Danish Financial Supervisory Authority
NASDAQ OMX Copenhagen
Oslo Stock Exchange

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vestjyskBANK's 2013 Annual Report

Summary of vestjyskBANK's results for 2013:

- Pre-tax loss of DKK –442 million (2012: DKK –1,148 million)
- Core income of DKK 1,234 million (2012: DKK 1,280 million)
- Rate of cost at 49 percent (55 percent in 2012)
- Personnel and administrative expenses of DKK 539 million (2012: DKK 656 million)
- Core earnings before impairments of DKK 631 million (2012: DKK 575 million)
- Impairments of loans and receivables etc. of DKK 1,073 million (2012: DKK 1,515 million). Impairments for the industry segments real estate and agriculture constitute the greatest share of the year's impairments.
- Deposit surplus of DKK 0.5 billion at 31 December 2013. A large multi-year deposit deficit, which stood at DKK 2.6 billion at 31 December 2012, has thereby been transformed into a surplus.
- The paring down of the Bank's balance sheet is progressing satisfactorily; the balance sheet was reduced by DKK 6.7 billion in 2013 (20 percent).
- Solvency ratio of 11.3; core capital ratio of 5.9; solvency need of 10.9 percent, and solvency surplus of 0.4 percentage points, corresponding to a surplus of DKK 67 million at 31 December 2013.
- Conversions of government hybrid core capital of approx. DKK 338 million and approx. DKK 588 million were executed in October 2013 and January 2014 for the purpose of bolstering the Bank's solvency. After those conversions, the stake of the Danish State stood at 80.6 percent and the ownership share of the state-owned Financial Stability Company (Finansiel Stabilitet A/S) comprised 0.86 percent of the total share capital and votes.
- Excess cover in relation to statutory liquidity requirements at 162.2 percent at 31 December 2013
- The Bank's restructuring plan has not yet received final approval by the European Commission. The approval process has been temporarily suspended pending the Bank's own review of potential structural measures.
- The findings of the Danish Financial Supervisory Authority's ordinary review, which was completed in February 2014, are included in the Bank's 2013 Annual Report.
- The transition to the new capital adequacy rules set out in CRD IV, with an expected implementation date of 31 March 2014, is currently anticipated to have a negative impact on the Bank's solvency of around 1.5–2.0 percentage points.
- In order to strengthen the Bank's financial ratios relating to solvency, the Bank will escalate its structural measures, which include reducing the Bank's balance sheet particularly through the sale of activities, optimising its capital structure and reducing solvency-intensive balance sheet items in general.
- Depending on the potential of the Bank's structural measures, the negative impact of the new CRD IV rules might result in a solvency shortfall and thus necessitate

the implementation of a restructuring plan, which will be subject to the approval of the Danish Financial Supervisory Authority.
- In 2014, expectations for core earnings before impairments are approx. DKK 450–500 million.

In 2013, vestjyskBANK attained satisfactory core earnings before impairments of DKK 631 million. The Bank’s basic operations are sound. However, in the context of the continued high—albeit declining—need for impairments, the Bank’s pre-tax loss of DKK –442 million must be viewed as unsatisfactory.

Owing to the Bank’s current financial situation with a very limited solvency surplus and the new capital adequacy rules—which for vestjyskBANK will result in a tightening of conditions—the 2014 outlook is expressed as two scenarios. The outcome of each scenario will hinge on the potential of the Bank's structural measures. One scenario would result in sufficient solvency to cover the Bank’s solvency need. The other scenario, if the structural measures fail to produce results, is anticipated to result in a situation in which the Bank’s solvency would be insufficient to meet its solvency need but where the 8 percent capital requirement would still be met. A solvency need shortfall would result in the need for a restructuring plan, which would be subject to the approval of the Danish Financial Supervisory Authority.

Assuming that the structural measures succeed to an extent where sufficient solvency is generated to meet the Bank's need for solvency, assuming an unchanged economic climate, Management believes that there are good opportunities to realise satisfactory core earnings before impairments and on the basis of that to be able to absorb continued reduced impairment losses on loans and to re-establish a certain consolidation capacity.

Any inquiries regarding the present announcement should be addressed to Vagn Thorsager, CEO, at tel. +45 96 63 21 03.

Vestjysk Bank A/S

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