant weaknesses, and capital resources. Management has assessed the capital resources as adequate to ensure the continued operations of the Bank, albeit subject to significant uncertainty.

When assessing the required capital resources, Management has emphasised expectations of the Bank's core earnings as well as expected provisions for impairment of loans, advances and guarantees in 2013. As mentioned in note 2 to the Consolidated Financial Statements, Management's estimate of provisions for impairment of loans, advances and guarantees is subject to significant uncertainty, both as regards the amount and the timing of recognition. As mentioned in note 2 to the Consolidated Financial Statements, Management has, based on a review of the portfolio of loans and advances, considered realistic an expectation of significantly lower impairment charges than realised by the Bank in the past financial years.

According to the mention in note 2 to the Consolidated Financial Statements, the action plan prepared by Management provides the option of exercising the right to convert in full or in part the Bank's hybrid core capital into share capital.

A strengthening of the core capital, as described in note 2 to the Consolidated Financial Statements, is required in order for the Bank to comply with the anticipated new capital adequacy rules. In the Bank's internal forecasts for 2014 – 2019, Management has applied expectations of core earnings and impairment charges similar to those described above for 2013.

If the action plan, including Management's expectations of core earnings and significantly lower impairment charges, are not realised, in all material respects, in 2013, there is a significant risk that the Bank will not be able to continue operating.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Business Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Holstebro, 28. february 2013

PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
H.C. Krogh
State Authorised Public Accountant

Consolidated Financial Statements

Statement of Income and Statement of Comprehensive Income

Note		2012 TDKK	2011 TDKK
	Statement of Income		
4	Interest income	1,619,146	1,527,430
5	Interest expenses	727,130	681,031
	Net interest income	892,016	846,399
	Dividends on equity securities etc.	4,818	3,355
6	Income from fees and commissions	312,027	263,074
	Fees and commissions paid	32,583	27,488
	Net interest and fee income	1,176,278	1,085,340
7	Market value adjustments	95,661	-25,053
8	Other operating income	10,192	6,345
9-10	Personnel and administrative expenses	659,887	590,548
	Depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	222,940	15,210
11	Other operating expenses	33,665	34,781
12	Impairment of loans and receivables etc.	1,514,755	984,869
	Profit/loss before tax	-1,149,116	-558,776
13	Tax	299,408	-136,140
	Profit/loss	-1,448,524	-422,636
25	**Basic earnings per share**		
	Basic earnings per share	-39.45	-34.22
	Diluted earnings per share	-39.45	-34.22
	Statement of Comprehensive Income		
	Profit/loss	-1,448,524	-422,636
	Other comprehensive income:		
	Hedge accounting	38,434	-11,938
	Of which transferred to interest in the Statement of Income	-16,361	9,888
	Tax on hedge accounting	-3,938	513
	Other comprehensive income after tax	18,135	-1,537
	Total comprehensive income	-1,430,389	-424,173

Consolidated Financial Statements

Statement of Financial Position at 31 December

Note		2012 TDKK	2011 TDKK
	Assets		
	Cash in hand and demand deposits with central banks	1,232,087	666,076
	Amounts receivable from credit institutions and central banks	456,065	730,792
	Loans and other receivables at amortised cost	20,696,873	21,715,932
	Debt securities at fair value	7,271,083	2,909,038
	Equity securities etc.	487,474	570,109
	Assets related to pooled fund schemes	1,255,966	1,104,270
14	Intangible assets	8,978	107,065
	Land and buildings, total	405,159	368,894
15	Investment property	1,212	1,492
16	Owner-occupied property	403,947	367,402
17	Other property, plant and equipment	12,661	12,083
	Current tax assets	940	588
18	Deferred tax assets	0	303,346
19	Other assets	938,191	792,006
20	Assets, total	32,765,477	29,280,199
	Liabilities		
	Amounts owed to credit institutions and central banks	3,926,024	1,929,734
	Deposits and other debt	16,800,880	13,925,039
	Deposits with pooled fund schemes	1,255,966	1,104,270
	Debt securities in issue at amortised cost	6,781,980	7,927,786
21	Provisions	53,277	36,043
22	Other liabilities	571,641	461,004
23	Subordinated debt	2,384,054	2,162,986
	Liabilities, total	31,773,822	27,546,862
	Equity		
24	Share capital	612,889	125,000
	Revaluation reserves	30,848	30,848
	Reserve for cash flow hedges	6,321	-11,814
	Retained profit or loss	341,597	1,589,303
	Equity, total	991,655	1,733,337
26	Liabilities and equity, total	32,765,477	29,280,199
	Items not recognised in the Statement of Financial Position		
27	Contingent liabilities	5,153,651	4,353,268
28	Other binding agreements	5,179	4,822
	Items not recognised in the Statement of Financial Position, total	5,158,830	4,358,090

Consolidated Financial Statements

Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserves	Reserve for cash flow hedges	Retained profit/loss	Equity, total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity, 1 January 2012	125,000	0	30,848	-11,814	1,589,303	1,733,337
Comprehensive income for the				18,135	-1,448,524	-1,430,389
Additions relating to sale of own					53,190	53,190
Disposals relating to purchase of					-52,962	-52,962
Shares issued upon conversion of hybrid capital	141,780	154,540				296,320
Shares issued upon merger	39,664				57,008	96,672
Capital injection from issue of shares	306,445	12,258				318,703
Costs related to capital increase		-23,216				-23,216
Transferred to retained earnings		-143,582			143,582	0
Equity, 31 December 2012	612,889	0	30,848	6,321	341,597	991,655

	Share capital	Share premium	Revaluation reserves	Reserve for cash flow hedges	Retained profit/loss	Equity, total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity, 1 January 2011	125,000	0	30,848	-10,277	2,015,178	2,160,749
Comprehensive income for the year				-1,537	-422,636	-424,173
Additions relating to sale of own equity securities					73,198	73,198
Disposals relating to purchase of own equity securities					-76,437	-76,437
Equity, 31 December 2011	125,000	0	30,848	-11,814	1,589,303	1,733,337

Consolidated Financial Statements

Statement of Cash Flows

	2012 TDKK	2011 TDKK
Operating activities		
Profit/loss after tax for the period, excl. received share dividends	-1,453,342	-425,991
Dividends on equity securities	4,818	3,355
Profit/loss after tax for the period	-1,448,524	-422,636
Adjustment for non-cash operating items etc.:		
Adjustment of impairment of loans etc.	1,514,755	984,869
Depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	222,940	15,210
Other operating items with no effect on cash flow	34,631	33,973
Tax charged as expense	299,408	-136,140
Corporation tax paid	0	57
Operating activities, total	623,210	475,333
Working capital		
Increase/decrease in credit institutions and central banks, net	2,550,637	-1,932,151
Increase/decrease in loans and other receivables at amortised cost	2,343,212	766,808
Increase/decrease in debt securities at fair value	-3,973,300	1,932,991
Increase/decrease in shareholding	145,868	31,280
Increase/decrease in debt securities in issue at amortised cost	-2,474,593	-762,037
Increase/decrease in other assets and other liabilities, net	-118,773	-270,523
Increase/decrease in deposits and other debt	598,280	-493,623
Working capital, total	-928,669	-727,255
Cash flows from operating activities, total	-305,459	-251,922
Investment activities		
Payments for property, plant and equipment	-10,365	-20,072
Proceeds from disposal of property, plant and equipment	4,991	5,445
Cash flows from investment activities, total	-5,374	-14,627
Financing activities		
Payment for and proceeds from the disposal of own equity securities	228	-3,239
Capital increase after deduction of costs	295,487	0
Issue of subordinated debt	200,000	0
Repayment of subordinated debt	-38,205	-125,000
Cash flows from financing activities, total	457,510	-128,239
Change in cash and cash equivalents	146,677	-394,788
Cash and cash equivalents at the beginning of the period	1,305,834	1,700,622
Change in cash and cash equivalents	146,677	-394,788
Cash and cash equivalents at the end of the period	1,452,511	1,305,834
Cash and cash equivalents at the end of the period		
Cash in hand and demand deposits with central banks	1,232,087	666,076
Amounts receivable from credit institutions and central banks with a maturity of less than 3 months	220,424	639,758
Cash and cash equivalents at the end of the period, total	1,452,511	1,305,834

Consolidated Financial Statements
Notes

List of Notes for the Consolidated Annual Financial Statements

1 Accounting policies, group and parent company
2 Risk conditions and risk management, group and parent company
3 Credit risk, group and parent company
4 Interest income, group and parent company
5 Interest expenses
6 Income from fees and commissions, group and parent company
7 Value adjustments, group and parent company
8 Other operating income, group and parent company
9 Personnel and administrative expenses, group and parent company
10 Auditors' fees, group and parent company
11 Other operating expenses, group and parent company
12 Impairments of loans and provisions against guarantees, etc., group and parent company
13 Tax, group and parent company
14 Intangible assets, group and parent company
15 Investment property
16 Owner-occupied property
17 Other property, plant and equipment, group and parent company
18 Deferred tax assets/liabilities, group and parent company
19 Other assets
20 Asset items falling due one year or later from the reporting date
21 Provisions
22 Other liabilities
23 Subordinated debt
24 Share capital, group and parent company
25 Earnings per share
26 Liabilities falling due one year or later from the reporting date
27 Contingent liabilities, group and parent company
28 Other binding agreement, group and parent company
29 The difference between presenting financial statements under IFRS and Executive Order on the Presentation of Financial Statements
30 Capital requirements
31 Security pledged, group and parent company
32 Related parties, group and parent company
33 Consolidated overview, group and parent company
34 Company acquisitions, group and parent company
35 Fair value financial assets and liabilities
36 Credit exposure, group and parent company
37 Collaterals, group and parent company
38 Credit quality—total overview, group and parent company
39 Credit quality of loans and guarantee debtors not delinquent and for which impairments/provisions have not been made, group and parent company
40 Distribution by industry segment of overdue receivables for loans that have not been written down, group and parent company
41 Gross loans and guarantee debtors, individually impaired, by cause, group and parent company
42 Loan and guarantee debtors, individually impaired, by industry segment, group and parent company
43 Collaterals for loans and guarantee debtors, individually impaired, by collateral types, group and parent company
44 Market risk, group and parent company
45 Interest rate risk, group and parent company
46 Foreign currency risk, group and parent company
47 Equity risk, group and parent company
48 Derivative financial instruments, group and parent company
49 Liquidity risk, group and parent company
50 Contractual maturities of financial liabilities
51 Other risks, group and parent company
52 Pending litigation, group and parent company
53 Events since the end of the financial year, group and parent company
54 Key figures and financial ratios

Note 1 Accounting policies

1.1 General remarks

vestjyskBANK's consolidated financial statements were prepared under the International Financial Reporting Standards (IFRS) as approved by the EU and under the IFRS as issued by the International Accounting Standards Board (IASB). The Bank has applied these standards and interpretations to its financial reporting effective for the period beginning on 1 January 2012.

The parent company's financial statements were under the Danish Financial Business Act. Please see Note 73 for a description of the Bank's accounting policy for the parent company.

Annual and interim reports are furthermore presented in compliance with supplementary Danish disclosure requirements relating to financial reporting by listed financial enterprises.

Annual and interim reports are prepared applying the historical cost convention, modified for measuring certain items at fair value, as described in the following.

In 2012, the Group has implemented the following new and amended standards as relevant for vestjyskBANK.

- Amendment to IFRS 7—"Disclosures – Transfers of Financial Assets": The amendments pertain to expanded disclosure requirements for cessation of financial instruments.

The amendments did not have any impact on recognition and measurement.

IASB has issued the following new standards and amendments to existing standards, which have not yet entered into force and which are relevant to the Group.

The following amendments were approved by the EU and will enter into effect with fiscal years beginning no earlier than 1 January 2013:

Amendment to IAS 1 "Presentation of financial statements". The amendment entails requirements relating to the presentation of items under other comprehensive income, which should be recirculated to the statement of income separate from items that should not be recirculated.

Amendment to IFRS 7—"Offsetting Financial Assets and Financial Liabilities": This amendment means that the company will be required to provide additional notes regarding the right of set-off for the company's financial assets and liabilities. Off-set items should be stated in the Notes as gross; and items that can be off-set in a potential bankruptcy or other future event are subject to disclosure, regardless of whether they are off-set in the Statement of Financial Position.

Amendment to IAS 32—"Offsetting Financial Assets and Financial Liabilities": The amendment provides additional guidance for when financial assets and liabilities shall be stated as off-set.

IFRS 10—"Consolidated financial statements": Clarification of the definition of control over another enterprise. Control is present when the following conditions are met:

- Controlling influence over an enterprise.
- Risk associated with or right to variable yields.
- The ability to use one's controlling influence over an enterprise to affect the yield of an investment.

IFRS 13—"Fair Value Measurement": The standard establishes a methodology for how the fair value should be measured and it supersedes the guidelines for stating the fair value set out in other standards, including IAS 39.

These amendments are not assessed to have any significance for recognition and measurement.

The EU has not yet approved the following amendments:

IFRS 9—Re classification and measurement of financial assets and liabilities: The number of financial asset categories is reduced to two: amortised cost or fair value. Classification is determined based on, respectively, the nature of the business model and the characteristics of the instrument. Changes to own credit risk relating to financial liabilities measured at fair value are recognised under Other comprehensive income.

Management is currently reviewing the potential impact of these changes.

1.2 Accounting estimates and assessments

Determining the carrying amount of certain assets and liabilities involves estimating how future events will affect the value of the assets and liabilities at the reporting date.

The estimates and assessments applied by management are based on assumptions that it considers reasonable, but which by their nature are uncertain and unpredictable. Such assumptions may be incomplete or inexact, and unexpected future events or circumstances may arise. This makes it intrinsically difficult to make estimates and assessments; and when such estimates and assessments furthermore involve customer relationships and other counterparties, they will involve an additional degree of uncertainty. The need may arise to restate previous estimates because of changes in the underlying conditions for the previous estimates, or because new knowledge has come to light or subsequent events have occurred.

The principles for making accounting estimates and assessment material to presenting the accounts include, among other things, assessments related to:

- impairments of loans and advances and provisions for guarantees;,
- the fair value of investment property,
- the fair value of financial instruments,
- company acquisitions,
- impairment tests for goodwill and other intangible assets, and
- deferred tax assets
- whether or not debt securities are traded in an active market.

Impairment of loans and advances and provisions for guarantees

Impairment testing of individual loans and advances involves estimates relating to conditions about which there is a high degree of uncertainty. The assessment entails estimating the most likely future cash flow that the customer will be able to generate.

Loans and advances for which there is no objective indication of impairment are included in a group for which it is assessed at portfolio level whether there is any need for impairment.

An important aspect of testing for impairment of a group of loans and advances is identifying events that indicate objectively that the group has incurred losses. The assessment of the fair value of the cash flows generated by the customers in the group entails a degree of uncertainty when historical data and experience-based assessments are applied in connection with adjusting the assumptions based on the historical data and in order to reflect the current situation.

Assessment by group is performed for groups of loans and receivables that possess uniform credit risk characteristics. There are 11 groups: one for public authorities, one for retail clients, and nine for business and corporate clients whereby business and corporate clients are segmented by industry.

Furthermore, estimates related to provisions for guarantees are associated with uncertainty when establishing the extent to which payments should be made for the relevant guarantee.

If, at the reporting date, the Group is aware that an event has occurred that will either weaken or strengthen future payment performance, and which the models have not taken into account, Management will correct for this by making a qualified estimate.

Factors with the most influence on the assessment of impairment and provision needs are

- Continued weak economic climate;
- A deteriorating earnings capacity within certain branches of agriculture, especially milk production as well as negative trends in the terms of trade for feed expenses and settlement prices. This deterioration of many farmers' operating results often occurs in the context of a negative consolidation throughout several years.
- The real estate market is still exhibiting sluggishness in terms of the turnover of letting and housing properties. Parts of the market are nearly frozen solid and price formation is extremely unfavourable for owners and lenders.
- Many commercial properties are affected by long periods of idleness in letting.
- The Group has implemented a more in-depth and conservative interpretation of the Danish Financial Supervisory Authority's new guidelines for impairment.

The amount of loan and guarantee impairments is specified in Note 12. Please refer to note 2 and 3 for a description concerning credit risk.

Fair value of investment property

The rate of return method is used for measuring property at fair value. The uncertainty of the measurement is related to the rate of return applied to the valuation.

The carrying amount of investment property is specified in Note 15.

Fair value of financial instruments

vestjyskBANK measures a number of financial instruments at fair value, including all derivative financial instruments, as well as equity and debt securities.

Assessments are made in connection with establishing the fair value of financial instruments in respect of the following areas:

- choice of valuation method,
- determination of when available listed prices do not represent the fair value,
- calculation of fair value adjustments to take account of relevant risk factors such as credit and liquidity risk,
- assessment of which market parameters should be observed, and
- estimate of future cash flows and rate of return requirements for unlisted equity securities.

As part of its operations, vestjyskBANK has acquired strategic equity interests. These are measured at fair value based on available information about trading in the relevant enterprise's equity interests or, alternatively, a valuation model based on accepted and current market data, including a valuation of expected financial performance and cash flows. The valuation will similarly be influenced by ownership, trading and shareholder agreements, etc.

The carrying amount of securities measured at fair value is specified in Note 35.

Company acquisitions

Upon acquisition of another enterprise, the acquired enterprise's assets, liabilities and contingent liabilities are recognised in accordance with the acquisition method. Some parts of acquired assets and liabilities have no effective market that can be used to establish their fair value. Management will therefore make estimates on calculating the identified acquired assets, liabilities and contingent liabilities. Depending on the nature of the asset or liability, this calculation may be subject to a degree of uncertainty.

Upon acquisition, among other things, an assessment is made of the value of the acquired customer relationships. The assessment is based on expected and historical customer loyalty in view of existing customer relationships. Additionally, an assessment is made of whether there are circumstances that result in the deviation of the fair value of loans and advances from amortised cost, for example as a result of special risks relating to a commitment or a margin that is lower than the margin on an equivalent loan.

Impairment test for goodwill and other intangible assets

At the annual impairment test of goodwill or when there is indication of a need for impairment, an estimate is made of how the parts of the enterprise to which the goodwill are related would be capable of generating sufficient positive net cash flows in the future to support the value of goodwill and other net assets in the enterprise.

The estimate must deal with the expected future cash flows many years into the future, which by its nature involves a certain degree of uncertainty.

The carrying amount of goodwill and the assumption for the impairment test are specified in Note 14.

Deferred tax assets

Deferred tax assets relating to unused tax credits are included to the extent it is considered likely that, in the near future, a tax profit will be realised in which the losses can be off-set. The size of the recognised tax asset and the assumptions for recognition thereof are stated in Note 18.

Assessment relating to whether or not debt securities are traded in an active market

Some debt securities listed on NASDAQ OMX Copenhagen are attributed to the category 'Loans and receivables.' The assessment is that trading in the relevant debt securities is so insignificant in volume and scope that the market cannot be characterised as active; the conditions for attributing the debt securities to the category 'Loans and receivables' have therefore been met.

1.3 Specification of applied accounting policies

Consolidated financial statements
The consolidated financial statements comprise the annual financial statements for vestjyskBANK A/S and enterprises controlled by the Group. The results from subsidiaries that have been acquired or divested throughout the year are included in the consolidated financial statements, respectively, from the time of acquisition or until the time of divestment.

The accounts on which the consolidation is based correspond to the general group accounting policies. All intragroup balances, income and expenses are eliminated fully for the consolidation.

Translation of foreign currencies
Upon initial recognition, transactions in foreign currencies are translated at the actual rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the reporting date are translated at their rate at the reporting date. Exchange differences between the transaction date rate and the rate at the date of the cash flow, respectively the closing rate, are recognised in the Statement of Income as currency translation adjustment.

Determination of fair value for measurement and disclosure
Derivative financial instruments as well as unsettled spot transactions are recognised and measured at fair value which, as a rule, is based on listed market prices. To the extent that these are unlisted instruments, fair value is determined using generally accepted principles based on arm's-length parameters.
Debt securities traded in regulated markets are measured at fair value. The fair value is determined using the most recent observable market price at the reporting date.

Equity securities traded in regulated markets are measured at fair value. The fair value is determined using the most recent observable market price at the reporting date.

Unlisted equity securities in enterprises held jointly by the Group with a number of other financial institutions are valued at fair value. If no current market data are available, fair value will be established on the basis of the enterprises' most recent presented and adopted accounts as well as taking into consideration shareholder agreements.

For loans with variable interest rates, write-downs relating to impairment are, in principle, assumed to correspond to the fair value of the credit risk with the following corrections:
Credit margin changes for a given risk are taken into account by correcting for the difference between the current credit premium and the credit premium that would be required if a given loan was granted at the reporting date.

Fixed-rate loans not subject to hedge accounting are also adjusted by the change in value that arises because of the difference between the fixed interest rate and the current market rate.
Fair value of debt securities in issue traded in an active market is determined at fair value as a ratio of the most recent observable market price at the reporting date. The fair value of debt securities in issue and subordinated debt not traded in an active market is determined based on the terms that would have applied if the loan in question had been made at the reporting date.

Hedge accounting
The Group applies the special rules on hedge accounting to avoid the inconsistency of having certain financial assets or financial liabilities measured at amortised cost. However, derivative financial instruments are measured at fair value if the conditions relating to documentation and efficiency are met. The hedging relationship is established for the following items: Fixed-rate loans, foreign currency loans and debt securities, as well as fixed-rate deposits. In hedging the fair value of fixed rate assets and liabilities, hedged items will be regulated at their fair value for the hedged risk. For hedging of future cash flows, value adjustments of the hedging instruments are recognised in other comprehensive income and classified as a separate reserve under equity. They are reversed to the statement of income as the hedged items affect the results.

Hedging is performed using options, forward contracts, swaps and caps.

Business combinations and disposal of enterprises
Acquisitions of or mergers with other enterprises are recognised from the time of acquisition. Divested enterprises are recognised up until the date of disposal.

Combinations take place by applying the purchase method after which the acquired enterprises' assets and liabilities are recognised at fair value at the date of acquisition. The tax effect of performed revaluations is taken into account.

Positive differences between the fair value of the consideration and of the acquired net assets are recognised in the Statement of Financial Position as goodwill. Negative differences are recognised as income in the Statement of Income.
Transaction costs are recognised in the Statement of Income as they are incurred.

Business combinations executed before the date before the transition to IFRS on 1 January 2009 have been recognised applying the accounting policies as they existed before the transition.

At the merger with Ringkjøbing Bank in 2008 and the acquisition of Bonusbanken in 2008, the cost was therefore determined at fair value on the acquisition date of the shares issued by vestjyskBANK at the merger, respectively the vestjyskBANK shares settled at the acquisition date, plus transaction costs incurred. However, for the merger with Aarhus Lokalbank, the cost has been recognised without adding transaction costs incurred.

Statement of Income and Statement of Comprehensive Income

Interest, fees and commissions

Interest income and interest expenses are recognised in the Statement of Income for the period to which they pertain. Commissions and fees that are integrated parts of the effective interest on a loan are recognised as part of amortised cost.

Interest income from loans impaired in part or in full is recognised under interest income only with the calculated effective interest on the loan's impaired value. Any additional interest income is recognised under the item 'Impairments of loans and receivables, etc.' Commissions and fees that form part of an annuity are accrued over the term of the annuity.
Other fees are recognised in the Statement of Income at the transaction date.

Other operating income

Other operating income contains items of a secondary nature in relation to the Bank's activities, including gains and losses relating to the sale of acquired, investment and owner-occupied property.

Gains and losses relating to sales are determined as the sale price, less selling expenses and the carrying amount at the time of sale.

Personnel and administrative expenses

Staff costs comprise employee salaries and social security costs, pension plans, etc. Costs of goods and services provided to employees, including anniversary bonuses, are recognised as the employees perform the services that entitle them to the goods and services in question.

The majority of employees have entered into defined contribution plans. Under defined contribution plans, fixed contributions are made to an independent pension fund. The Group is not required to make any additional contributions.

Other operating expenses

Other operating expenses contain items of a secondary nature in relation to the Group's activities, including contributions to the current guarantee provision relating to the Danish Government-Backed Deposit Guarantee Scheme (Statsgarantiordningen).

Tax

Tax for the year, consisting of the year's current tax and changes in deferred tax, is recognised in the Statement of Income as the part that can be attributed to the income for the year, and directly to other comprehensive income, respectively equity, at the part that can be attributed thereto.

Current tax liabilities, respectively, current tax receivables are recognized in the Statement of Financial Position as calculated tax on the taxable income for the year adjusted for tax paid on account.
Deferred tax is recognised for all temporary differences between carrying amounts and the taxable values of assets and liabilities, apart from goodwill and temporary differences that arise in connection with acquiring assets or assuming liabilities which, at the time of acquisition, affect neither the taxable income nor the result.
Deferred tax is recognised as a liability in the Statement of Financial Position under 'Deferred tax liabilities' or recognised as an asset under 'Deferred tax assets,' if the net value is an asset and it is considered likely that the tax asset will be realised.

Consolidated Financial Statements
Notes

Statement of financial position

Financial assets in general
The purchase and sale of financial assets are recognised at fair value at the settlement date. From the trade date to the settlement date, changes are included in the fair value of the financial instrument that has not been settled.

Transaction costs are added upon initial recognition of financial assets not subsequently measured at fair value in the Statement of Income.

Financial assets are attributed upon initial recognition, respectively, upon transition to IFRS to one of the following categories:

- Trading portfolio, comprising equity and debt securities held for the purpose of short-term profit–taking, as well as derivative financial instruments that are assets,
- Financial assets attributed to fair value in the Statement of Income, comprising equity and debt securities not held for trading, but which are managed and assessed on the basis of fair value, or
- Loans and receivables comprising loans and other receivables, cash in hand and demand deposits with central banks, amounts receivable from credit institutions and central banks, and other assets apart from derivative financial instruments.

Financial assets are not reclassified after initial recognition.

Financial assets held for trade or attributed to fair value in the Statement of Income are measured at fair value with recognition of fair value changes in the Statement of Income.

Loans and receivables are measured at amortised cost, which usually corresponds to their nominal value less opening fees constituting part of the effective interest rate and impairments to cover incurred but not yet realised losses.

Cash in hand and demand deposits with central banks
Cash in hand and demand deposits comprise the Group's holdings of domestic and foreign currency notes and coins, as well as demand deposits in central banks.

Amounts receivable from credit institutions and central banks
Amounts receivable from credit institutions and central banks comprise amounts receivable with other credit institutions as well as term deposits in central banks.

Loans and other receivables
Loans and other amounts receivable comprise loans to customers and certain debt securities not traded in an active market.

Impairment of loans and amounts receivable, as well as provisions against guarantees and unused credit commitments, are performed both individually and on a group basis. Impairments to losses are performed when there is objective indication of impairment.

For individual impairments, objective indication exists, at a minimum, once one or more of the following events have occurred:

- Borrower is in major financial difficulties
- Borrower is in breach of contract, for example, by failing to perform payment obligations for payment of principal and interest
- Borrower has been granted relief from conditions that would otherwise not have been considered if it were not because of borrower's financial difficulties, or if it is likely that the borrower will enter bankruptcy proceedings or is made subject to other financial reorganisation

Impairment is performed as the difference between the carrying amount before impairment and the present value of the expected future payments on the loan. Expected future payments are determined based on probability-weighted scenarios performed on the debtor's ability to pay, realisation of collateral as well as any dividends. The loan's effective interest rate is applied as the discount rate.

Loans not individually impaired are included in the impairments by group.

Loans and amounts receivable not individually impaired are assessed by group to determine whether an objective indication for impairment of the group exists.
The assessment by group is performed using a segmentation model developed by the industry organisation Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter). This organisation is responsible for the ongoing maintenance and development of the model. The segmentation model establishes cohesion within the individual groups between established losses and a number of significant explanatory macroeconomic variables using linear regression analysis. The explanatory macroeconomic variables include such factors as

unemployment, home prices, interest, number of bankruptcies/enforced sales, etc.

In principle, the macroeconomic segmentation model is calculated based on loss data for the entire financial institution sector. vestjyskBANK has therefore made an assessment of the extent to which the model estimates reflect the credit risk for vestjyskBANK's own loan portfolio.

This assessment has resulted in model estimate adjustments to fit the Bank's own conditions, after which it is the adjusted estimates that form the basis for calculating the impairments in groups. For each group of loans and amounts receivable, an estimate is drawn up that expresses the percentage impairment relating to a given group of loans and amounts receivable at the reporting date. The individual loan's contribution to the impairment by group is arrived at by comparing the individual loan's original loss risk and the loan's loss risk at the beginning of the current reporting period. The impairment is calculated as the difference between the carrying amount and the discount to net present value of the expected future payments adjusted for management estimates.

Provisions against losses on guarantees as well as provisions against losses on unutilised credit commitments are recognised under provisions.

Equity

Equity securities comprise shares traded in active markets as well as unlisted shares in enterprises held by the Group jointly with a number of other financial institutions.

Debt securities

This item comprises bonds traded in an active market.

Pooled pension funds

Assets included in pooled pension funds and customers' deposits in pooled pension funds are presented under separate items in the Statement of Financial Position. Returns on pooled assets and deposits are presented jointly under value adjustments.

Land and buildings

Investment property is property principally held to earn rental income and/or capital gains.

Investment property is recognised upon acquisition at cost and subsequently measured at fair value. Adjustment of fair value as well as rental income is recognised in the Statement of Income under, respectively, 'Value adjustments' and 'Other operating income.'

The fair value of investment property is determined on the basis of a systematic assessment based on the property's expected return as the method is assessed to reflect how similar property is valued in the market. Such property is not depreciated.

An assessment of the carrying amounts is obtained from external experts periodically.

Owner-occupied property is property the Group utilises for administration, branches or other service activities.

Owner-occupied property is recognised at purchase price plus expenses for construction or development, and deducting subsequent accumulated depreciation.

Depreciations are performed based on the fair value at 1 January 2009 (starting value upon transition to IFRS) and calculated on a straight-line basis, based on the expected useful life of the asset, which is 40 years, on the basis for depreciation, less estimated residual value. Useful life and residual value are reassessed regularly. Installations are depreciated on a straight-line basis over a period of up to 15 years.

Land is not depreciated.

Intangible Assets

Intangible assets concern the value of customer relationships and goodwill acquired in connection with the acquisition of Bonusbanken and the merger with Aarhus Lokalbank.

The value of acquired customer relationships is measured at cost less accumulated depreciation and impairment. The value of the acquired customer relationships is depreciated on a straight-line basis over the expected life, which is 10 years. Goodwill is the amount by which the cost of an acquired enterprise exceeds the fair value of the acquired assets and liabilities at the time of acquisition.

Goodwill is recognised as an asset and attributed to cash-flow generating units corresponding to the level at which management is monitoring the investment.

Goodwill is recognised as an asset and is not amortised but is tested for depreciation at least once a year. Goodwill is depreciated to its recoverable value, if the carrying value of the cash-flow generating unit's net assets exceeds the higher value of the net selling price and value in use, which corresponds to the present value of expected future cash flows from the unit.

Impairments are recognised in the Statement of Income.

Other tangible assets

Other tangible assets are measured at cost less accumulated depreciation and impairments. Depreciations are performed on a straight-line basis based on the following assessment of the other assets' useful lives:

- IT equipment 2–3 years;
- Machinery, tools and equipment 3 years;
- Automobiles 3–4 years

Other tangible assets are assessed for impairment need when there is indication of impairment.

Other assets

This item comprises assets not placed under other asset items, among others, positive market values of spot transactions and derivative financial instruments, as well as interest receivable.

Financial liabilities

Financial liabilities are recognised at the settlement date at fair value. Transaction costs are deducted upon initial recognition of financial liabilities not subsequently measured at fair value.

Financial liabilities are attributed upon initial recognition, respectively upon transition to IFRS, to one of the following categories:

- Trade portfolio comprising derivative financial instruments classified as liabilities;
- Other financial liabilities, comprising other liabilities apart from derivative financial instruments, amounts owed to credit institutions and central banks/deposits, and subordinate debt/debt securities in issue;
- Financial guarantees.

Liabilities held for trading are measured at fair value with recognition of value adjustments in the Statement of Income.

Other financial liabilities are measured at amortised cost. Expected future interest payments are estimated upon determination of amortised cost. In the event the settlement price or the interest rate changes over the course of the life of the liability, apart from as a result of the variability of the interest rate, such payments are included, provided that the loan is not expected to be repaid before the settlement price, respectively, the interest rate change.

Financial guarantees are measured at the higher of the deferred commission income and provisions for losses on the guarantee. Please see the section 'Loans and amounts receivable' for how provisions against losses on guarantees are calculated.

Other liabilities

This item comprises liabilities not included under other liability items and comprises, among others, negative market values of spot transactions, derivative financial instruments and interest payable.

Amounts owed to credit institutions and central banks/deposits

Amounts owed to credit institutions and central banks as well as deposits are valued at amortised cost.

Subordinate dept/debt securities in issue

When recognising subordinate debt/debt securities in issue, embedded derivatives and equity components are taken out. Embedded derivatives are treated as independent derivatives, while equity components are recognised directly under equity.

Offsetting financial assets and liabilities

Financial assets and liabilities are presented as offset, provided offsetting is legally sanctioned and the Bank intends to offset or sell the asset and the liability simultaneously.

Equity

Proposed dividends

Proposed dividends are recognised as a liability at the time of adoption by the Annual General Meeting. The proposed dividends for the year are included under equity until they are adopted.

Own equity securities

Purchase and disposal considerations as well as dividends from own equity securities are recognised directly as retained earnings under equity.

Statement of Cash Flows

The Statement of Cash Flows shows cash flows distributed on operating, investing and financing activities for the year, changes in cash and cash equivalents for the year, as well as cash and cash equivalents at the beginning and end of the year. Cash flows from operating activities are determined using the indirect method as pre-tax profit adjusted for non-cash operating items as well as changes in working capital.

Cash flows from investing activities comprise payments in connection with the purchase and sale of fixed assets. Cash flows from financing activities comprise dividends paid as well as movements in equity and the payment and incurrence of subordinate debt.

Cash and cash equivalents comprise cash in hand, demand deposits with central banks as well as amounts receivable from credit institutions and central banks with due dates of less than three months.

Note

2 **Risk conditions and risk management**

vestjyskBANK defines risk as any event that may adversely affect the Bank's ability to reach its business objectives. The Bank is exposed to various types of risk, which are monitored and managed at various levels in the organisation.

In spite of vestjyskBANK's fundamentally cautious risk policy, the Bank was neither sufficiently focused on preventing risks nor sufficiency attentive to incorporating precautionary measures that could mitigate the consequences of the current economic challenges during periods of favourable market conditions. The Bank's previous growth strategy also relied too heavily on a capital base that structurally required relatively high interest expenses. A lack of patience and non-interest bearing core capital has hampered longer term strategic manoeuvring.

Risk exposure is a central consideration in all the Bank's transactions.

vestjyskBANK's Supervisory Board establishes the overall framework and policies for risk and capital structure according to which the Executive Board and the general management of the Bank discharge duties related to risks. The Supervisory Board is briefed regularly on risk developments and how the allocated risk framework is being exercised. Day-to-day risk management is performed by the Finance and Risk Management, Markets & Advisory Services and Credit Departments. The Finance and Risk Management Department performs independent control.

vestjyskBANK divides risk into the following categories:

Market risk:

The risk that the market value of the Bank's financial assets and liabilities will change as a result of changes in market conditions is collectively referred to as "market risks." Exposure to market risks is a natural part of the Bank's activities and affects the Bank's total earnings.

Monitoring market risks and controlling the established framework take place on a daily basis and the Executive Board is notified of deviations immediately.

vestjyskBANK is working with various types of risk in the market risk area: Interest rate, foreign exchange and other price risks, including equity risk and risks related to the use of derivative financial instruments. The most significant aspects of the various types are set out in Notes 44–48 of the Annual Report.

Credit risk:

The issuance of credit is a highly significant part of vestjyskBANK's business area.

Credit risk is the risk that a counterparty is unable or unwilling to satisfy his or her obligations and that the security provided does not sufficiently cover the obligations in question. Illiquidity or value impairments for provided collateral may result in losses and increase the need for impairments and provisions.

An increase in the Bank's credit risks may incur losses for the Bank or result in impairment needs, risk definite losses on already impaired commitments or increase the need for measures to improve capital adequacy.

The Bank's risk assessment greatly relies on case-by-case assessments by human beings as to whether customer can/will meet their obligations and whether the requisite value and collaterals are present.

Operational risk:

Risk of losses attributable to internal and external conditions caused by inappropriate or defective internal procedures, human or system-related errors as well as external conditions, including legal risks. These conditions are described in detail in Note 51 of the Annual Report.

Liquidity risk:

The risk that the Bank will be unable to pay its liabilities drawing on its regular liquidity reserves.

The Bank has as its objective a liquidity surplus of at least 50 percent measured in relation to statutory requirements. The Bank's liquidity risk and cash resources are detailed in Note 49 of the Annual Report.

Note

2 **Risk conditions and risk management (continued)**

Business risk:

The risk of losses caused by changes in external conditions or events that harm the Bank's reputation or earnings.

A good relationship with the Bank's stakeholders—shareholders, customers, suppliers, employees and therefore also the communities in which the Bank is active—is considered the cornerstone of the Bank's continued success and growth opportunities.

Capital base risk:

The risk of losses as a result of the Bank's not having sufficient capital to meet solvency requirements and solvency needs, if this is greater.

The Bank's capital base is recognised under the Danish Financial Business Act, and at year-end 2012, it totalled TDKK 2,782,339 after deductions. Weighted items totalled TDKK 25,594,799; the Bank's solvency ratio—recognised under sec 124(2) of the Danish Financial Business Act—therefore stood at 10.9%.

With a solvency need of 10.0% at year-end 2012, the surplus solvency was 0.9 percentage point, or TDKK 221,831. Surplus funding is considered small.

The core capital ratio at year-end 2012 stood at 5.4%, which is a measure of the Bank's reliance on subordinated loan capital—thus a higher core capital ratio is wanted.

The capital is assessed to be sufficient, but it is also Management's assessment that there is a need for a strengthening in the future to reduce our vulnerability to future losses and changes to the capital rules.

Thus, the Bank will seek to strengthen the composition of the Group's subordinated capital by exercising its rights to convert government hybrid capital to share capital in part or in full.

The capital base is monitored on an ongoing basis, and the Supervisory Board receives monthly reports based on established guidelines.

Uncertainties related to recognition and measurement

The most material uncertainties related to recognition and measurement are associated with impairments of loans and provisions against guarantees. In addition to that, there are uncertainties related to the Bank's owner-occupied and investment properties, acquired assets and financial instruments.

Over the course of 2012, the Bank's Management determined that the Bank's business processes and internal procedures were insufficient for ensuring the proper credit-related treatment of the Bank's commitments for the timely assessment and determination of impairment needs. Furthermore, the practices notified by the Danish Financial Supervisory Authority for the valuation of real estate had also not been sufficiently implemented in the Bank's notional projections of the size of necessary impairments. Furthermore, the practices notified by the Danish Financial Supervisory Authority for the valuation of real estate had also not been sufficiently implemented in the Bank's projections of the size of necessary impairments.

However, in Management's opinon, the Bank's assessment and determination of the need for impairments as at 31 December 2012 substantially conform with the Financial Supervisory Authority's guidelines and reflect the risk of losses associated with the current economic climate.

However, because a number of efforts to improve the Bank's overall credit quality—including the development of additional management tools—were only implemented in the latter half of 2012, the measurement of certain loans and other guarantee commitments are still subject to material uncertainty. Additionally, there is still considerable uncertainty with respect to changes in the general economy, nationally and globally.

Consolidated Financial Statements
Notes

Note

2 **Risk conditions and risk management (continued)**

Capital structure—going concern

It is assumed for the presentation of accounts about the Bank's going concern that the Group will have sufficient capital resources to cover future capital needs.

The determination of solvency and solvency amounts is described in the Management's Review. The Bank's outlook for 2013 and its action plan are described in the Management's Review on page 18.

Based on expectations for an unchanged economic climate, it is viewed as realistic—in the context of the review performed of the Bank's loan portfolio—that the Bank's need for impairments will decline markedly in 2013. Management also expects to be able to maintain core earnings before impairments at around DKK 500 million.

In this context the capital is assessed to be sufficient, but it is also Management's assessment that there is a need for future strengthening to reduce our vulnerability to future losses and changes to the rules relating to capital including the new Basel III/CRD IV rules.

If Management's expectations for core earnings and materially lower impairments are not substantially realised or if material, unexpected negative events transpire, this may ultimately mean that the Bank will lose its license to conduct banking activities or be forced to enter settlements with a resulting negative impact on the Bank's results, financial position and going concern.

Risk report 2012

In pursuance of the Danish Financial Business Act, the disclosure requirements set out in Column III of the Danish Executive Order on Capital Adequacy as well as other orders, regulations and guidelines, vestjyskBANK is required to provide detailed public disclosure about risks, capital structure, capital adequacy, risk management, etc. Because of this, the Bank has drawn up "Risikorapport 2012" (Risk Report 2012). The report will be published simultaneously with the annual report and be available at vestjyskbank.dk/risikorapport.

Note

3 **Credit risk group and parent company**

Credit risk is the risk that a counterparty is unable or unwilling to satisfy his or her obligations and that the security provided does not sufficiently cover the obligations. Credit risk is a very significant part of vestjyskBANK's business area.

Under the Danish Financial Business Act, involvement with one customer or group of consolidated customers may not exceed 25 percent of the capital base. In order to ensure proper diversification across industry segment and customers, the Bank only accepts involvements exceeding 10 percent of its capital base by way of exception. In doing so, in its issuance of credit vestjyskBANK constantly seeks to ensure that individual involvements, including with consolidated enterprises, do not present a danger to the existence of the Bank. At the end of 2012, major commitments totalled 46.1 percent of the capital base and consisted of three commitments.

In its general management of credit risk, vestjyskBANK works to ensure that it maintains proper diversification, so that individual branches, geographic concentration or certain types of collaterals are not permitted to form a disproportionately high credit risk.

For performing credit analyses of business commitments, vestjyskBANK emphasises that the customer's business concept is sound and sustainable and that the customer is in possession of the requisite competencies. An important component in the Bank's credit analyses is the analysis of customers' financial statements and budgets.

In analysing the creditworthiness of retail customers, the customer's disposable funds and his or her assets are the decisive factors. vestjyskBANK segments client commitments into various risk categories, and employs various systems to facilitate the correct segmentation.

Segmentation is an important component in the Bank's management of credit risks.

At year-end 2012, vestjyskBANK's corporate customers accounted for 78 percent of its loans, advances and guarantees; retail customers accounted for 22 percent.

Note

3 **Credit risk group and parent company (continued)**

The Bank's valuation of collaterals provided for real estate is based on a specific assessment of the properties' market value in the context of either a current assessment or cost-benefit analysis with an estimated factor based on the property's location, its use and alternative applications, layout, creditworthiness of the tenant, length of lease, etc. The value of the Bank's collaterals in real estate is therefore associated with significant risk, since changes in market conditions may result in the need to revaluate the collaterals provided. Even for commitments where the provided collaterals are sufficient in the Bank's present assessment, going forward there is a material risk related to the Bank's loans and guarantees provided to the real estate segment, since the provided collaterals and impairment needs may change if the market changes.

Declining sales prices for real estate, including commercial properties, agricultural and private properties, the general market conditions or other conditions that lead to declining prices for securities or other collaterals may result in declining values for the collaterals provided to the Bank and that the collaterals will thus be insufficient to cover the customer's obligations. If the collaterals are illiquid, the collaterals might not be realisable for covering the customer's obligations.

The Bank is also exposed to material risk with respect to the Bank's loans and guarantees within the agricultural sector, among other things, due to the continued economic downtown in the industry segment, including declining prices and debtors' inability to pay.The need for both individual and group impairments and provisions for credit commitments is assessed on an ongoing basis.

The Bank performs impairments on commitments or groups of commitments that display objective indications of impairment loss, so that the anticipated loss risk is hedged. Impairments are made based on a number of general criteria and after preparing a loss calculation statement.

Generally, the Bank does not wish to expand its exposure within the agricultural segment but existing agricultural customers will have loan applications reviewed as usual. Farms that can document a development phase from negative to positive operating results and whose increased need for bank financing is accommodated will also entail heightened risk for the Bank.

Commitments that exhibit signs of weakness due to e.g. poor earnings or a fragile capital base are monitored closely, so that the Bank can intervene in time to reduce losses. The Bank performs impairments in groups based on a segmentation model developed by the industry organisation Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter). The model is structured around a number of macro-economic variables.

The Management is aware that the Bank has a relatively big number of customers displaying signs of weakness and customers with impairments. If the economic climate deteiorates further, especially within the agricultural and real estate sectors, this may also have a material impact on the Bank's operating resilts, financial position and going concern.

Consolidated Financial Statements

Notes

Note		2012 TDKK	2011 TDKK
4	**Interest income, group and parent company**		
	Amounts receivable from credit institutions and central banks	7,982	12,133
	Loans and other receivables	1,485,889	1,409,214
	Debt securities	78,400	95,354
	Other interest income	285	535
	Interest income at amortised cost	1,572,556	1,517,236
	Derivative financial instruments	46,590	10,194
	Interest income, total	1,619,146	1,527,430
	This amount includes interest income from actual purchase and resale transactions recognised under		
	Amounts receivable from credit institutions and central banks	16	0
5	**Interest expenses**		
	Credit institutions and central banks	24,871	46,738
	Deposits and other debt	308,182	238,094
	Debt securities in issue	192,955	213,496
	Subordinated debt	201,044	182,668
	Other interest expenses	78	35
	Interest expenses at amortised cost, total	727,130	681,031
	This amount includes interest expenses from		
	Actual sales and repurchase transactions recognised under Credit institutions and central banks	10	0
	Tier 2 capital with step-up clause recognised under Subordinated debt	19,500	0
6	**Income from fees and commissions, group and parent company**		
	Securities trading and custody	70,738	74,033
	Money transmission services	47,048	44,429
	Loan processing fees	89,910	69,409
	Guarantee commission	83,419	59,444
	Other fees amd commissions	20,912	15,759
	Income from fees and commissions, total	312,027	263,074
7	**Market value adjustments, group and parent company**		
	Debt securities	29,810	24,471
	Equity securities etc.	24,281	-22,785
	Total market value adjustments for securities attributed to fair value in the Statement of Income	54,091	1,686
	Exchange rate adjustment of foreign currency balances	-56,671	-82,913
	Exchange rate adjustment of financial instruments	79,760	103,534
	Exchange rate adjustment, total	23,089	20,621
	Derivative financial instruments, other adjustments	3,213	-45,771
	Assets related to pooled fund schemes	150,279	-54,898
	Deposits with pooled fund schemes	-150,279	54,898
	Fair value hedged lending	4,040	8,613
	Fair value hedged borrowing	-12,757	-10,202
	Gain from repayment of liabilities measured at amortised cost	23,985	0
	Market value adjustments, total	95,661	-25,053
	Total fair value adjustment for derivative financial contracts including amounts recognised under ‘Interest income’	129.563	67.957

Note		2012 TDKK	2011 TDKK
8	**Other operating income, group and parent company**		
	Gains on disposal of operating equipment	619	836
	Other income	9,741	5,515
	Operation of investment property	-168	-6
	Other operating income, total	10,192	6,345
9	**Personnel and administrative expenses, group and parent company**		
	Salaries and remuneration to the Supervisory and Executive Boards	19,560	12,870
	Personnel expenses	406,740	356,056
	Other management expenses	233,587	221,622
	Personnel and management expenses, total	659,887	590,548
	Personnel expenses		
	Wages and salaries	329,639	282,674
	Pensions	38,623	36,414
	Expenses relating to social security contributions, payroll tax etc.	38,478	36,968
	Total	406,740	356,056
	Salaries and remuneration to the Supervisory and Executive Boards and significant risk takers		
	Supervisory Board		
	Fixed remuneration	1,562	1,525
	Total	1,562	1,525
	Number of Supervisory Board members, end of the year	8	8
	Remuneration of the Supervisory Board:		
	Supervisory Board Chairman	300	300
	Deputy Chairman	250	250
	Non-executive members of the Supervisory Board	150	150
	Supplemental remuneration for Chairman of Audit Committee	50	50
	Executive Board		
	Vagn Thorsager, Chief Executive Officer		
	Contractual remuneration	3,557	0
	Pension	2	0
	Total	3,559	0
	Michael N. Petersen, Managing Director		
	Contractual remuneration	500	0
	Pension	62	0
	Total	562	0
	Frank Kristensen, Chief Executive Officer (retired on 1 Oct 2011)		
	Contractual remuneration	2,559	3,392
	Pension	514	1,678
	Termination benefits, former chief executive officer	10,804	0
	Total	13,877	5,070
	Preben Knudsgaard, Chief Executive Officer (retired on 1 May 2011)		
	Contractual remuneration	0	901
	Pension	0	514
	Severance pay	0	4,860
	Total	0	6,275

Consolidated Financial Statements

Notes

Note		2012 TDKK	2011 TDKK
9	**Personnel and administrative expenses, group and parent company (Continued)**		
	Executive Board, total		
	Contractual remuneration	6,616	4,293
	Pension	578	2,192
	Termination benefits, former chief executive officer	10,804	4,860
	Executive Board, total	17,998	11,345
	Value of perquisites	282	244
	With reference to the terms and conditions for participation as set out in the Act on State-Funded Capital Injections into Credit Institutions (Bankpakke II), please note that the calculation of taxable income payments to the Executive Board deducted for tax purposes totalled	9,140	5,795
	No agreements have been executed concerning bonus plans, incentive programmes or similar compensation plans.		
	The Bank is exempt from any and all defined benefit obligations in respect of the departure of members of the Executive Board, whether as a result of age, illness, disability or any other reason.		
	Pension scheme/annual pension:		
	Vagn Thorsager: No pension scheme.		
	Michael N. Petersen: Defined benefit plan through pension fund. vestjyskBANK contributes 12.25% of salary.		
	Other employees with significant influence on the Bank's risk profile		
	Fixed remuneration	9,089	14,027
	Pension	1,072	1,612
	Severance pay	4,660	2,600
	Total	14,821	18,239
	Number of employees with significant influence on the Bank's risk profile, end of the year	15	16
	Pension scheme:		
	Defined benefit plan through pension fund as well as premium capital pension.		
	Annual pension:		
	vestjyskBANK deposits 12.25 of salaries		
	The above-mentioned is accordance with the Bank's Pay Policy, which is accessible at the Bank's website – please refer to vestjyskbank.dk/om-banken/profil/governance/loenpolitik		
10	**Auditors' fees, group and parent company**		
	Fees for statutory audit of the annual financial statements	1,456	994
	Fees for other assurance engagements	265	483
	Fees for tax advisory services	75	33
	Fees for other services	5,624	1,729
	Audit fees, total	7,420	3,239
11	**Other operating expenses, group and parent company**		
	Contributions to the Guarantee Fund for Depositors and Investors	28,292	33,622
	Other expenses	5,373	1,159
	Other operating expenses, total	33,665	34,781

Note		2012 TDKK	2011 TDKK
12	**Impairments of loans and provisions against guarantees etc., group and parent company**		
	Individual impairments of loans		
	Individual impairments of loans and other receivables, beginning of the year	2,121,489	1,416,918
	Impairments over the course of the year	1,575,614	1,139,347
	Reversal of impairments performed in prior financial years	-70,991	-208,282
	Other movements	22,677	19,258
	Previously individually impaired, now definitely lost	-329,599	-245,752
	Individual impairments of loans and other receivables, end of the period	3,319,190	2,121,489
	Impact on operations	1,504,623	931,065
	Impairments of loans in groups		
	Impairments of loans and other receivables in groups, beginning of the year	51,304	69,912
	Impairments over the course of the year	9,143	15,910
	Reversal of impairments performed in prior financial years	-36,372	-37,153
	Other movements	12,014	2,635
	Impairments of loans and other receivables in groups, end of the period	36,089	51,304
	Impact on operations	-27,229	-21,243
	Impairments of loans, total		
	Impairments of loans and other receivables, beginning of the year	2,172,793	1,486,830
	Impairments over the course of the year	1,584,757	1,155,257
	Reversal of impairments performed in prior financial years	-107,363	-245,435
	Other movements	34,691	21,893
	Previously individually impaired, now definitely lost	-329,599	-245,752
	Impairments of loans and other receivables, end of the period	3,355,279	2,172,793
	Impact on operations	1,477,394	909,822
	Provisions against losses on guarantees and unused credit commitments		
	Provisions against losses on guarantees and unused credit commitments, beginning of the year	36,043	10,710
	Impairments over the course of the year	34,841	31,882
	Reversal of provisions performed in prior financial years	-21,045	-6,549
	Provisions against losses on guarantees and unused credit commitments, end of the period	49,839	36,043
	Impact on operations	13,796	25,333
	Accumulated impairment ratio	11.6%	7.8%

Consolidated Financial Statements

Notes

Note		2012 TDKK	2011 TDKK
12	**Impairments of loans and provisions against guarantees etc., group and parent company (continued)**		
	Amounts receivable for which calculation of interest has stopped, end of the period	2,025,471	1,308,665
	Of which impaired, total	1,395,861	916,650
	Amounts receivable for which calculation of interest has stopped, as a percentage of loans before impairments	8.4%	5.5%
	Impairments of/provisions for amounts receivable from credit institutions		
	Impairments of/provisions for amounts receivable from credit institutions, beginning of the year	1,081	413
	Impairments/provisions over the course of the period	637	1,081
	Reversal of impairments performed in prior financial years	-675	-413
	Impairments of/provisions for amounts receivable from credit institutions, end of the period	1,043	1,081
	Impact on operations	-38	668
	Impact on operations, total	1,491,152	935,823
	Lost, where individual impairments/provisions have not been made	29,444	54,456
	Included in previously written-off debts	-5,841	-5,410
	Impairment of loans and guarantee debtors, etc., total	1,514,755	984,869
	Interest income on written-down loans is offset in impairments by	49,266	24,529
13	**Tax, group and parent company**		
	Tax on income (loss) for the year	0	121
	Deferred tax	-284,750	-137,311
	Impairment of deferred tax assets, 31 Dec 2012	588,096	0
	Readjustment of tax for previous years	0	537
	Tax, total	303,346	-136,653
	Allocated as follows:		
	Tax on income for the year	299,408	-136,140
	Tax on other total comprehensive income	3,938	-513
	Tax, total	303,346	-136,653
	Effective tax rate:		
	Applicable tax rate		25.0%
	Adjustments to this:		
	Non-deductible expenses		-0.3%
	Non-taxable income		0.1%
	Property depreciation and adjustments pertaining to sale		-0.3%
	Adjustment of tax for previous years		-0.1%
	Effective tax rate, total		24.4%
	2012 not stated due to impairment of deferred tax asset.		

Note		2012 TDKK	2011 TDKK
14	**Intangible assets group and parent company**		
	Goodwill		
	Total acquisition price, beginning of the period	96,590	96,590
	Addition due to merger with Aarhus Lokalbank	111,074	0
	Total acquisition price, end of the period	207,664	96,590
	Impairments, beginning of the period	0	0
		207,664	0
	Impairments, end of the period	207,664	0
	Recognised holding, end of the period	0	96,590
	Customer relations		
	Total acquisition price, beginning of the period	14,964	14,964
	Total acquisition price, end of the period	14,964	14,964
	Amortisations and impairments, beginning of the period	4,489	2,992
	Amortisations and impairments for the period	1,497	1,497
	Amortisations and impairments, end of the period	5,986	4,489
	Recognised holding, end of the period	8,978	10,475
	Intangible assets, total	8,978	107,065

Goodwill and customer relations are derived from the acquisition of Bonusbanken in 2008 and the merger with Aarhus Lokalbank in 2012. Their activities have been fully integrated into the activities of vestjyskBANK and therefore cannot be attributed to any separate activity whose returns are monitored in the internal management reporting. This is the reason goodwill has been attributed to the Company as a whole.

As a result of the continued, significant impairments on loans, the Bank has re-assessed the assumptions for the budgets and forecasts on which the impairment test is based. This re-assessment has concluded that there is no basis for maintaining any amount of goodwill. The combined goodwill of DKK 208 million has therefore been impaired. The required rate of return after tax 10% is similar to 2011.

Consolidated Financial Statements

Notes

Note		2012 TDKK	2011 TDKK
15	**Investment property**		
	Fair value, beginning of the year	1,492	3,926
	Carried forward from owner-occupied property	3,930	2,640
	Disposals during the year	3,930	5,074
	Fair value adjustment for the year	-280	0
	Fair value, end of the year	1,212	1,492
	Rental income	0	212
	Operating expenses on properties generating rental income	0	-265
	The fair value is determined using the rate of return method. Operating income is composed of realised rental income and expenses paid. A rate of return requirement of 6% has been applied.		
16	**Owner-occupied property**		
	Cost price		
	Cost price, beginning of the year	382,140	372,251
	Additions	45,917	12,600
	Disposals	0	0
	Carried forward to investment property	4,099	2,711
	Total cost price, end of the period	423,958	382,140
	Depreciations		
	Depreciations, beginning of the year	14,738	9,782
	Depreciations for the period	5,441	5,027
	Depreciations reversed through disposals, for the period	168	71
	Depreciations, end of the period	20,011	14,738
	Carrying amount, end of the period	403,947	367,402
17	**Other property, plant and equipment**		
	Cost price		
	Cost price, beginning of the year	31,908	31,421
	Additions during the year	9,696	7,472
	Disposals during the year	6,295	6,985
	Total cost price, end of the year	35,309	31,908
	Depreciations		
	Depreciations, beginning of the year	19,825	17,889
	Depreciations for the year	7,672	8,418
	Depreciations for the year on sold and scrapped assets	386	132
	Reversals for the year of impairment losses for previous years and reversal of the overall depreciation and impairment losses on assets sold or retired from operations during the year.	5,235	6,614
	Total depreciations, end of the year	22,648	19,825
	Carrying amount, end of the year	12,661	12,083

Note		2012 TDKK	2011 TDKK
18	**Deferred tax assets/liabilities, group and parent company**		
	As described in Note 14, the Bank has reassessed its assumptions for budgets and forecasts for the coming years. This has given rise to a reassessment of the Bank's ability to exercise the tax assets primarily derived from tax losses. As a result of the increased uncertainty, the tax assets have been impaired to zero for precautionary reasons.		
	Deferred tax, 1 Jan 2012	303,346	166,550
	Deferred tax for the year	284,750	136,796
	Impairment of deferred tax assets, 31 Dec 2012	-588,096	0
	Deferred tax asset, 31 Dec 2012	0	303,346
	Deferred tax assets/liabilities are specified as follows:		
	Loans and other receivables		-3,612
	Intangible assests as well as property, plant and equipment and intangible assets		17,090
	Provisions for liabilities		-5,354
	Tax loss		-322,764
	Others		11,294
	Deferred tax assets (-)/tax liabilities, total		-303,346
	2012 not stated due to impairment of deferred tax asset.		
19	**Other assets**		
	Positive market value of derivative financial instruments	648,042	526,519
	Interest and commission receivable	66,242	45,891
	Other assets	223,907	219,596
	Other assets, total	938,191	792,006
20	**Asset items falling due one year or later from the reporting date**		
	Amounts receivable from credit institutions and central banks	8,341	77,908
	Loans and other receivables at amortised cost	8,497,651	8,605,553
	Debt securities at fair value	6,535,886	2,721,122
	Other assets	166,711	168,879
	Asset items falling due one year or later from the reporting date, total	15,208,589	11,573,462
21	**Provisions**		
	Provisions against losses on guarantees and unused credit commitments	49,839	36,043
	Other provisions	3,438	0
	Provisions, total	53,277	36,043
22	**Other liabilities**		
	Negative market value of derivative financial instruments	240,395	205,979
	Various creditors	149,237	125,292
	Interest and commission payable	113,419	93,792
	Other liabilities	68,590	35,941
	Other liabilities, total	571,641	461,004

Note		2012 TDKK	2011 TDKK
23	**Subordinated debt**		
	Tier 2 capital	931,511	596,198
	Tier 2 capital falls due between 16 May 2014 and 28 June 2020 with an option to prepay remaining in effect until 28 June 2017, subject to approval by the Danish Financial Supervisory Authority. The capital accrues interest at 1.750 - 9.500% with a step-up clause after the prepayment date.		
	In 2012, the Bank repaid a total of NOK 79 million in tier 2 capital at an average price of 47.60, *cf.* Company Notice of 21 December 2012.		
	Tier 2 capital, total	931,511	596,198
	Hybrid core capital		
	Hybrid core capital of DKK 100 million	107,573	107,031
	The capital accrues interest at a fixed 4.765%. There is no due date.		
	There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 15 November 2015.		
	Hybrid core capital of DKK 75 million	75,000	0
	The capital accrues interest at a fixed 5.000%. There is no due date.		
	There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 30 June 2016.		
	Hybrid core capital of DKK 50 million	50,000	0
	The capital accrues interest at a fixed 5.440%. There is no due date.		
	There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 1 May 2016.		
	Hybrid core capital of DKK 1,150.4 million	1,184,568	1,459,757
	DKK 34.7 million is subject to a conversion duty, if the Bank does not meet the solvency requirement, or if, in the opinion of the Danish Financial Supervisory Authority, there is an imminent risk that the Bank does not meet the solvency requirement.		
	The capital accrues interest at a fixed 9.943%. There is no due date.		
	An option of prepayment exists, subject to approval by the Danish Financial Supervisory Authority, from 25 August 2012 to 24 August 2014 at par, from 25 August 2014 to 24 August 2015 at a price of DKK 105 per 100, and from 25 August 2015 and thereafter at a price of DKK 110 per 100. Premiums are recognised and amortised according to their expected settlement date.		
	During Q1 2012 hybrid core capital of DKK 287.6 million has been converted into share capital.		
	Hybrid core capital of DKK 35.6 million	35,402	0
	The capital accrues interest at a fixed 11.11%. There is no due date.		
	Prepayment can be made, subject to the approval of the Danish Financial Supervisory Authority, from 24 December 2012 to 23 December 2014 at price 105 per 100, from 24 December 2014 onwards at price 110 per 100. Premiums are recognised and amortised according to their expected settlement date.		
	Hybrid capital, total	1,452,543	1,566,788
	Subordinated debt, total	2,384,054	2,162,986
	Subordinated debt that can be included in the capital base	1,929,870	2,082,686

Note		2012 TDKK	2011 TDKK
24	**Share capital, group and parent company**		
	Share capital, beginning of the year	125,000	125,000
	Shares issued upon conversion of hybrid capital	141,780	0
	Shares issued upon merger	39,664	0
	Capital injection from issue of shares	306,445	0
	Share capital, total	612,889	125,000
	Number of equity shares of DKK 10 each	61,288,878	12,500,000
	Number of own equity securities, beginning of the year		
	Number of own equity securities in 1,000 unit lots	185	99
	Nominal value in DKK 1,000	1,852	993
	Percentage of the share capital	0.3%	0.8%
	Additions		
	Purchased own equity securities in 1,000 unit lots	2,936	1,802
	Nominal value in DKK 1,000	29,361	18,023
	Percentage of the share capital	4.8%	14.4%
	Total purchase price in DKK 1,000	52,962	76,437
	Disposals		
	Disposal of own equity securities in 1,000 unit lots	2,947	1,716
	Nominal value in DKK 1,000	29,466	17,164
	Percentage of the share capital	4.8%	13.7%
	Total selling price in DKK 1,000	53,190	73,198
	Number of own equity securities, end of the period		
	Number of own equity securities in 1,000 unit lots	174	185
	Nominal value in DKK 1,000	1,747	1,852
	Percentage of the share capital	0.3%	1.5%
	The Bank's trade in its own equity securities takes place as part of its regular trade in equity securities.		
	As a result of the Bank's receiving government hybrid core capital—in addition to its issuance of debt securities under the individual government guarantee—dividends may only be paid as of 1 October 2010, provided they can be financed from current profits. Revaluation reserves included in equity may not be used for payment of dividends.		
25	**Basic earnings per share**		
	Net profit/loss for the year	-1,448,524	-422,636
	Average number of equity securities	36,894,450	12,500,000
	Average number of own equity securities	177,525	149,092
	Average number of equity securities outstanding	36,716,925	12,350,908
	Potential equity shares with dilutive effect	0	0
	Average number of equity securities outstanding (diluted)	36,716,925	12,350,908
	Basic earnings per share	-39.45	-34.22
	Diluted earnings per share	-39.45	-34.22

Consolidated Financial Statements
Notes

Note		2012 TDKK	2011 TDKK
26	**Liabilities falling due one year or later from the reporting date**		
	Amounts owed to credit institutions	3,268,894	355,006
	Deposits	5,405,163	6,209,554
	Debt securities in issue at amortised cost	18,071	7,923,156
	Other liabilities	23,297	20,818
	Subordinated debt	2,384,054	2,162,986
	Liabilities falling due one year or later from the reporting date, total	11,099,479	16,671,520
27	**Contingent liabilities, group and parent company**		
	Financial guarantee contracts	1,368,854	1,272,894
	Loss guarantees for mortgage loans	1,814,473	1,139,977
	Registration and conversion guarantees	540,606	557,904
	Other contingent liabilities	1,429,718	1,382,493
	Contingent liabilities, total	5,153,651	4,353,268
	'Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of endemnity in relation to the Guarantee Fund for Depositors and Investors (Indskydergarantifonden) etc.		
28	**Other binding agreements**		
	Other liabitlities	5,179	4,822
	Other binding agreements, total	5,179	4,822
29	**The difference between presenting financial statements under IFRS and Executive Order on the Presentation of Financial Statements**		
	Profit/loss for the year, as presented under IFRS	-1,448,524	-422,636
	Owner-occupied property, major depreciation and impairment losses	869	11,048
	Profit/loss for the year, as presented under Executive Order on the Presentation of Financial Statements	-1,449,393	-433,684
	Equity under IFRS	991,655	1,733,337
	Owner-occupied property, accumulated depreciation and impairment losses	16,490	39,806
	Equity under Executive Order on the Presentation of Financial Statements	975,165	1,693,531

Note		2012 TDKK	2011 TDKK
30	**Capital requirements**		
	Equity under Executive Order on the Presentation of Financial Statements	975,165	1,693,531
	Revaluation reserves	-55,433	-30,848
	Intangible assets	-8,978	-107,065
	Deferred capitalised tax assets	0	-303,346
	Other deductions from the core capital	-56,859	-85,677
	Hybrid core capital	540,434	1,175,344
	Core capital after statutory deductions	1,394,329	2,341,939
	Subordinated loan capital	477,327	515,898
	Revaluation reserves	55,433	30,848
	Hybrid core capital	912,109	391,444
	Capital base before deductions	2,839,198	3,280,129
	Deductions from the capital base	-56,859	-85,677
	Capital base after deductions	2,782,339	3,194,452
	Weighted items, total	25,594,799	25,661,641
	Core capital after statutory deductions as a percentage of weighted items, total	5.4%	9.1%
	Solvency ratio according to sec 124(2) of the Danish Financial Business Act	10.9%	12,4%
	Solvency reguirement according to sec 124(2) of the Danish Financial Business Act	8.0%	8.0%
31	**Security pledged, group and parent company**		
	Credit institutions:		
	Margin accounts pledged as security in relation to financial instruments	108,158	123,578
	Loans:		
	Pledged as security for credit facility with Danmarks Nationalbank		
	Collateral basis	3,208,826	0
	Collateral value	2,085,737	0
	Of which pledged	2,085,737	0
	Debt securities:		
	Pledged as security for credit facility with Danmarks Nationalbank		
	Total nominal value	2,394,206	814,263
	Total market value	2,393,649	818,089
	Of which pledged	915,780	0

Consolidated Financial Statements

Notes

Note		2012 TDKK	2011 TDKK
32	**Related parties, group and parent company**		
	vestjyskBANK's related parties with significant influence comprise the Bank's Supervisory and Executive Boards, senior executives and relatives of these individuals. Over the course of the year, the Bank has conducted normal trade on arm's-length terms with Peter Mortensen, butcher, and with Kaj Bech A/S, an enterprise wholly owned by Director Anders Bech.		
	Purchases from Kaj Bech A/S	255	78
	Shareholdings of min. 5% of the Bank's share capital (1,000):		
	The Danish State	32,017	
	Financial Stability Company (wholly owned by the Danish State)	1,291	
	Total	33,308	
	The Danish State's percentage interest of the Bank's share capital	54.3%	
	The Danish State is considered a related party with controlling influence.		
	The Bank has conducted the following transactions with the Danish State:		
	In 2012, hybrid core capital with a principal of DKK 296.3 million was converted to share in the Bank at a nominal value of DKK 141.8 million.		
	New issue of 16,654,325 shares at a price of DKK 10.4.		
	Hybrid core capital, *cf.* Note 23:		
	Principal DKK 1,150.4 million – interest 9.943%		
	Principal DKK 35.6 million – interest 11.11%		
	Interest expense for hybrid core capital stood at DKK 101.7 million.		
	Payment guarantee for issued bonds of DKK 6.8 billion. Guarantee provision represents DKK 62.3 million.		
	Size of loans, pledges, sureties or guarantees established for members of the institution's		
	Executive Board	100	100
	Supervisory Board	58,958	59,211
	During the course of 2011 no further commitments have been granted to the Supervisory Board		
	All commitments are provided on arm's-length terms.		
	Interest rate:		
	Executive Board	0% *	0% *
	Supervisory Board	2.825%** - 6.10%	3.29%**-6.25%
	*) MasterCard		
	* Secured by corresponding deposits		
	Security pledges established for members of the institution's:		
	Executive Board	0	0
	Supervisory Board	19,299	15,455
	Apart from what is considered normal management remuneration, no transactions have been carried out with related parties during the fiscal year.		
33	**Group overview, group and parent company**		
	Consolidated subsidiaries		
	Center Finansiering A/S with principal office in Lemvig Municipality		
	Share capital:	500	
	Profit/loss:	1	
	Equity:	717	
	Center Finansiering A/S is directly and wholly owned by vestjyskBANK.		

Note		2012 TDKK	2011 TDKK
34	**Company acquisitions, group and parent company**		
	vestjyskBANK and Aarhus Lokalbank merged on 30 March 2012. The merger was recognised in the accounts as at the acquisition date.		
	Fair value of acquired net assets		
	Cash in hand and demand deposits with central banks	106,623	
	Amounts receivable from credit institutions and central banks	618,361	
	Loans and other receivables	2,838,908	
	Debt securities	388,746	
	Equity securities	63,232	
	Land and buildings	41,944	
	Other tangible assets	3,307	
	Other assets	70,830	
	Assets, total	4,131,951	
	Amounts owed to credit institutions	26,031	
	Deposits	2,277,563	
	Debt securities in issue	1,328,787	
	Other liabilities	157,754	
	Subordinated debt	356,980	
	Liabilities, total	4,147,115	
	Acquired net assets	-15,164	
	Purchase price: 3.966 million shares in vestjyskBANK at price DKK 24,18 (quoted price at 30 March 2012)	95,910	
	Goodwill	111,074	
	Goodwill can be attributed both to the expected extension of government issued guarantees for bond issues obtained by Vestjysk Bank and to the expected cost synergies.		
	Goodwill is tax deductible, since the merger with Aarhus Lokalbank was executed as a tax liable merger.		
	No regulations have subsequently been carried out for the purchase sum allocation.		
	Acquired loans:		
	Nominal value	3,352,550	
	Impairment of commitments and other regulations related to credit risks	513,642	
	Total	2,838,908	
	If the merger had been executed at 1 Jan 2012, vestjyskBANK's net interest and fee income would have totalled:	1,206,181	
	and the results would have stood at	-1,449,184	
	In estimating results, the effect of the acquisition and related revaluations has not been taken into account.		
	Transaction costs related to the merger have been recognised under Other administrative expenses at DKK 11.3 million.		

Note

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

Financial instruments are measured in the Statement of Financial Position at their fair value or amortised cost.

Fair value is the amount for which a financial asset can be traded or a financial liability settled between parties in an arm's-length transaction. For financial assets and liabilities priced in active markets, fair value is determined on the basis of observed market prices on the reporting date. For financial instruments not priced in active markets, fair value is determined on the basis of generally accepted pricing methods.

Equity securities etc. and derivative financial instruments have been measured at their fair value in the financial statements so that the recognised values correspond to the fair values.

The impairment of loans is determined to correspond to changes in credit quality. The differential in respect of fair values is assessed to be received fees and commissions, interest receivable that does not fall due until after the end of the financial reporting period, and, for fixed-rate loans, also market value adjustments linked to the interest rate level. In case of a transfer of the loan portfolio in full or in part, the fair value would be lower.

The fair value for amounts receivable from credit institutions and central banks is determined by applying the same method as for loans.

Debt securities in issue and subordinated debt are measured at amortised cost. The difference between the carrying amount and the fair value is determined to be interest payable that does not fall due until after the end of the financial reporting period as well as costs and premiums amortised over the life of the loan and, for fixed-rate debt securities in issue, also market value adjustments linked to the interest rate level.

For floating-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the differential in respect of fair values is estimated to be interest payable that does not fall due until after the end of the financial reporting period.

For fixed-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the differential in respect of fair values is estimated to be interest payable that does not fall due until after the end of the financial reporting period and the market value adjustments linked to the interest rate level.

For financial instruments measured at fair value, the basis for establishing the fair value is stated as:

Level 1: Observable prices in an active market for identical instruments

Level 2: Valuation model based primarily on observable market data

Level 3: Valuation model that, to a significant degree, is based on non-observable market data

Note		2012 TDKK Carrying amount	2012 TDKK Fair value	2011 TDKK Carrying amount	2011 TDKK Fair value
35	**Financial assets (continued)**				
	Loans and receivables				
	Cash in hand and demand deposits with central banks	1,232,087	1,232,087	666,076	666,076
	Amounts receivable from credit institutions and central banks	456,065	456,137	730,792	731,058
	Loans	20,696,873	20,713,415	21,715,932	21,739,586
	Loans and receivables, total	22,385,025	22,401,639	23,112,800	23,136,720
	Attributed to fair value in the Statement of Income				
	Debt securities at fair value (Level 1)	7,271,083	7,271,137	2,909,038	2,909,038
	Listed equity securities (Level 1)	31,054	31,054	58,366	58,366
	Unlisted equity securities etc. (Level 3)	422,012	422,012	496,051	496,051
	Attributed to fair value in the Statement of Income, total	7,724,149	7,724,203	3,463,455	3,463,455
	Trading portfolio				
	Derivative financial instruments (Level 2)	648,042	648,042	526,519	526,519
	Trading portfolio, total	648,042	648,042	526,519	526,519
	Financial liabilities				
	Financial liabilities at amortised cost				
	Amounts owed to credit institutions and central banks	3,926,024	3,926,066	1,929,734	1,933,409
	Deposits	16,800,880	16,798,546	13,925,039	13,920,940
	Debt securities in issue	6,781,980	6,812,725	7,927,786	7,971,865
	Subordinated debt	2,384,054	2,371,316	2,162,986	2,160,891
	Financial liabilities at amortised cost, total	29,892,938	29,908,653	25,945,545	25,987,105
	Trading portfolio				
	Derivative financial instruments (Level 2)	240,395	240,395	205,979	205,979
	Trading portfolio, total	240,395	240,395	205,979	205,979
	Changes in financial assets belonging to Level 3:				
	Beginning of the year	496,051		466,753	
	Additions	56,726		30,912	
	Disposals	130,970		1,400	
	Fair value adjustment included in market value adjustments	205		-214	
	End of the year	422,012		496,051	
	Value adjustment during the course of the period of financial assets in the portfolio totals	10,081		-816	

Note		2012 TDKK	2011 TDKK
36	**Credit exposure, group and parent company**		
	The Bank's credit exposure is composed of the following assets and items not recognised in the Statement of Financial Position:		
	Amounts receivable from central banks	1,125,999	820,007
	Amounts receivable from credit institutions	457,108	480,806
	Debt securities	7,271,083	2,909,038
	Loans	24,052,152	23,888,675
	Items not recognised in the Statement of Financial Position:		
	Financial guarantees	3,195,302	2,427,904
	Non-unconditional credit commitments	5,163,402	4,948,816
	Total	41,265,046	35,475,246
	Of which recognised in the Statement of Financial Position	32,906,342	28,098,526
	Credit institutions The item 'Amounts receivable from central banks' solely pertains to Danmarks Nationalbank. 'Amounts receivable from credit institutions' pertain to receivables from a number of credit institutions located in Denmark and abroad. Amounts receivable from credit institutions abroad represent a very limited portion. 'Amounts receivable from credit institutions' pertain to receivables from a number of credit institutions located in Denmark and abroad. Amounts receivable from credit institutions abroad represent a very limited portion.		
	Amounts receivable from individual institutions in excess of DKK 5 million		
	Credit institutions or their subsidiaries rated, at a minimum, A+	182,288	123,432
	Credit institutions or their subsidiaries rated A and lower	23,461	131,462
	Unrated credit institutions or their subsidiaries	192,000	200,385
	Total	397,749	455,279
	Debt securities by rating categories		
	AAA	6,347,343	2,186,782
	AA+ to AA-	0	50,811
	A+ to A-	290,883	536,093
	BBB+ to BBB-	619,548	0
	BB+ and lower	8,411	122,643
	No rating	4,898	12,709
	Debt securities, total	7,271,083	2,909,038
	Debt securities by issuers		
	Mortgage-credit bonds	6,748,532	2,623,589
	Government bonds	0	1
	Other debt securities	522,551	285,448
	Debt securities, total	7,271,083	2,909,038

Note		2012 TDKK	2011 TDKK
36	**Credit exposure, group and parent company (continued)** **Loans, guarantees and credit commitments by industry segments**		
	Public authorities	27.327	25.183
	Business:		
	Agriculture, hunting, forestry and fishery	6.503.158	6.002.104
	Manufacturing industry and raw material extraction	1.265.475	1.295.480
	Energy supply	2.443.506	2.840.810
	Construction and civil engineering contractors	1.095.730	1.125.472
	Trade	2.274.791	2.398.255
	Transportation, hotels and restaurant businesses	1.250.649	1.233.083
	Information and communication	138.374	131.956
	Credit and financing institutes and insurance businesses	1.974.904	2.148.413
	Real estate	6.396.351	4.972.754
	Other business	1.805.010	1.831.665
	Business, total	25.147.948	23.979.992
	Retail	7.235.581	7.260.220
	Loans, guarantees and credit commitments, total	32.410.856	31.265.395

37 **Collaterals, group and parent company**

The Bank holds a charge on financed asset for most of its business commitments, which is the reason the most common collaterals are mortgages secured in real property, ships, wind turbines, motor vehicles, movable property, securities and floating charges. Owner's sureties and personal insurance also constitute a large share of the collateral held by the Bank.

The Bank holds charges in financed assets for most of its retail customer commitments which is the reason the most common collaterals are mortgages secured in real property and in motor vehicles.

The Bank continuously performs assessments of pledged collateral. Valuations are porformed on the basis of the fair value of the asset, les the margin for covering costs related to realisation, selling period costs as well as rebates. Some collaterals are assessed for precautionary and practial reasons not to have any value; thus, the figures listed below may not necessarily be taken to represent the collaterals' actual value.

Note

37 Collaterals distributed by type (continued)

2012 TDKK	Charges held in properties and wind turbines	Right of substitution for security provided on property	Charges held in movable property, motorvehicles, operating equipment, ships etc.	Securities	Bank accounts	Other	Total
Business:							
Agriculture, hunting, forestry and fishery	1,499,548	44,127	404,123	73,786	24,032	51,038	2,096,654
Manufacturing industry and raw material extraction	59,828	20,690	45,584	2,283	2,666	30,864	161,915
Energy supply	480,321	18,133	64,705	152,799	19,087	324,349	1,059,394
Construction and civil engineering contractors	176,061	52,535	46,028	4,716	16,477	0	295,817
Trade	130,632	63,456	124,663	19,174	35,006	5,612	378,543
Transportation, hotels and restaurant	150,927	199,319	111,377	15,197	4,437	3,816	485,073
Information and communication	14,538	1,926	3,209	17,806	56	408	37,943
Credit and financing institutes and insurance businesses	369,569	47,723	4,611	224,189	12,203	15,986	674,281
Real estate	2,174,015	378,552	14,714	82,949	89,870	62,777	2,802,877
Other business	161,092	64,836	42,961	62,281	48,062	7,261	386,493
Business, total	5,216,531	891,297	861,975	655,180	251,896	502,111	8,378,990
Retail	1,172,302	253,964	209,852	292,362	108,875	45,442	2,082,797
Total	6,388,833	1,145,261	1,071,827	947,542	360,771	547,553	10,461,787

2011 TDKK	Charges held in properties and wind turbines	Right of substitution for security provided on property	Charges held in movable property, motorvehicles, operating equipment, ships etc.	Securities	Bank accounts	Other	Total
Business:							
Agriculture, hunting, forestry and fishery	1,459,248	30,106	364,297	75,611	22,453	19,244	1,970,959
Manufacturing industry and raw material extraction	113,120	23,927	144,977	4,012	2,944	54,380	343,360
Energy supply	394,275	66,771	54,068	41,255	9,589	875,640	1,441,598
Construction and civil engineering contractors	224,586	79,911	31,408	15,146	22,742	24,983	398,776
Trade	195,621	68,140	206,716	22,233	35,058	8,733	536,501
Transportation, hotels and restaurant	183,204	91,006	74,115	16,578	5,031	41,585	411,519
Information and communication	16,606	4,439	3,331	11,106	740	1,287	37,509
Credit and financing institutes and insurance businesses	435,530	135,139	9,046	150,912	11,154	143,534	885,315
Real estate	2,092,662	199,378	12,713	61,975	92,585	133,963	2,593,276
Other business	248,965	130,388	62,344	70,521	36,202	6,172	554,592
Business, total	5,363,817	829,205	963,015	469,349	238,498	1,309,521	9,173,405
Retail	1,259,287	148,659	334,934	227,605	137,982	33,021	2,141,488
Total	6,623,104	977,864	1,297,949	696,954	376,480	1,342,542	11,314,893

Note			
38	**Credit quality – summary overview - group and parent company**	2012 TDKK	2011 TDKK
	Loans as per Statement of Financial Position	20,696,873	21,715,932
	Impairment of loans	3,355,279	2,172,793
	Guarantees as per Statement of Financial Position	5,153,651	4,353,268
	Provisions for guarantees	43,375	24,457
	Loans and guarantee debtors, gross	29,249,178	28,266,450
	Loans and guarantee debtors where impairments/provisions have been made, cf. Note 41	7,494,699	5,137,432
	Loans and guarantee debtors in arrears, cf. Note 40	1,410,250	708,984
	Loans and guarantee debtors where impairments/provisions have been made, cf. Note 39	20,344,229	22,420,034
	Loans and guarantee debtors, gross	29,249,178	28,266,450
	Loans and guarantee debtors where impairments/provisions have been made, cf. Note 41	7,494,699	5,137,432
	Impairments of loans, cf. Note 12	3,355,279	2,172,793
	Provisions for guarantees	43,375	24,457
	Loans and guarantee debtors where impairments/provisions have been made	4,096,045	2,940,182
	Loans and guarantee debtors in arrears, cf. Note 40	1,410,250	708,984
	Loans and guarantee debtors not in arrears where impairments/provisions have not been made, cf. Note 39	20,344,229	22,420,034
	Risk, net	25,850,524	26,069,200
	Loans, cf. Statement of Financial Position	20,696,873	21,715,932
	Guarantees, cf. Statement of Financial Position	5,153,651	4,353,268
	Loans and guarantees, cf. Statement of Financial Position, total	25,850,524	26,069,200

Note

39 **Credit quality of loans and guarantee debtors that are neither in arrears nor for which impairments/provisions have been made, group and parent company**

'Loan and guarantee debtors with signs of weakness' refers to loans and guarantee debtors for which individual impairments have not been performed but which display signs of weakness. 'Signs of weakness' refers to conditions that affect the credit risk assessment of the loan negatively. These are loan and guarantee debtors whose credit rating is impaired and therefore closer to being written down.

2012 TDKK	Loan + guarantee debtors with material weaknesses, but without impairments/ provisions	Loan + guarantee debtors with slightly impaired credit rating, certain signs of weakness	Loan + guarantee debtors with normal credit rating	Amortised cost, total
Public authorities	0	0	26,933	26,933
Business:				
Agriculture, hunting, forestry and fishery	352,867	853,724	1,700,004	2,906,595
Manufacturing industry and raw material extraction	62,257	220,891	583,842	866,990
Energy supply	215,528	283,874	1,811,859	2,311,261
Construction and civil engineering contractors	146,844	198,477	326,810	672,131
Trade	265,022	421,948	848,612	1,535,582
Transportation, hotels and restaurant businesses	275,534	143,238	370,371	789,143
Information and communication	16,189	6,922	38,642	61,753
Credit and financing institutes and insurance businesses	197,319	234,310	528,495	960,124
Real estate	1,114,003	1,358,873	1,122,883	3,595,759
Other business	150,842	337,705	723,219	1,211,766
Business, total	2,796,405	4,059,962	8,054,737	14,911,104
Retail	1,163,105	962,972	3,280,115	5,406,192
Total	3,959,510	5,022,934	11,361,785	20,344,229

2011 TDKK				
Public authorities	0	0	24,891	24,891
Business:				
Agriculture, hunting, forestry and fishery	528,206	1,084,625	1,919,361	3,532,192
Manufacturing industry and raw material extraction	121,083	165,532	704,908	991,523
Energy supply	142,807	388,133	2,142,764	2,673,704
Construction and civil engineering contractors	154,807	213,005	454,445	822,257
Trade	214,365	716,531	946,626	1,877,522
Transportation, hotels and restaurant businesses	169,318	432,760	385,107	987,185
Information and communication	15,710	9,308	66,855	91,873
Credit and financing institutes and insurance businesses	140,555	249,870	724,455	1,114,880
Real estate	776,547	1,330,627	1,222,597	3,329,771
Other business	137,802	310,469	842,050	1,290,321
Business, total	2,401,200	4,900,860	9,409,168	16,711,228
Retail	1,110,553	941,695	3,631,667	5,683,915
Total	3,511,753	5,842,555	13,065,726	22,420,034

Note

40 **Distribution by industry segment of overdue receivables for loans that have not been written down, group and parent company**

2012	0-30 days TDKK	31-60 days TDKK	61-90 days TDKK	>90 days TDKK	Total TDKK
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	42,771	7,400	408	7,315	57,894
Manufacturing industry and raw material extraction	4,178	828	0	13	5,019
Energy supply	2,379	0	115	0	2,494
Construction and civil engineering contractors	7,817	735	0	28	8,580
Trade	10,845	4,543	781	2,494	18,663
Transportation, hotels and restaurant businesses	5,480	368	637	102	6,587
Information and communication	482	155	3	0	640
Credit and financing institutes and insurance businesses	5,973	926	2	22	6,923
Real estate	17,115	15,015	17	505	32,652
Other business	7,915	1,597	109	4,024	13,645
Business, total	104,955	31,567	2,072	14,503	153,097
Retail	21,215	7,429	1,623	1,350	31,617
Arrears, total	126,170	38,996	3,695	15,853	184,714
Loans in arrears, total	1,044,990	314,337	18,786	32,137	1,410,250

2011	0-30 days TDKK	31-60 days TDKK	61-90 days TDKK	>90 days TDKK	Total TDKK
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	40,491	2,088	356	82	43,017
Manufacturing industry and raw material extraction	13,249	421	6	109	13,785
Energy supply	4,539	0	0	0	4,539
Construction and civil engineering contractors	12,745	614	104	48	13,511
Trade	13,839	7,039	5,544	175	26,597
Transportation, hotels and restaurant businesses	13,215	1,445	71	2,060	16,791
Information and communication	761	16	12	144	933
Credit and financing institutes and insurance businesses	10,281	286	1	1,755	12,323
Real estate	28,194	2,860	1,154	685	32,893
Other business	19,042	2,339	816	87	22,284
Business, total	156,356	17,108	8,064	5,145	186,673
Retail	45,560	7,816	1,009	2,757	57,142
Arrears, total	201,916	24,924	9,073	7,902	243,815
Loans in arrears, total	522,231	105,408	29,649	51,696	708,984

Consolidated Financial Statements

Notes

Note		2012 TDKK	2011 TDKK
41	**Distribution of gross loans and guarantee debtors, individually impaired, by cause, group and parent company**		
	Reorganisation/bankruptcy	477,357	323,976
	Rescheduling of debts	9,359	12,126
	Collection	394,714	321,952
	Customer deceased	8,491	8,358
	Relief in terms	1,736,846	1,319,149
	Other causes	4,867,932	3,151,871
	Total	7,494,699	5,137,432

42 **Distribution by industry segment of loan and guarantee debtors, individually impaired, group and parent company**

2012 TDKK	Gross	Loan value of collaterals	Unsecured part before impairment	Impairments/provisions	Unsecured part after impairment
Business					
Agriculture, hunting, forestry and fisheries	2,644,828	751,066	1,893,761	1,133,697	760,064
Industry and raw material extraction	204.563	35,142	169,421	116,766	52,655
Energy supply	66,314	10,870	55,444	15,739	39,705
Building and construction	264,073	86,953	177,121	124,024	53,097
Trade	273,646	87,430	186,216	134,816	51,400
Transportation, hotels and restaurants	303.872	104,526	199,346	121,705	77,641
Information and communications	9,309	1,143	8,166	5,584	2,582
Financing and insurance	1,060,022	332,520	727,501	583,961	143,540
Real property	1,985,805	1,086,411	899,394	716,264	183,130
Other business	216,750	33,761	182,989	136,831	46,158
Business, total	7,029,182	2,529,822	4,499,359	3,089,387	1,409,972
Retail	465,517	52,080	413,438	279,641	133,797
Total	7,494,699	2,581,902	4,912,797	3,369,028	1,543,769

2011 TDKK	Gross	Loan value of collaterals	Unsecured part before impairment	Impairments/provisions	Unsecured part after impairment
Business					
Agriculture, hunting, forestry and fisheries	1,653,209	575,634	1,077,575	651,798	425,777
Industry and raw material extraction	183.563	58,194	125,369	86,103	39,266
Energy supply	49,446	40,747	8,699	8,187	512
Building and construction	210,361	47,417	162,944	118,025	44,919
Trade	144,991	3,415	141,576	86,084	55,492
Transportation, hotels and restaurants	109.684	4,296	105,388	63,869	41,519
Information and communications	9,489	475	9,014	8,181	833
Financing and insurance	1,077,324	378,341	698,983	491,258	207,725
Real property	1,203,513	767,810	435,703	340,400	95,303
Other business	179,194	27,726	151,468	89,750	61,718
Business, total	4,820,774	1,904,055	2,916,719	1,943,655	973,064
Retail	316,658	60,996	255,662	213,876	41,786
Total	5,137,432	1,965,051	3,172,381	2,157,531	1,014,850

Note

43 **Collaterals for loans and guarantees that have been individually impaired, distributed by type of collateral, group and parent company**

2012 TDKK	Charges held in properties and wind turbines	Right of substitution for security provided on property	Charges held in movable property, motor vehicles, operating equipment, ships etc.	Securities	Bank accounts	Others	Total
Business:							
Agriculture, hunting, forestry and fisheries	673,477	15,156	41,272	3,644	3,707	13,810	751,066
Industry and raw material extraction	1,061	1,740	28,761	47	283	3,250	35,142
Energy supply	10,068	0	691	0	111	0	10,870
Building and construction	70,572	4,481	11,225	364	311	0	86,953
Trade	21,537	5,725	60,115	0	53	0	87,430
Transportation, hotels and restaurants	17,545	30,726	45,269	9,748	1,238	0	104,526
Information and communications	779	0	158	1	0	205	1,143
Financing and insurance	240,518	16,300	547	74,586	569	0	332,520
Real property	885,488	138,734	7,763	20,431	33,495	500	1,086,411
Other business	17,538	0	11,539	1,964	0	2,720	33,761
Business, total	1,938,583	212,862	207,340	110,785	39,767	20,485	2,529,822
Retail	21,211	7,331	6,951	15,375	762	450	52,080
Total	1,959,794	220,193	214,291	126,160	40,529	20,935	2,581,902

2011 TDKK	Charges held in properties and wind turbines	Right of substitution for security provided on property	Charges held in movable property, motor vehicles, operating equipment, ships etc,	Securities	Bank accounts	Others	Total
Business:							
Agriculture, hunting, forestry and fisheries	550,035	679	21,375	189	40	3,316	575,634
Industry and raw material extraction	8,808	0	39,639	497	0	9,250	58,194
Energy supply	35,515	196	36	0	0	5,000	40,747
Building and construction	41,218	0	6,152	0	47	0	47,417
Trade	1,958	0	1,457	0	0	0	3,415
Transportation, hotels and restaurants	3,103	0	326	4	863	0	4,296
Information and communications	0	475	0	0	0	0	475
Financing and insurance	280,498	1,756	735	28,994	507	65,851	378,341
Real property	726,868	9,685	1,544	1,032	5,769	22,912	767,810
Other business	13,949	6,267	572	5,693	0	1,245	27,726
Business, total	1,661,952	19,058	71,836	36,409	7,226	107,574	1,904,055
Retail	22,918	19,523	14,516	1,967	87	1,985	60,996
Total	1,684,870	38,581	86,352	38,376	7,313	109,559	1,965,051

Consolidated Financial Statements

Notes

Note

44 **Market risk, group and parent company**

The risk that the market value of the Bank's financial assets and liabilities changes as a result of changes in market conditions is collectively named 'market risks'. Exposure to market risks is a natural part of the Bank's activities with significance for the Bank's total earnings. Monitoring market risks and controlling the established framework take place on a daily basis. The Executive Board is notified of deviations immediately.

45 **Interest rate risk, group and parent company**

Applying the Danish Financial Supervisory Authority's guidelines, interest rate risk is calculated as the total loss risk of a general change in the interest rate level of 1 percentage point. The total interest rate risk covers the risk for debt securities, derivative financial instruments as well as deposits and loans. As part of its risk management the Bank is using interest rate swaps to hedge against the interest rate risk in full or in part of fixed-rate assets and liabilities.

	2012 TDKK	2011 TDKK
The total interest rate risk has been measured at	-160,067	-107,133
Measured in relation to the core capital, this corresponds to	-11.5%	-4.6%
The change in the Bank's interest rate exposure in 2012 compared to 2011 can primarily be attributed to a reduction in its bond portfolio interest rate risk as well as the raising of new fixed-rate subordinated loan capital.		
Interest rate risk for financial instruments measured at fair value	15,315	48,241
An upwards parallel shift of yield curves by 1 percentage point will affect the equity by	-15,315	-48,241
Hedge accounting		
For hedging interest rate risk, the following are hedged (fair value hedge):		
Debt securities	209,286	62,696
Hedged with interest rate swaps, maturity 2015-2017		
Synthetic principal	200,000	67,171
Fair value	-6,481	-7,535
Loans at amortised cost	235,696	283,182
Hedged with interest rate swaps, maturity 2012-2032		
Synthetic principal	224,948	266,365
Fair value	-23,000	-19,621
Hedged with interest rate caps, maturity 2024-2026		
Synthetic principal	10,748	16,816
Fair value	-86	-44
Deposits	900,000	900,000
Hedged with interest rate swaps, maturity 2014		
Synthetic principal	900,000	900,000
Fair value	14,693	8,757
Issued debt securities	1,682,941	1,249,427
Hedged with interest rate swaps, maturity 2013		
Synthetic principal	1,680,120	1,245,945
Fair value	230,303	162,428
Subordinated debt	107,573	107,031
Hedged with interest rate swaps, maturity 2015		
Synthetic principal	100,000	100,000
Fair value	7,573	7,031
Total fair value adjustment of hedging instruments	-305	-364
Total fair value adjustment of the hedged items	789	-2,393
Ineffectiveness recognised in the Statement of Income	484	-2,757

Note

46 **Foreign currency risk, group and parent company**

Foreign currency risk is the risk of losses on foreign currency positions as a result of changes in foreign exchange rates.

Exchange Rate Indicator 1 expresses a simplified target for the scope of the institution's positions in foreign currency and is calculated - according to the guidelines of the Danish Financial Supervisory Authority - as whichever is the greater of the sum of the foreign currency positions where the Bank has net payables (short currency positions) and the sum of all the currencies where the Bank has a net receivable (long currency positions).

	2012 TDKK	2011 TDKK
Assets in foreign currency, total	3,392,662	3,290,994
Liabilities in foreign currency, total	7,662,829	7,498,613
Exchange Rate Indicator 1	23,375	35,812
Exchange Rate Indicator 1 as a percentage of core capital (incl. hybrid core capital), less deductions	1.6%	1.5%
The foreign currency position primarily consists of CHF, EUR, JPY, SEK, NOK, USD and TRY.		
A change unfavourable to the Bank in EUR of 2% and other foreign currencies of 10% will result in an income and equity effect before tax of	-2,715	-4,831
For hedging foreign currency risk, the following are hedged (fair value hedge):		
Issued securities in NOK, SEK and USD	3,955,256	3,698,550
Hedged with interest rate swaps, maturity 2011-2013		
synthetic principal	3,950,931	3,685,557
fair value	10,467	-7,726
Value adjustments of these transactions are classified as hedging instruments related to hedging cash flows.		
Recognised under other comprehensive income	18,135	-1,537
Recognised under equity	18,135	-1,537

47 **Equity risk, group and parent company**

Equity risk is determined on the basis of the amount invested in equity securities and equity-related products.

	2012 TDKK	2011 TDKK
Equity securities etc.		
Shares/unit-denominated certificates listed on NASDAQ OMX Copenhagen A/S	20,500	42,773
Shares/unit-denominated certificates listed on other exchanges	10,554	15,593
Unlisted shares recognised at their fair value	422,012	496,051
Unlisted shares etc. recognised at cost	34,408	15,692
Equity securities etc., total	487,474	570,109
Of which sector shares	426,661	496,197
Sensitivity		
If the value of the Bank's equity holding at 31 December had been 10 percent lower, all other factors being equal, the results for the year before tax would be changed by	-48,747	-57,011
The equity risk was reduced by DKK 8.3 million. The lower equity risk can be attributed to a reduction in the Bank's equity position.		

Note

48 **Derivative financial instruments**

Derivative financial instruments are utilised by both the Bank's customers and the Bank to hedge and manage financial risks and positions.

49 **Liquidity risk**

Cash resources are established based on ongoing compliance with the Supervisory Diamond subject to a selected long-term stress scenario. The stress scenario is based on the Financial Supervisory Authority's stress factors, etc. The cash resources consist of cash equivalent deposits in and credit facilities with Danmarks Nationalbank.

	2012 TDKK	2011 TDKK
Cash resources		
Demand deposits and uncollateralised certificates of deposit with Danmarks Nationalbank as well as demand deposits and undrawn committed credits with other credit institutions	1,452,511	2,167,406
Cash equivalents	7,115,732	3,759,758
Total	8,568,243	5,927,164
Excess cover in relation to the 10 percent requirement set out in sec 152 of the Danish Financial Business Act	144.8%	98.8%

50 **Contractual terms of financial liabilities**

2012	Carrying amount TDKK	Contractual cash flows TDKK	Before 1 year TDKK	1-5 years TDKK	After 5 years TDKK
Amounts owed to credit institutions and central banks	3,926,024	3,926,616	657,130	3,129,489	139,997
Deposits and other debt	16,800,880	17,177,234	13,026,530	3,699,767	450,937
Debt securities in issue at amortised cost	6,781,980	6,817,235	6,798,044	19,191	0
Subordinate debt	2,384,054	3,212,440	170,273	1,675,600	1,366,567
Irrevocable credit commitments and guarantees	5,153,651	5,153,651	5,153,651	0	0
Derivative financial instruments	240,395	360,941	171,356	103,357	86,228

2011	Carrying amount TDKK	Contractual cash flows TDKK	Before 1 year TDKK	1-5 years TDKK	After 5 years TDKK
Amounts owed to credit institutions and central banks	1,929,734	2,033,407	1,580,174	242,858	210,375
Deposits and other debt	13,925,039	14,154,974	10,636,993	3,379,347	138,634
Debt securities in issue at amortised cost	7,927,786	8,138,876	144,843	7,994,033	0
Subordinate debt	2,162,986	3,294,201	171,789	1,594,906	1,527,506
Irrevocable credit commitments and guarantees	4,353,268	4,353,268	4,353,268	0	0
Derivative financial instruments	205,979	344,986	60,646	191,457	92,883

The maturity analysis shows the contractual undiscounted cash flows and includes principal and interest.

The distribution by maturity is made on the basis of the earliest point in time an amount can be made payable.

Hybrid capital with no maturity date has been listed according to expected life.

Note

51 **Other risks**

Operating risks

The general responsibility for operational risks is based in the The Finance and Risk Management Department.

vestjyskBANK considers its reliance on key employees to be a focus area. There are ongoing efforts to minimise the Bank's reliance on key employees, among other things in the form of written business procedures, centralisation of tasks, and the outsourcing of areas that are not significant to the Bank's competitiveness.

vestjyskBANK is continuously working on policies and contingency plans for physical catastrophes and IT-related disaster recovery. The Bank is a member of Bankernes EDB Central (BEC), which handles the day-to-day operations of its IT systems. The Bank follows the directions and recommendations issued by BEC, and it does not perform any independent IT system development.
The Bank's contingency plans for the IT area cover service interruptions at headquarters and parts of the department network. For interruptions in one or more departments, operations can still take place from the other departments, and in the event of prolonged interruptions at headquarters, vital functions can be carried out from one of the branches. The Bank's contingency plan is reviewed by the Supervisory Board at least once a year.

The operational risk is minimised by ensuring, among other things, that the execution of activities is organisationally separated from the control of such activities.

Capital base risk

The capital base is monitored on an ongoing basis, and the Supervisory Board receives monthly reports based on established guidelines.

Compliance

vestjyskBANK has a compliance function, whose area of responsibility is to monitor compliance with financial legislation. Instructions and an annual plan for this area, approved by the Supervisory Board, have been drawn up.

52 **Pending litigation**

In addition to that, vestjyskBANK is also party to other litigation. The proceedings are evaluated on an ongoing basis, and requisite provisions are made on the basis of a risk assessment of losses.

The pending proceedings are not expected to have significant influence on the Bank's financial position.

53 **Events since the end of the financial year**

Please see page 18 of the Management's Review for events after the end of the financial year.

Consolidated Financial Statements

Notes

Note		2012 *)	2011	2010	2009	2008
54	**Key figures – The Group**					
	Statement of Income (in MDKK)					
	Net interest income	892	846	816	789	572
	Net fee income	279	236	233	225	142
	Dividends on equity securities etc.	5	3	3	7	5
	Market value adjustments for foreign currency and sector shares	96	-25	49	141	-58
	Other operating income	10	6	9	66	255
	Core income	1.282	1.066	1.110	1.228	916
	Personnel and administrative expenses	-660	-590	-590	-622	-447
	Other operating expenses as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as	-48	-51	-102	-128	-39
	Operating expenses and operating depreciations and amortisations	-708	-641	-692	-750	-486
	Core earnings before impairments	574	425	418	478	430
	Impairment of goodwill	-208	0	0	0	0
	Impairments of loans and receivables etc.	-1.515	-984	-408	-537	-176
	Profit/loss before tax	-1.149	-559	10	-59	254
	Tax	299	-136	4	-18	-4
	Profit/loss	-1.448	-423	6	-41	258
	Statement of Financial Position (in MDKK)					
	Assets, total	32.765	29.280	33.583	32.838	32.216
	Loans	20.697	21.716	23.468	23.874	24.069
	Deposits, including pooled funds	18.057	15.029	15.564	18.635	16.643
	Contingent liabilities	5.154	4.353	4.485	5.715	6.731
	Business volume	43.908	41.098	43.517	48.224	47.443
	Equity	992	1.733	2.161	2.149	2.196

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

*) Consolidated figures. There is no material difference between the group and the parent company.

Note		2012 *)	2011	2010	2009	2008
54	**Financial ratios (continued)**					
	Solvency					
	Solvency ratio	10.9%	12.4%	13.6%	14.7%	9,8%
	Core capital ratio	5.4%	9.1%	11.4%	11.4%	6,4%
	Earnings					
	Return on equity before tax, annually [1]	-84,3%	-28,7%	0,4%	-2,7%	13,0%
	Return on equity after tax, annually [1]	-106,3%	-21,7%	0,3%	-1,9%	13,2%
	Income-cost ratio [2]	0,53	0,66	1,01	0,95	1,39
	Rate of cost [3]	55,3%	60,1%	62,4%	61,1%	53,1%
	Employees converted to full-time (average)	621,3	614,8	642,1	658,9	471,7
	Market risk					
	Interest rate risk [4]	-11,5%	-4,6%	-2.0%	-1,6%	2,9%
	Foreign currency position [5]	1,7%	1,5%	4,7%	3,9%	25,4%
	Foreign currency risk	0,0%	0,0%	0,1%	0,1%	0,1%
	Excess cover in relation to statutory liquidity requirements [6]	144.8%	98,8%	126,7%	125,8%	71,6%
	Credit risk					
	Loans plus impairments on loans in relation to deposits	133,2%	158,9%	160,3%	135,0%	150,3%
	Loans in relation to equity	20,9	12,5	10,9	11,1	10,9
	Growth in loans for the period [7]	-4,7%	-7,5%	-1,7%	-0,8%	65,3%
	Total of large commitments [8]	46.1%	30,7%	40,7%	38,1%	80,5%
	Accumulated impairment ratio	11,6%	7,8%	5,1%	5,1%	3,0%
	Impairment ratio for the year	5,2%	3,5%	1,4%	1,7%	0,6%
	vestjyskBANK share					
	Profit/loss for the year per share (denomination DKK 10)	-39,5	-34,2	0,5	-3,4	25,3
	Equity value per share (denomination DKK 10)	16,2	140,8	174,2	175,8	179,9
	Price of vestjyskBANK shares, end of the year	13,00	18,80	68,50	87,00	46,00
	Market price / profit/loss for the year per share	-	-	142,0	-	1,8
	Market price / equity value per share	0,8	0,1	0,4	0,5	0,3

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

*) Consolidated figures. There is no material difference between the group and the parent company.

1 Based on average equity.

2 Income from ordinary activities in relation to costs from ordinary activities.

Income from ordinary activities = net interest and fee income + value adjustments + other operating income

Costs from ordinary activities = operating costs and operating depreciations and impairments + impairment of goodwill + impairment of loans and amounts receivable, etc.

3 Operating costs and operating depreciations and impairments / core income.

4 Interest rate risk in relation to core capital, less deductions.

5 Foreign Currency Indicator 1 in relation to core capital, less deductions.

6 Surplus funding in relation to the 10% requirement set out in sec 152 of the Danish Finance Act.

7 Growth in loans measured in relation to vestjyskBANK's loans, beginning of the year

8 Commitments exceeding 10 percent of the capital base in relation to the capital base.

Financial Statements – Parent company

Statement of Income and Statement of Comprehensive Income

Note		2012 TDKK	2011 TDKK
	Statement of Income		
3	Interest income	1,619,146	1,527,430
55	Interest expenses	727,132	681,031
	Net interest income	892,014	846,399
	Dividends on equity securities etc.	4,818	3,355
6	Income from fees and commissions	312,027	263,074
	Fees and commissions paid	32,581	27,488
	Net interest and fee income	1,176,278	1,085,340
7	Market value adjustments	95,661	-25,053
8	Other operating income	10,192	6,345
9-10	Personnel and administrative expenses	659,887	590,548
	Depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	223,809	26,258
11	Other operating expenses	33,665	34,781
12	Impairment of loans and receivables etc.	1,514,755	984,869
	Income from investments i group enterprises	1	0
	Profit/loss before tax	-1,149,984	-569,824
13	Tax	299,408	-136,140
	Profit/loss	-1,449,392	-433,684
	Statement of Comprehensive Income		
	Profit/loss	-1,449,392	-433,684
	Other comprehensive income:		
	Changes in value of owner-occupied properties	24,185	0
	Hedge accounting	38,434	-11,938
	Of which transferred to interest in the Statement of Income	-16,361	9,888
	Tax on hedge accounting	-3,938	513
	Other comprehensive income after tax	42,320	-1,537
	Total comprehensive income	-1,407,072	-435,221

Financial Statements – Parent company

Statement of Financial Position at 31 December

Note		2012 TDKK	2011 TDKK
	Assets		
	Cash in hand and demand deposits with central banks	1,232,087	666,076
56	Amounts receivable from credit institutions and central banks	456,065	730,792
57-58	Loans and other receivables at amortised cost	20,696,873	21,715,932
	Debt securities at fair value	7,271,083	2,909,038
	Equity securities etc.	487,474	570,109
	Income from investments in group enterprises	717	0
59	Assets related to pooled fund schemes	1,255,966	1,104,270
14	Intangible assets	8,978	107,065
	Land and buildings, total	390,470	329,088
60	Investment property	1,212	1,492
61	Owner-occupied property	389,258	327,596
17	Other property, plant and equipment	12,661	12,083
	Current tax assets	940	588
18	Deferred tax assets	0	303,346
	Aktiver i midlertidig besiddelse	3,787	0
62	Other assets	914,334	771,006
	Deferred Revenue	18,271	21,000
	Assets, total	32,749,706	29,240,393

Financial Statements – Parent company

Statement of Financial Position at 31 December

Note		2012 TDKK	2011 TDKK
	Liabilities		
	Debts		
63	Amounts owed to credit institutions and central banks	3,926,024	1,929,734
64	Deposits and other debt	16,801,610	13,925,039
	Deposits with pooled fund schemes	1,255,966	1,104,270
65	Debt securities in issue at amortised cost	6,781,980	7,927,786
66	Other liabilities	547,949	439,568
	Prepayments	58	18
	Debt, total	29,313,587	25,326,415
	Provisions		
	Provision for pensions and similar liabilities	23,622	21,418
	Provisions against losses on guarantees	43,614	24,457
	Other provisions	9,663	11,586
	Provisions, total	76,899	57,461
67	**Subordinated debt**	2,384,054	2,162,986
	Equity		
24	Share capital	612,889	125,000
	Accumulated changes in value, total	61,754	19,034
	Revaluation reserves	55,433	30,848
	Accumulated value adjustments of hedging instruments in hedging cash flows	6,321	-11,814
	Statutory reserves	1	0
	Retained profit or loss	300,522	1,549,497
	Equity, total	975,166	1,693,531
	Liabilities, total	32,749,706	29,240,393
	Items not recognised in the Statement of Financial Position		
27	Contingent liabilities	5,153,651	4,353,268
28	Other binding agreements	5,179	4,822
	Items not recognised in the Statement of Financial Position, total	5,158,830	4,358,090

Financial Statements – Parent company

Statement of Changes in Equity

	Aktiekapital	Share premium	Revaluation reserves	Accumulated value adjustments of hedging instruments in hedging cash flows	Statutory reserves	Retained profit /loss	Equity, total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity, 1 January 2012	125,000	0	30,848	-11,814	0	1,549,497	1,693,531
Comprehensive income for the period			24,585	18,135	1	-1,449,793	-1,407,072
Additions relating to sale of own equity securities						53,190	53,190
Disposals relating to purchase of own equity securities						-52,962	-52,962
Shares issued upon conversion of hybrid capital	141,780	154,540					296,320
Shares issued upon merger	39,664					57,008	96,672
Capital injection from issue of shares	306,445	12,258					318,703
Costs related to capital increase		-23,216					-23,216
Transferred to retained earnings		-143,582				143,582	0
Equity, 31 December 2012	612,889	0	55,433	6,321	1	300,522	975,166

	Aktiekapital	Share premium	Revaluation reserves	Accumulated value adjustments of hedging instruments in hedging cash flows	Statutory reserves	Retained profit /loss	Equity, total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity, 1 January 2011	125,000	0	30,848	-10,277	0	1,986,420	2,131,991
Comprehensive income for the year				-1,537		-433,684	-435,221
Additions relating to sale of own equity securities						73,198	73,198
Disposals relating to purchase of own equity securities						-76,437	-76,437
Equity, 31 December 2011	125,000	0	30,848	-11,814	0	1,549,497	1,693,531

Financial Statements – Parent company

Notes

List of notes for the annual financial statements—parent company

55 Interest expenses
56 Amounts receivable from credit institutions and central banks
57 Loans and other amounts receivable by term to maturity
58 Carrying amount of loans and amounts receivable where there is objective indication of impairment
59 Pooled assets
60 Investment property
61 Owner-occupied property
62 Other assets
63 Amounts owed to credit institutions and central banks by term to maturity
64 Deposits and other debt
65 Issued debt securities by term to maturity
66 Other liabilities
67 Subordinated debt
68 Capital requirements
69 Fair value financial assets and liabilities
70 Derivative financial instruments
71 Loans and guarantees by industry segment
72 Bank's balances with group enterprises
73 Accounting policies—parent company
74 Key figures and financial ratios

Note		2012 TDKK	2011 TDKK
55	**Interest expenses**		
	Credit institutions and central banks	24,871	46,738
	Deposits and other debt	308,184	238,094
	Debt securities in issue	192,955	213,496
	Subordinated debt	201,044	182,668
	Other interest expenses	78	35
	Interest expenses at amortised cost, total	727,132	681,031
	This amount includes interest expenses from		
	Actual sales and repurchase transactions recognised under Credit institutions and central banks	10	0
	Tier 2 capital with step-up clause recognised under Subordinated debt	19,500	0
56	**Amounts receivable from credit institutions and central banks**		
	Amounts receivable at call with central banks	0	249,985
	Amounts receivable from credit institutions	456,065	480,807
	Total	456,065	730,792
	Broken down by term to maturity		
	On demand	444,538	194,772
	Up to and including 3 months	0	449,985
	Over 3 months and up to and including 1 year	3,186	8,127
	Over 1 year up to and including 5 years	8,341	77,908
	More than 5 years	0	0
	Total	456,065	730,792
57	**Loans and other amount receivable by term to maturity**		
	On demand	7,807,616	8,661,838
	Up to and including 3 months	2,588,032	2,112,244
	Over 3 months and including 1 year	1,803,574	2,336,297
	Over 1 year up to and including 5 years	4,410,954	4,583,719
	More than 5 years	4,086,697	4,021,834
	Total	20,696,873	21,715,932
58	**Carrying amount of loans and amounts receivable where there is objective indication of impairment**		
	Loans and amounts receivable before impairments	8,519,937	5,749,383
	Impairments	3,319,190	2,121,489
	Carrying amount	5,200,747	3,627,894
59	**Pooled assets**		
	Cash deposits	28,352	20,425
	Debt securities	518,208	514,796
	Shares, etc.	704,579	562,818
	Other assets	4,827	6,231
	Total	1,255,966	1,104,270

Financial Statements – Parent company

Notes

Note		2012 TDKK	2011 TDKK
60	**Investment property**		
	Fair value, beginning of the year	1,492	3,926
	Carried forward from owner-occupied property	2,130	2,640
	Disposals during the year	2,130	5,074
	Fair value adjustment for the year	-280	0
	Fair value, end of the year	1,212	1,492
	Rental income	0	212
	Operating expenses on properties generating rental income	0	-265
	The fair value is determined using the rate of return method. Operating income is composed of realised rental income and expenses paid. A rate of return requirement of 6% has been applied.		
61	**Owner-occupied property**		
	Revalued amount, 1 Jan	327,596	333,710
	Additions	45,917	12,600
	Disposals	2,130	4,327
	Depreciations	6,853	9,239
	Reversed depreciations from disposal for the year	0	1,824
	Changes in value recognised under other comprehensive income	24,185	0
	Changes in value recognised in the Statement of Income	543	-6,972
	Changes in value, 31 Dec	389,258	327,596
	External experts were involved in measuring the most significant investment properties and owner-occupied properties.		
62	**Other assets**		
	Positive market value of derivative financial instruments	648,042	526,519
	Interest and commission receivable	66,242	45,891
	Other assets	200,050	198,596
	Other assets, total	914,334	771,006
63	**Amounts owed to credit institutions and central banks by term to maturity**		
	On demand	650,559	607,108
	Up to and including 3 months	6,571	754
	Over 3 months and including 1 year	0	966,867
	Over 1 year up to and including 5 years	3,129,225	210,167
	More than 5 years	139,669	144,838
	Total	3,926,024	1,929,734

Note		2012 TDKK	2011 TDKK
64	**Deposits and other debt**		
	On demand	7.197.269	6.465.774
	Redeemable at notice	16.962	7.418
	Term deposits	5.957.699	4.713.403
	Special deposit schemes	3.629.680	2.738.444
	Total	16.801.610	13.925.039
	By term to maturity		
	On demand	7.700.077	6.966.841
	Up to and including 3 months	1.690.614	1.094.209
	Over 3 months and including 1 year	3.261.722	758.705
	Over 1 year up to and including 5 years	3.726.961	4.849.072
	More than 5 years	422.236	256.212
	Total	16.801.610	13.925.039
65	**Issued debt securities by term to maturity**		
	On demand	0	0
	Up to and including 3 months	2.188.135	4.630
	Over 3 months and including 1 year	4.575.774	0
	Over 1 year up to and including 5 years	18.071	7.923.156
	More than 5 years	0	0
	Total	6.781.980	7.927.786
66	**Other liabilities**		
	Negative market value of derivative financial instruments	240.395	205.979
	Various creditors	149.225	125.292
	Interest and commission payable	113.419	93.792
	Other liabilities	44.910	14.505
	Total	547.949	439.568

Financial Statements – Parent company

Notes

Note		2012 TDKK	2011 TDKK
67	**Subordinated debt**		
	Tier 2 capital	931,511	596,198
	Tier 2 capital falls due between 16 May 2014 and 28 June 2020 with an option to prepay remaining in effect until 28 June 2017, subject to approval by the Danish Financial Supervisory Authority. The capital accrues interest at 1.763 - 9.500% with a step-up clause after the prepayment date.		
	In 2012, the Bank repaid a total of NOK 79 million in tier 2 capital at an average price of 47.60, *cf.* Company Notice of 21 December 2012.		
	Total	931,511	596,198
	Hybrid core capital		
	Hybrid core capital of DKK 100 million	107,573	107,031
	The capital accrues interest at a fixed 4.765%. There is no due date.		
	There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 15 November 2015.		
	Hybrid core capital of DKK 75 million	75,000	0
	The capital accrues interest at a fixed 5.000%. There is no due date.		
	There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 30 June 2016.		
	Hybrid core capital of DKK 50 million	50,000	0
	The capital accrues interest at a fixed 5.440%. There is no due date.		
	There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority, on 1 May 2016.		
	Hybrid core capital of DKK 1,150.4 million	1,184,568	1,459,757
	DKK 34.7 million is subject to a conversion duty, if the Bank does not meet the solvency requirement, or if, in the opinion of the Danish Financial Supervisory Authority, there is an imminent risk that the Bank does not meet the solvency requirement.		
	The capital accrues interest at a fixed 9.943%. There is no due date.		
	An option of prepayment exists, subject to approval by the Danish Financial Supervisory Authority, from 25 August 2012 to 24 August 2014 at par, from 25 August 2014 to 24 August 2015 at a price of DKK 105 per 100, and from 25 August 2015 and thereafter at a price of DKK 110 per 100.		
	Premiums are recognised and amortised according to their expected settlement date.		
	During Q1 2012 hybrid core capital of DKK 287.6 million has been converted into share capital.		
	Hybrid core capital of DKK 35.6 million	35,402	0
	The capital accrues interest at a fixed 11.11%. There is no due date. Prepayment can be made, subject to the approval of the Danish Financial Supervisory Authority, from 24 December 2012 to 23 December 2014 at price 105 per 100, from 24 December 2014 onwards at price 110 per 100. Premiums are recognised and amortised according to their expected settlement date.		
	Hybrid capital, total	1,452,543	1,566,788
	Subordinated debt, total	2,384,054	2,162,986
	Subordinated debt that can be included in the capital base	1,929,870	2,082,686

Note		2012 TDKK	2011 TDKK
68	**Capital requirements**		
	Equity	975,166	1,693,531
	Recognised profit/loss	-1,449,392	-433,684
	Revaluation reserves	-55,433	-30,848
	Intangible assets	-8,978	-107,065
	Deferred capitalised tax assets	0	-303,346
	Other deductions from the core capital	-57,254	-83,686
	Hybrid core capital	540,434	1,196,778
	Core capital after statutory deductions	1,393,935	2,365,364
	Subordinated loan capital	477,327	515,898
	Revaluation reserves	55,433	30,848
	Hybrid core capital	912,109	370,010
	Capital base before deductions	2,838,804	3,282,120
	Deductions from the capital base	-57,254	-83,686
	Capital base after deductions	2,781,550	3,198,434
	Weighted items, total	25,594,727	25,705,428
	Core capital after statutory deductions as a percentage of weighted items, total	5.4%	9.2%
	Solvency ratio according to sec 124(2) of the Danish Financial Business Act	10.9%	12.4%
	Solvency reguirement according to sec 124(2) of the Danish Financial Business Act	8.0%	8.0%

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

Financial instruments are measured in the Statement of Financial Position at their fair value or amortised cost.

Fair value is the amount for which a financial asset can be traded or a financial liability settled between parties in an arm's-length transaction. For financial assets and liabilities priced in active markets, fair value is determined on the basis of observed market prices on the reporting date. For financial instruments not priced in active markets, fair value is determined on the basis of generally accepted pricing methods.

Equity securities etc. and derivative financial instruments have been measured at their fair value in the financial statements so that the recognised values correspond to the fair values.

The impairment of loans is determined to correspond to changes in credit quality. The differential in respect of fair values is assessed to be received fees and commissions, interest receivable that does not fall due until after the end of the financial reporting period, and, for fixed-rate loans, also market value adjustments linked to the interest rate level. In case of a transfer of the loan portfolio in full or in part, the fair value would be lower.

The fair value for amounts receivable from credit institutions and central banks is determined by applying the same method as for loans.

Debt securities in issue and subordinated debt are measured at amortised cost. The difference between the carrying amount and the fair value is determined to be interest payable that does not fall due until after the end of the financial reporting period as well as costs and premiums amortised over the life of the loan and, for fixed-rate debt securities in issue, also market value adjustments linked to the interest rate level.

For floating-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the differential in respect of fair values is estimated to be interest payable that does not fall due until after the end of the financial reporting period.

For fixed-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the differential in respect of fair values is estimated to be interest payable that does not fall due until after the end of the financial reporting period and the market value adjustments linked to the interest rate level.

For financial instruments measured at fair value, the basis for establishing the fair value is stated as:

Level 1: Observable prices in an active market for identical instruments

Level 2: Valuation model based primarily on observable market data

Level 3: Valuation model that, to a significant degree, is based on non-observable market data

Note

69 **Fair value of financial assets and liabilities (continued)**

Loans and receivables	2012 TDKK Carrying amount	2012 TDKK Fair value	2011 TDKK Carrying amount	2011 TDKK Fair value
Cash in hand and demand deposits with central banks	1,232,087	1,232,087	666,076	666,076
Amounts receivable from credit institutions and central banks	456,065	456,137	730,792	731,058
Loans	20,696,873	20,713,415	21,715,932	21,739,586
Loans and receivables, total	22,385,025	22,401,639	23,112,800	23,136,720
Attributed to fair value in the Statement of Income				
Debt securities at fair value (Level 1)	7,271,083	7,271,083	2,909,038	2,909,038
Listed equity securities (Level 1)	31,054	31,054	58,366	58,366
Unlisted equity securities etc. (Level 3)	422,012	422,012	496,051	496,051
Attributed to fair value in the Statement of Income, total	7,724,149	7,724,149	3,463,455	3,463,455
Trading portfolio				
Derivative financial instruments (Level 2)	648,042	648,042	526,519	526,519
Trading portfolio, total	648,042	648,042	526,519	526,519
Financial liabilities				
Financial liabilities at amortised cost				
Amounts owed to credit institutions and central banks	3,926,024	3,926,066	1,929,734	1,933,409
Deposits	16,801,610	16,799,274	13,925,039	13,920,940
Debt securities in issue	6,781,980	6,812,725	7,927,786	7,971,865
Subordinated debt	2,384,054	2,371,316	2,162,986	2,160,891
Financial liabilities at amortised cost, total	29,893,668	29,909,381	25,945,545	25,987,105
Trading portfolio				
Derivative financial instruments (Level 2)	240,395	240,395	205,979	205,979
Trading portfolio, total	240,395	240,395	205,979	205,979
Changes in financial assets belonging to Level 3:				
Beginning of the year	496,051		466,753	
Additions	56,726		30,912	
Disposals	130,970		1,400	
Fair value adjustment included in market value adjustments	205		-214	
End of the period	422,012		496,051	
Value adjustment during the course of the period of financial assets in the portfolio totals			-816	

Note

70 **Derivative financial instruments**

2012 TDKK	Nominal value	Net market value	Positive market value	Negative market value
Foreign exchange contracts				
Up to and including 3 months	5,993,592	482,420	502,800	20,380
Over 3 months and including 1 year	3,838,125	-73,197	40,256	113,453
Over 1 year up to and including 5 years	27,751	-24	9,941	9,965
More than 5 years	58,362	-4,558	0	4,558
Average market value		382,169	506,995	124,826
Interest-rate contracts				
Up to and including 3 months	609,843	568	904	336
Over 3 months and including 1 year	968,680	2,737	6,737	4,000
Over 1 year up to and including 5 years	1,591,317	9,474	39,562	30,088
More than 5 years	527,885	-9,232	47,208	56,440
Average market value		16,425	90,615	74,190
Equity contracts				
Up to and including 3 months	103,331	-428	437	865
Over 3 months and including 1 year	57	-112	197	309
Over 1 year up to and including 5 years	0	0	0	0
More than 5 years	0	0	0	0
Average market value		-710	674	1,384

2011 TDKK				
Foreign exchange contracts				
Up to and including 3 months	3,659,856	149,819	174,636	24,817
Over 3 months and including 1 year	584,855	19,585	20,598	1,013
Over 1 year up to and including 5 years	5,087,993	158,241	249,118	90,877
More than 5 years	70,690	-7,226	7,497	14,723
Average market value		247,038	575,481	328,443
Interest-rate contracts				
Up to and including 3 months	710,826	1,904	2,249	345
Over 3 months and including 1 year	25,557	-160	198	358
Over 1 year up to and including 5 years	3,383,408	14,845	40,524	25,679
More than 5 years	545,410	-16,235	31,099	47,334
Average market value		-21,390	62,878	84,268
Equity contracts				
Up to and including 3 months	71,996	-80	600	680
Over 3 months and including 1 year	16	-155	0	155
Over 1 year up to and including 5 years	0	0	0	0
More than 5 years	0	0	0	0
Average market value		-1,208	1,044	2,252

Financial Statements – Parent company

Notes

Note		2012	2011
71	**Loans and guarantees by industry segments**	TDKK	TDKK
	Public authorities	26,933	25,002
	Business:		
	Agriculture, hunting, forestry and fishery	4,720,254	4,682,030
	Manufacturing industry and raw material extraction	1,017,700	1,124,074
	Energy supply	2,427,808	2,717,500
	Construction and civil engineering contractors	885,628	948,966
	Trade	1,843,413	2,012,417
	Transportation, hotels and restaurant businesses	1,017,373	1,069,091
	Information and communication	81,850	96,398
	Credit and financing institutes and insurance businesses	1,491,057	1,744,763
	Real estate	5,243,115	4,278,349
	Other business	1,349,474	1,459,778
	Business, total	20,077,672	20,133,366
	Retail	5,745,919	5,910,832
	Loans, guarantees and credit commitments, total	25,850,524	26,069,200
72	**Bank's balances with group enterprises**		
	Deposits and other debt	730	0
	Interest expense, deposits and other debt	2	0

73 **Accounting policies—parent company**

The accounting policies are the same as those applied to the Group, with the exception of the following:

- Owner-occupied properties are measured at their revalued amounts, which is the fair value at the date of revaluation less subsequent accumulated depreciations and impairments. The revalued amount represents the basis for depreciation. Revaluations to amounts that exceed the cost of the asset less accumulated depreciations are recognised under other comprehensive income and are restricted under revaluation reserves in equity. Revaluations to an amount that is less than the cost of the asset less accumulated depreciations are recognised in the statement of income.
- Investments in subsidiaries are recognised according to the equity method so that the parent company's share of the results in subsidiaries is recognised as a single item in the statement of income and the parent company's share of the subsidiary's equity is recognised as a single item in the Statement of Financial Position.
- The parent company's financial statements do not include a statement of cash flows.
- Special notes to the parent company's financial statements are prepared for financial items where entries are identical in the consolidated financial statements and the financial statements of the parent company. The overview of notes to the Consolidated Financial Statements lists which notes cover both the parent company and the Group.

The effect of the transition to the Danish Executive Order on the Presentation of Financial Statements is as follows:	TDKK
Equity 1 January 2011 under IFRS	2.160.749
Adjustment of owner-occupied properties to fair value	-28.758
Equity 1 January 2011 under Executive Order on the Presentation of Financial Statements	2.131.991
Income statement under IFRS	-422.636
Adjustment of depreciations and impairments	-11.048
Income statement under the Executive Order on the Presentation of Financial Statements	-433.684
Other comprehensive income under IFRS	-1.537
Revaluations and reversals of revaluations	0
Other comprehensive income under the Executive Order on the Presentation of Financial Statements	-1.537
Purchase and sale of own equity securities	-3.239
Equity 31 December 2011 under the Executive Order on the Presentation of Financial Statements	1.693.531

Financial Statements – Parent company

Notes

74	Key figures	2012	2011	2010	2009	2008
	Statement of Income (in MDKK)					
	Net interest income	892	846	816	789	572
	Net fee income	279	236	233	225	142
	Dividends on equity securities etc.	5	3	3	7	5
	Market value adjustments for foreign currency and	96	-25	49	141	-58
	Other operating income	10	6	9	66	255
	Core income	1,282	1,066	1,110	1,228	916
	Personnel and administrative expenses	-660	-590	-590	-622	-447
	Other operating expenses as well as depreciation, amortisation and impairment losses; property, plant and equipment as well as intangible assets	-49	-61	-106	-152	-39
	Operating expenses and operating depreciations	-709	-651	-696	-774	-486
	Core earnings before impairments	573	415	414	454	430
	Impairment of goodwill	-208	0	0	0	0
	Impairments of loans and receivables etc.	-1,515	-984	-408	-537	-176
	Profit/loss before tax	-1,150	-569	6	-83	254
	Tax	299	-136	4	-18	-4
	Profit/loss	-1,449	-433	2	-65	258
	Statement of Financial Position (in MDKK)					
	Assets, total	32,750	29,240	33,554	32,814	32,216
	Loans	20,697	21,716	23,468	23,874	24,069
	Deposits, including pooled funds	18,058	15,029	15,564	18,635	16,643
	Contingent liabilities	5,154	4,353	4,485	5,715	6,731
	Business volume	43,909	41,098	43,517	48,224	47,443
	Equity	975	1,694	2,132	2,125	2,196

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

Note		2012	2011	2010	2009	2008
74	**Financial ratios**					
	Solvency					
	Solvency ratio	10.9%	12.4%	13.6%	14.7%	9.8%
	Core capital ratio	5.4%	9.1%	11.4%	11.4%	6.4%
	Earnings					
	Return on equity before tax, annually [1]	-86.2%	-29.8%	0.2%	-3.9%	13.0%
	Return on equity after tax, annually [1]	-108.6%	-22.7%	0.1%	-3.0%	13.2%
	Income-cost ratio [2]	0.53	0.65	1.00	0.94	1.39
	Rate of cost [3]	55.4%	61.1%	62.8%	63.1%	53.1%
	Employees converted to full-time (average)	621.3	614.8	642.1	658.9	471.7
	Market risk					
	Interest rate risk [4]	-11.5%	-4.6%	-2.0%	-1.6%	2.9%
	Foreign currency position [5]	1.7%	1.5%	4.7%	3.9%	25.4%
	Foreign currency risk	0.0%	0.0%	0.1%	0.1%	0.1%
	Excess cover in relation to statutory liquidity requirements [6]	144,8%	98.8%	126.7%	125.8%	70.3%
	Credit risk					
	Loans plus impairments on loans in relation to deposits	133,2%	158.9%	160.3%	135.0%	150.3%
	Loans in relation to equity	21.2	12.8	11.0	11.2	11.0
	Growth in loans for the year [7]	-4.7%	-7.5%	-1.7%	-0.8%	65.3%
	Total of large commitments [8]	46.1%	30.7%	40.7%	38.1%	80.5%
	Accumulated impairment ratio	11.6%	7.8%	5.1%	5.1%	3.0%
	Impairment ratio for the year	5.2%	3.5%	1.4%	1.7%	0.6%
	vestjyskBANK share					
	Profit/loss for the year per share (denomination DKK 10)	-39,5	-35.1	0.1	-5.4	25.3
	Equity value per share (denomination DKK 10)	16.0	137.5	171.9	173.8	179.9
	Price of vestjyskBANK shares, end of the year	13.00	18.80	68.50	87.00	46.00
	Market price / profit/loss for the year per share	-	-	564.7	-	1.8
	Market price / equity value per share	0.8	0.1	0.4	0.5	0.3

The results for Aarhus Lokalbank have been recognised in vestjyskBANK's Statement of Income as at 1 April 2012. Assets and liabilities from Aarhus Lokalbank have been recognised in the Statement of Financial Position as at the end of March 2012. The 2011 comparative figures do not include Aarhus Lokalbank.

1 Based on average equity.

2 Income from ordinary activities in relation to costs from ordinary activities

Income from ordinary activities = net interest and fee income + value adjustments + other operating income

Costs from ordinary activities = operating costs and operating depreciations and impairments + impairment of goodwill + impairment of loans and amounts receivable, etc.

3 Operating costs and operating depreciations and impairments compared with core income.

4 Interest rate risk in relation to core capital, less deductions.

5 Foreign Currency Indicator 1 in relation to core capital, less deductions.

6 Surplus funding in relation to the 10% requirement set out in sec 152 of the Danish Finance Act.

7 Growth in loans measured in relation to vestjyskBANK's loans, beginning of the year

8 Commitments exceeding 10 percent of the capital base in relation to the capital base.

vestjyskbank.dk
Vestjysk Bank A/S, Torvet 4-5, 7620 Lemvig, CVR 34631328