

LETTERHEAD OF THE DANISH FSA

The board of directors of
Vestjysk Bank A/S

1 April 2014

Establishment of capital adequacy requirements and imposition of restricting order

In October 2013 and January-February 2014, the Danish FSA carried through an inspection of Vestjysk Bank A/S. As at 31 December 2013, the bank's solvency ratio was 11.3 pct. after having carried out ordered write-downs in the amount of DKK 499m. As at 31 December 2013 the capital adequacy requirement was made up at 10.9 pct. Thus, the bank had a limited solvency margin.

As at 31 March 2014, the bank makes up its solvency ratio at provisionally 10.0 pct. following the impact of the rules of CRD4 on the bank's capital statement. The decline in the solvency ratio reflects, inter alia, that there are capital elements in the form of additional loan capital that can no longer be allowed for. The bank makes up its capital adequacy requirement as at 31 March 2014 at an estimated 10.9 pct. The bank continues to comply with the requirement for a solvency ratio of 8 pct. cf. article 92 of the Regulation of the European Parliament and of the Council (EU) no. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

The bank's provisional solvency of 10.0 pct. is lower than the before-mentioned individual capital adequacy requirement of 10.9 pct. as at 31 March 2014. The Danish FSA sets out a capital adequacy requirement of 10.9 pct., corresponding to a sufficient capital base of approx. DKK 2,194m, in pursuance of section 124(3) of the Danish Financial Business Act.

In pursuance of section 225(2) of the Danish Financial Business Act, the Danish FSA orders the bank to take the necessary measures to comply with the above-mentioned capital adequacy requirements. Also, in pursuance of section 225(2) of the Danish Financial Business Act, the Danish FSA orders the bank not later than 7 April 2014 to file a plan for re-establishment to the Danish FSA. The plan for re-establishment must contain a description of the measures, which the bank will take in order to bring the actual solvency ratio up above the individual capital adequacy requirement.

The measures must be described in detail and must include an expected time frame, the expected effect and the likelihood of the completion of the measures. Also, the bank must consider whether the individual measures can be carried through by the bank alone or whether the bank is dependent on external parties in order to carry through the measures.

The plan for re-establishment should as a minimum contain the bank's considerations as to the following instruments, whereby the bank must consider the possibility and must justify a potential choice of rejection:

- Provision of equity capital
- Provision of additional capital
- Reduction of the total risk exposure, including the sale of securities etc.
- Divestment of branch offices, business areas or part of its lending
- Merger
- Reduction of deduction in the capital base

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In addition, the bank is ordered not to pay dividend or interest on the bank's already issued capital base elements, i.e. share capital, hybrid core capital and additional capital.

Finally, the bank is ordered not to assume any material, new risks. This order implies that the bank in overall terms cannot increase its lending as made up in the total risk exposure as at 31 March 2014; however, in order to carry through its practical operation, the bank is granted a margin, which implies that the total risk exposure may deviate with up to 5 pct. This order also implies that the bank cannot grant commitments to new property clients. The bank must on a monthly basis file statements of the total risk exposure to the Danish FSA – for the first time on 22 April 2014 for the statement as at end March 2014.

The orders are imposed with immediate effect and remain in effect until 1 July 2014 at which time the Danish FSA will make a new assessment of the orders. The orders lapse, once the bank complies with the individual capital adequacy requirements.

The decisions of the Danish FSA may not later than 4 weeks after the receipt of the decision be brought before Erhvervsankenævnet (the Danish Company Appeals Board), Dahlerups Pakhus, Langelinie Allé 17, Postboks 2000, DK-2100 Copenhagen Ø, Tel. 41 72 71 45, cf. section 372(3) of the Danish Financial Business Act.

It follows from section 7(2) of the statutory order regarding the Company Appeals Board under the Danish Ministry of Business and Growth that filing a complaint implies a fee of DKK 4,000. Pursuant to section 15(4) in the above-mentioned statutory order, the Company Appeals Board or the chairman may decide a repayment, wholly or in part, of the fee, if the Complaint Board finds in favour, wholly or in part, of the complainant. The fee is refunded if the complaint is rejected, cf. section 8(2).

The Danish FSA's decision about the establishment of capital adequacy requirements and the imposition of a restricting order must initially be presented to the Financial Business Council, cf. section 345(2) of the Danish Financial Business Act, since the decision is of general public importance.

The decision must be published, cf. section 354 a) of the Danish Financial Business Act. However, the publication may be postponed, if publication implies excessive damage to the bank. The Danish FSA's publication will initially await the bank's own publication.

A copy of this letter is forwarded to the bank's external auditor.

Hearing

On 1 April 2014, the bank had the decision accepted for hearing. The bank only had editorial comments.

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