



Vestjysk Bank Quarterly Report 2015

Table of contents

■ Summary	3
■ Management's Review	5
Key Figures and Financial Ratios	5
Financial Review	7
■ Management's Statement	13
■ Financial Statements	14
Statements of Income and Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	17
Notes	18

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The Vestjysk Bank Quarterly Report 2015 is a translation of the original report in Danish (Vestjysk Bank Kvartalsrapport 2015).
In case of discrepancies, the Danish version prevails.

Summary

Summary of Vestjysk Bank's Results

Vestjysk Bank realised a profit before tax of DKK 31 million in Q1 - Q3 2015. The result is not deemed satisfactory. However, in light of the continued large need for impairments, particularly relating to the very disturbing financial situation within the agricultural sector due to very low settlement prices for milk and pork, the result is viewed as acceptable and within the scope of Management's current expectations for 2015.

The Bank's basic operations are performing well, and core earnings before impairments of DKK 283 million are deemed satisfactory.

The Bank continues its efforts to improve its capital situation by, among other things, strengthening its solvency surplus and its coverage in relation to the requirement for Common Equity Tier 1 capital.

Q1 - Q3 2015

- Profit before tax at DKK 31 million (Q1 - Q3 2014: DKK 7 million)
- Core income of DKK 714 million (Q1 - Q3 2014: DKK 824 million), of which value adjustments represented DKK 6 million (Q1 - Q3 2014: DKK 80 million)
- Cost ratio at 60.3 per cent (Q1 - Q3 2014: 51.2 per cent). As stated in the company announcement of 14 September 2015, Vestjysk Bank made organisational changes that as from 2016 are expected to reduce the Bank's costs by at least DKK 25 million on an annual basis. At 30 September 2015 an amount of DKK 15 million was expensed as costs relating to the implemented organisational changes
- Core earnings before impairments at DKK 283 million (Q1 - Q3 2014: DKK 402 million)
- Impairments of loans and receivables, etc., at DKK 252 million (Q1 - Q3 2014: DKK 395 million). Impairments on the agricultural sector accounts for the main part of the impairments. In September 2015, the Danish Financial Supervisory Authority completed a functional review of the Bank. The full result of the Financial Supervisory Authority's review is included in the financial statements at 30 September 2015.
- Deposit surplus of DKK 4.2 billion at 30 September 2015, compared with a deposit surplus of DKK 2.5 billion at 30 September 2014
- The minimum requirements for continued banking activities are 8 per cent (total capital ratio) and 4.5 per cent (Common Equity Tier 1 capital ratio), respectively, of the Bank's weighted risk exposures. At 30 September 2015 the Bank has a surplus of 4.6 percentage points, equivalent to DKK 798 million, and 3.1 percentage points, equivalent to DKK 532 million, respectively
- Total capital ratio at 12.6 per cent, and an individual solvency need of 10.5 per cent. This corresponds to a surplus of 2.1 percentage points or DKK 366 million at 30 September 2015
- Common Equity Tier 1 capital ratio of 7.6 per cent at 30 September 2015, compared to a calculated requirement of 7.0 per cent. Surplus of 0.6 percentage points, equivalent to DKK 100 million, which is the gap to the requirement to prepare a recovery plan
- Liquidity surplus at 130.1 per cent at 30 September 2015
- The negotiations with the EU Commission in relation to the Bank's restructuring plan are still on-going, but the Bank remains in continuous dialogue with the EU Commission via the Ministry of Business and Growth. The timeframe for the approval is not known

2015 Outlook

Given unchanged economic climate, the Bank's total business volume is expected to generate core earnings before impairments at the level of DKK 350-400 million. Assuming unchanged economic conditions, the Management expects that it will be possible to absorb the need for impairments into the Bank's core earnings and that the Bank will also be able to achieve a moderate degree of consolidation. It will be sought to maintain this trend in order to ensure a continuing bank with an appropriate business platform and the capacity to achieve a more adequate capital structure.

Summary

The current level of settlement prices for agricultural products is very low, but has remained at a stable level during the last quarter. This means that the Bank's significant exposure within this industry will continue to entail a need for impairments during the rest of 2015. The current level of impairments for the agricultural sector is assessed to be accurate in terms of the current situation in the sector.

Any general deterioration in economic conditions will reduce the Bank's opportunities for consolidation in 2015.

The Management also has focus on the development in the bank's cost level. A decreasing trend must be continuously compared with the deliberate strategy of reducing the Bank's balance sheet, with a consequential reduction of business volume.

Management's Review

Financial highlights

Key Figures	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	FY 2014
Statement of Income (MDKK)								
Net interest income	470	532	158	162	150	165	177	697
Net fee and commission income	232	203	69	81	82	87	71	290
Dividends on shares, etc.	2	6	0	1	1	0	0	6
Value adjustments	6	80	-9	-16	31	-24	12	56
Other operating income	4	3	1	1	2	1	0	4
Core income	714	824	219	229	266	229	260	1,053
Staff and administrative expenses	391	380	138	127	126	129	114	509
Other operating expenses as well as amortisation, depreciation and impairment losses on intangible and tangible assets	40	42	14	13	13	10	14	51
Operating expenses and operating depreciations and amortisations	431	422	152	140	139	139	128	560
Core earnings before impairments	283	402	67	89	127	90	132	493
Impairments of loans and receivables, etc.	252	395	81	78	93	288	195	684
Profit/loss before tax	31	7	-14	11	34	-198	-63	-191
Tax	2	0	-2	2	2	0	-3	0
Profit/loss after tax	29	7	-12	9	32	-198	-60	-191
Statement of financial position (MDKK)								
Assets, total	21,652	21,476	21,652	22,103	21,931	21,804	21,476	21,804
Loans	13,888	15,462	13,888	14,035	14,476	14,714	15,462	14,714
Deposits, including pooled schemes	18,137	17,983	18,137	18,821	18,695	18,768	17,983	18,768
Contingent liabilities	3,289	2,900	3,289	3,383	3,119	3,036	2,900	3,036
Business volume	35,314	36,345	35,314	36,239	36,290	36,518	36,345	36,518
Equity	1,316	1,481	1,316	1,328	1,319	1,287	1,481	1,287

Management's Review

Financial highlights

Financial ratios ¹	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	FY 2014
Solvency								
Total capital ratio	12.6%	11.5%	12.6%	12.5%	12.4%	12.1%	11.5%	12.1%
Tier 1 capital ratio	10.4%	9.9%	10.4%	10.3%	10.2%	9.9%	9.9%	9.9%
Common Equity Tier 1 capital ratio	7.6%	7.7%	7.6%	7.5%	7.4%	7.1%	7.7%	7.1%
Earnings								
Return on equity before tax, annually	3.2%	0.8%	-4.1%	3.2%	10.6%	-56.6%	-16.4%	-17.5%
Return on equity after tax, annually	2.9%	0.8%	-3.7%	2.8%	9.8%	-56.6%	-15.8%	-17.5%
Income-cost ratio	1.05	1.01	0.94	1.05	1.15	0.54	0.81	0.85
Cost ratio ²	60.3%	51.2%	69.0%	61.5%	52.2%	60.4%	49.3%	53.2%
Return on assets	0.1%	0.0%	-0.1%	0.0%	0.1%	-0.9%	-0.3%	-0.8%
Employees converted to full-time (avg)	509.1	526.1	505.7	509.2	512.6	515.7	516.6	523.1
Market risk								
Interest rate risk	-5.3%	-4.3%	-5.3%	-5.8%	-6.0%	-4.7%	-4.3%	-4.7%
Foreign currency position	2.2%	2.0%	2.2%	2.1%	1.9%	1.4%	2.0%	1.4%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Coverage in relation to statutory liquidity requirements	130.1%	143.5%	130.1%	145.3%	123.1%	136.2%	143.5%	136.2%
Credit risk								
Loans plus impairments on loans in relation to deposits	95.6%	106.0%	95.6%	92.6%	95.6%	97.3%	106.0%	97.3%
Loans in relation to equity	10.6	10.4	10.6	10.6	11.0	11.4	10.4	11.4
Growth in loans for the period	-5.6%	-10.9%	-1.0%	-3.0%	-1.6%	-4.8%	-3.8%	-15.2%
Sum of large exposures	31.8%	35.0%	31.8%	33.0%	21.0%	22.3%	35.0%	22.3%
Accumulated impairment ratio	16.9%	16.4%	16.9%	16.4%	16.3%	16.7%	16.4%	16.7%
Impairment ratio for the period	1.2%	1.8%	0.4%	0.4%	0.4%	1.3%	0.9%	3.2%
Vestjysk Bank share								
Profit/loss per share for the period	0.2	0.1	-0.1	0.1	0.2	-1.3	-0.4	-1.6
Equity value per share	8.7	9.8	8.7	8.8	8.7	8.5	9.8	8.5
Price of Vestjysk Bank shares, end of the period	8.8	12.2	8.8	9.9	9.8	9.3	12.2	9.3
Market price/equity value per share	1.0	1.2	1.0	1.1	1.1	1.1	1.2	1.1

1 The key figures are laid down in the Danish Financial Supervisory Authority's Executive Order on financial reporting for credit institutions and investment companies et al.

2 Operating expenses and operating depreciations and impairments/core income.

Management's Review

Financial review

Statement of Income

Results

For Q1-Q3 2015, the Bank's profit before tax was DKK 31 million, compared to DKK 7 million for Q1-Q3 2014. For Q3 2015 in isolated terms, the Bank's result before tax was DKK -14 million, compared to DKK -63 million for Q3 2014.

Impairments of loans and receivables, etc. totaled DKK 252 million for Q1-Q3 2015, compared to DKK 395 million for Q1-Q3 2014. The impairment ratio for Q1-Q3 2015 was 1.2 per cent, compared to 1.8 per cent for Q1-Q3 2014.

In September 2015, the Danish Financial Supervisory Authority completed a functional review of the Bank. The Financial Supervisory Authority's review included review of the Bank's 63 largest loans (all loans exceeding DKK 43.6 million), the 30 largest other agricultural loans, 60 corporate loans ranging between DKK 10 and 43.6 million selected on a random sample basis, and all loans to the Bank's Supervisory and Executive Boards. Based on the review of the selected exposures, the Financial Supervisory Authority found a need for additional impairment charges of DKK 116.5 million, of which DKK 61.7 million had already been expensed at 30 June 2015. The full result of the Financial Supervisory Authority's review is included in the financial statements at 30 September 2015.

Core income

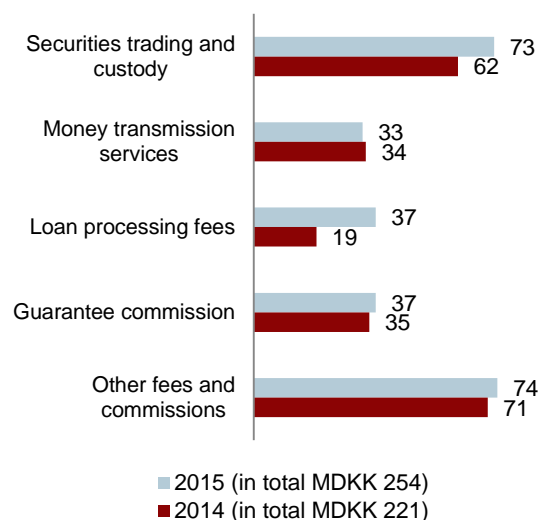
In Q1-Q3 2015 Vestjysk Bank achieved core income of DKK 714 million, compared to DKK 824 million in Q1-Q3 2014.

Positive value adjustments represented DKK 6 million, compared to DKK 80 million in Q1-Q3 2014. In isolated terms, the value adjustments in Q3 amounted to DKK -9 million, which can be attributed primarily to value adjustments on bonds in the Bank's own portfolio as a consequence of low liquidity in the bond market.

Fee income increased by 15 per cent, amounting to DKK 254 million in Q1-Q3 2015, which represents an increase of DKK 33 million compared to Q1-Q3 2014. The positive development in fee income is considered to be satisfactory, reflecting a generally higher level of activity, especially in customers' securities trading, and the extraordinarily high level of remortgaging activity within the mortgage-credit area, especially during the first half of 2015. The figure

presents the distribution of the Bank's fee and commission income.

Income from fees and commissions (MDKK)



Other operating income amounted to DKK 4 million in Q1-Q3 2015, equivalent to the level in Q1-Q3 2014.

Operating expenses and operating depreciation and amortisation

Operating expenses and operating depreciation and amortisation totalled DKK 431 million in Q1-Q3 2015, compared to DKK 422 million in Q1-Q3 2014. As stated in the company announcement of 14 September 2015, Vestjysk Bank made organisational changes that as from 2016 are expected to reduce the Bank's costs by at least DKK 25 million on an annual basis. At 30 September 2015 an amount of DKK 15 million was expensed as costs relating primarily to employees leaving the Bank.

The Bank's cost ratio increased from 51.2 per cent in Q1-Q3 2014 to 60.3 per cent in Q1-Q3 2015. After adjustment for the expenses relating primarily to employees leaving the Bank and value adjustments, the cost ratio was 58.7 per cent in Q1-Q3 2015, compared to 56.7 per cent in Q1-Q3 2014.

Vestjysk Bank's contributions to the Guarantee Fund for Depositors and Investors were recognised as an expense at DKK 31 million in Q1-Q3 2015, compared to DKK 30 million in Q1-Q3 2014.

Management's Review

Financial review

Core earnings before impairments

For Q1-Q3 2015, the Bank's core earnings before impairments stood at DKK 283 million, compared to DKK 402 million for Q1-Q3 2014. After adjustment for expenses relating primarily to employees leaving the Bank and value adjustments, in Q1-Q3 2015 the Bank achieved core earnings before impairments that are approximately DKK 30 million lower than in Q1-Q3 2014.

The lower core earnings are a consequence of declining interest income due to the lower business volume compared to the same period of 2014, and a generally declining level of lending interest rates. Increasing fee income and lower interest expenses have had a positive impact on earnings, partly offsetting the declining revenue due to lower interest income.

Impairments of loans and guarantees, etc.

Impairment charges totalled DKK 252 million in net terms in Q1-Q3 2015, compared to DKK 395 million in Q1-Q3 2014. The impairment ratio for Q1-Q3 2015 was 1.2 per cent, compared to 1.8 per cent for Q1-Q3 2014. The impairment level is still unsatisfactorily high, but does continue to show a declining trend.

The impairment charges in Q1-Q3 are mainly related to the agricultural area. At the end of September 2015, approximately 38 per cent of the Bank's accumulated impairment charges and provisions, totalling approximately DKK 3.5 billion, were related to the agriculture, hunting and forestry segment.

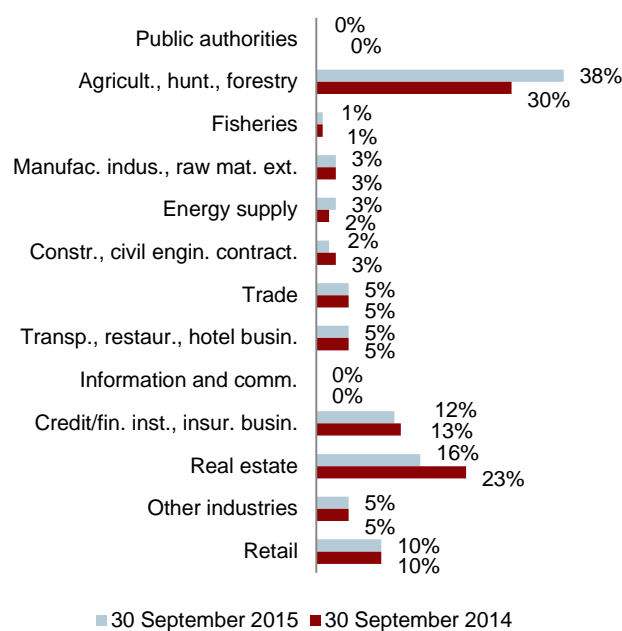
Throughout 2015, settlement prices for milk and pork have been at a record-low level. There is no immediate prospect of any improvement, which gives grounds for concern. The Bank is closely monitoring the development in the agricultural sector and will continue to incorporate the consequences into its impairment charges on an ongoing basis.

The process of adjusting the Bank's involvement in the property sector is continuing, with focus on eliminating

unprofitable property exposures. Some of these property exposures are developing favorably, with positive operations and sufficient liquidity to service the commitments. As a consequence, the Bank has reduced its exposure to this sector and the Bank's customers have also divested assets at acceptable prices. The overall effect of the process of reducing the Bank's property exposures has though not entailed any significant changes in the Bank's impairment requirement within this sector.

The Bank's accumulated impairment ratio stood at 16.9 per cent at 30 September 2015, compared with 16.4 per cent at 30 September 2014.

Accumulated impairments and provisions by industry segment



Statement of Financial Position

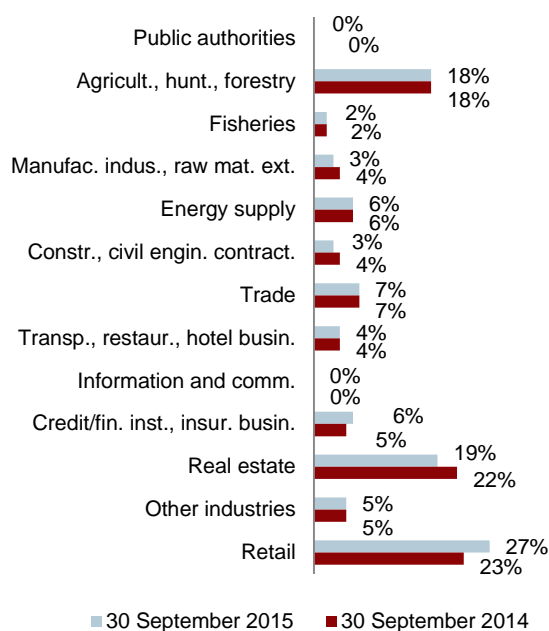
Vestjysk Bank's balance sheet totalled DKK 21.7 billion at 30 September 2015, compared to DKK 21.5 billion at 30 September 2014.

Loans

At 30 September 2015, Vestjysk Bank's net lending totalled DKK 13.9 billion. As a consequence of the ongoing adjustment of the balance sheet, since 30 September 2014 the Bank's lending has been reduced by DKK 1.6 billion. During Q3 2015, however, the Bank's lending was only reduced by approximately DKK 0.1 billion.

The distribution of Vestjysk Bank's loans and guarantees by industry segment is illustrated below.

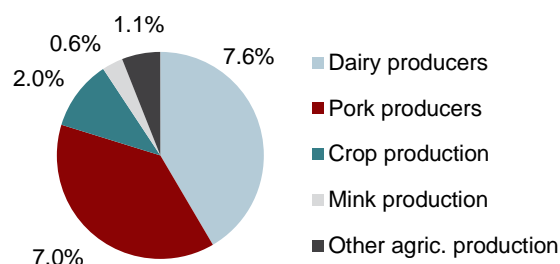
Loans and guarantees by industry segment



It is considered positive that the Bank is continuing to increase its ratio of lending to retail customers, which amounted to 27 per cent of the Bank's net loans and guarantees at the end of September 2015. At the end of September 2014, retail customers accounted for 23 per cent of the Bank's net loans and guarantees. The Bank is focusing its efforts on further strengthening the retail segment as a business area.

Agriculture continues to be a strategically important business area in which the Bank has considerable experience. In isolated terms, the Bank's exposure to agriculture accounted for 18.3 per cent of its total loans and guarantees as of 30 September 2015 and was distributed across the various production branches as shown in the figure below.

Agricultural commitments' share of loans and guarantees by production branches at 30 September 2015



Large exposures

The sum of large exposures in excess of 10 per cent of the total capital was 32 per cent of the total capital at 30 September 2015, and consisted of two exposures.

Deposits, including pooled schemes

Vestjysk Bank's deposits, including pooled schemes, amounted to DKK 18.1 billion at 30 September 2015, which is DKK 0.1 billion higher than at 30 September 2014, where deposits including pooled schemes were DKK 18.0 billion.

Gap between deposits and loans

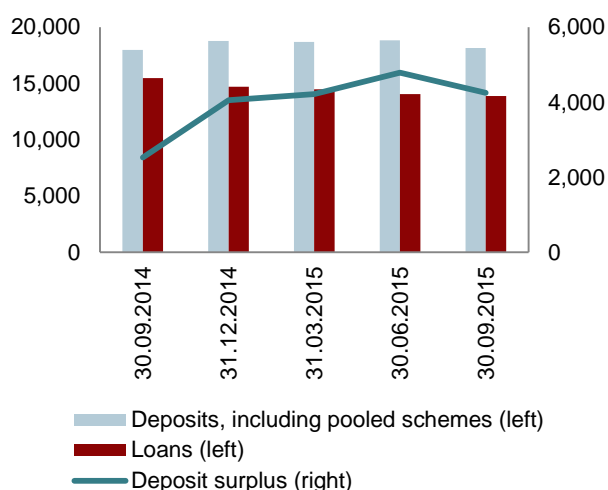
The deposit-lending development has increased the Bank's deposit surplus from DKK 2.5 billion at 30 September 2014 to DKK 4.2 billion at 30 September 2015.

Vestjysk Bank's objective is for the development in the Bank's deposits to match the development in its gross lending. The figure on the next page illustrates the development in Vestjysk Bank's deposit-lending ratio over the past five quarters.

Management's Review

Financial review

Development in deposits, including pooled schemes, loans and deposit surplus (MDKK)



Business volume

Vestjysk Bank's business volume – its total deposits, loans and contingent liabilities – amounted to DKK 35.3 billion at 30 September 2015, compared with DKK 36.3 billion at 30 September 2014. The decrease in business volume is a consequence of the deliberate strategy to adjust the lending-deposit ratio.

Capital and liquidity conditions

Equity

Vestjysk Bank's equity totalled DKK 1,316 million at 30 September 2015. The development in equity since 1 January 2014 is detailed in the Statement of Changes in Equity.

Subordinated debt

The Bank's subordinated debt stood at DKK 1,052 million at 30 September 2015, of which government-issued additional Tier 1 capital under Bank Package II totalled DKK 288 million. This capital accrues interest at 9.561 per cent.

Special statutory regulations apply to additional Tier 1 capital subject to Bank Package II. No dilution of the capital may occur, and buyback programmes aimed at reducing the Bank's share capital are therefore not permitted. Moreover, executive board salaries will only be eligible for a 50 per cent tax deduction.

Solvency

The solvency-related total capital was DKK 2,174 million at the end of September 2015 which, together with the total risk exposure of DKK 17,208 million, gives a total capital ratio of 12.6 per cent. At the end of September 2014, the Bank's total capital ratio amounted to 11.5 per cent.

The minimum requirement for ongoing banking operations is a capital ratio of 8.0 per cent, which for Vestjysk Bank corresponded to DKK 1,376 million at the end of September 2015. Based on the Bank's current financial position, this need is fulfilled with a surplus of 4.6 percentage points, equivalent to DKK 798 million.

The adequate total capital amounted to DKK 1,808 million at the end of September 2015 which, together with the total risk exposure of DKK 17,208 million, gives an individual solvency need of 10.5 per cent, equivalent to an additional solvency requirement of 2.5 percentage points in addition to the minimum requirement. Compared with the total capital of DKK 2,174 million, the surplus solvency amounted to 2.1 percentage points at the end of September 2015, equivalent to DKK 366 million.

Common Equity Tier 1 capital

The Bank's Common Equity Tier 1 capital totalled DKK 1,306 million at the end of September 2015 which, together with the total risk exposure of DKK 17,208 million, gives a Common Equity Tier 1 capital ratio of 7.6, compared to 7.7 at the end of September 2014. At the same time, the Bank's Tier 1 capital ratio was 10.4 at the end of September 2015, compared to 9.9 at the end of September 2014.

The minimum requirement for ongoing banking operations is a Common Equity Tier 1 capital ratio of 4.5 per cent, which for Vestjysk Bank corresponded to DKK 774 million at the end of September 2015. Based on the Bank's current financial position, this requirement is fulfilled with a surplus of 3.1 percentage points, equivalent to DKK 532 million.

In relation to the Bank's Common Equity Tier 1 capital, the overall capital requirement (minimum requirement + additional solvency requirement) is 7.0 per cent, or DKK 1,206 million, which can be compared with the Bank's Common Equity Tier 1 capital of DKK 1,306 million. The difference is the Common Equity Tier 1 capital surplus of 0.6 percentage points, equivalent to DKK 100 million at the end of September 2015. At the end of 2014 the Common Equity Tier 1

capital surplus amounted to DKK 125 million. As of 1 January 2015 the Common Equity Tier 1 capital minimum requirement was tightened from 4.0 per cent to 4.5 per cent. All other things being equal, this has affected the surplus negatively, at the level of DKK 90 million.

The Bank has taken measures to strengthen the Common Equity Tier 1 capital and during Q1-Q3 2015 the surplus was increased by approximately DKK 65 million, primarily via the Bank's earnings and reduced total risk exposures. Uncertainty may still arise concerning the surplus; however the Bank is aware that this may result in a need for an actual recovery plan, should the Bank's operating results develop negatively. This plan would require the Danish Financial Supervisory Authority's approval.

Liquidity

Vestjysk Bank's liquidity situation is still sound, as a consequence of a reasonable balance between the Bank's deposits and loans. At the end of September 2015, the Bank's deposit surplus amounted to DKK 4.2 billion, compared to DKK 2.5 billion at the end of September 2014.

External funding, incl. subordinated debt (MDKK)		
	30 Sep- tember 2015	30 Sep- tember 2014
Debts to credit institutions	412	345
Debts to central banks	250	0
Issued bonds at amortised cost	0	9
Total, before subordinated capital	662	354
Subordinated debt	1,052	1,143
Total	1,714	1,497

The Table presents the development in Vestjysk Bank's external funding, including subordinated debt. Compared to the end of September 2014, external funding had increased from DKK 1.5 billion to DKK 1.7 billion at the end of September 2015.

As from October 2015, the Bank will be required to comply with new requirements under the Liquidity Coverage Ratio (LCR) standard in accordance with the Basel III regulations. The Bank is fully aware of these matters and has incorporated these requirements into the Bank's liquidity management at an early stage. At 30 September 2015, the Bank's LCR ratio amounted to 162 per cent, compared to the required LCR ratio of 60 per cent. The Bank's liquidity esti-

mates furthermore show that the Bank will be able to comply with the LCR requirements in their fully phased-in form, and with a high level of surplus liquidity.

Share capital

Vestjysk Bank's share capital totalled DKK 151 million at 30 September 2015. The share capital is distributed across 151,008,121 shares with a nominal value of DKK 1.

Vestjysk Bank has approx. 40,200 registered shareholders. The Danish State holds 121,736,671 shares, corresponding to a stake of 80.62 per cent. Additionally, Finansiell Stabilitet, which is wholly owned by the Danish State, holds 1,291,222 shares in Vestjysk Bank, which corresponds to a stake of 0.86 per cent. Including this stake, the Danish State holds 81.48 per cent of the share capital and voting rights in Vestjysk Bank.

Second only to the Danish State, the ten biggest shareholders hold 3.3 percent of the share capital in Vestjysk Bank.

The Financial Supervisory Authority's Supervisory Diamond

Vestjysk Bank's objective 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. Vestjysk Bank is currently achieving this objective.

Vestjysk Bank's values in relation to the relevant limit values are listed in the table below.

Realised Values at 30 September 2015

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures (< 125%)	31.8 pct.
Growth in loans (< 20%)	-10.1 pct.
Real estate exposure (< 25%)	19.1 pct.
Funding ratio (< 1)	0.68
Liquidity coverage ratio (> 50%)	130.1 pct.

Miscellaneous

Related Parties

Vestjysk Bank's related parties comprise the members of the Supervisory and Executive Boards, as well as these

Management's Review

Financial review

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 controlled by Director Anders Bech, wminimho is a member of the Supervisory Board.

Moreover, related parties comprise the Danish State, which holds a controlling interest by virtue of its ownership of 80.62 per cent of the Bank's share capital and voting rights.

EU Commission

When the EU Commission preliminarily approved the government subsidy for the capital plan for the merger with Aarhus Lokalbanc in the spring of 2012, that approval was predicated upon the EU Commission's prior approval of the Bank's restructuring plan. As stated in the 2014 Annual Report the negotiations have not yet been concluded but the Bank remains in continuous dialogue with the EU Commission via the Ministry of Business and Growth. The timeframe for the approval process is still not known. Management is not aware of any requirements set out by the EU Commission that the Bank is currently not able to meet. The importance of settling the issue of final approval is highlighted by the fact that, ultimately, the Bank may find itself in a situation where the question regarding the potential repayment of government subsidies might become relevant.

2015 Outlook

Given unchanged economic climate, the Bank's total business volume is expected to generate core earnings before impairments at the level of DKK 350-400 million. Assuming unchanged economic conditions, the Management expects that it will be possible to absorb the need for impairments into the Bank's core earnings and that the Bank will also be able to achieve a moderate degree of consolidation.

It will be sought to maintain this trend in order to ensure a continuing bank with an appropriate business platform and the capacity to achieve a more adequate capital structure.

The current level of settlement prices for agricultural products is very low, but has remained at a stable level during the last quarter. This means that the Bank's significant exposure within this industry will continue to entail a need for impairments during the rest of 2015. The current level of impairments for the agricultural sector is assessed to be accurate in terms of the current situation in the sector.

Any general deterioration in economic conditions will reduce the Bank's opportunities for consolidation in 2015.

The Management also has focus on the development in the bank's cost level. A decreasing trend must be continuously compared with the deliberate strategy of reducing the Bank's balance sheet, with a consequential reduction of business volume.

2016 Financial Calendar

- | | |
|---------------|---|
| ■ 17 February | Deadline for receipt of shareholders' request for items to be included on the agenda for the Annual General Meeting |
| ■ 25 February | Annual Report 2015 |
| ■ 30 March | Annual General Meeting |
| ■ 25 May | Quarterly Report, Q1 2016 |
| ■ 24 August | Half-year Report, H1 2016 |
| ■ 23 November | Quarterly Report, Q1-Q3 2016 |

Management's Statement

The Bank's Supervisory and Executive Boards have today considered and approved the Quarterly Report for the period from 1 January to 30 September 2015 for Vestjysk Bank A/S.

The Quarterly Report is presented in accordance with the Danish Financial Business Act and also in accordance with the supplementary Danish disclosure requirements relating to interim financial reporting for listed financial enterprises.

In our opinion, the accounting policies applied are appropriate and the Quarterly financial statements present a true and fair view of the Company's assets and liabilities and financial position as at 30 September 2015, and of the results of the Bank's activities for the reporting period from 1 January to 30 September 2015.

In our opinion, the present Management's Review provides a true and fair view of the development in the Bank's activities and financial situation, as well as a true and fair description of the most significant risks and uncertainties that may affect the Bank.

The Management's Review section of the 2014 Annual Report detailed matters related to "Risks Related to Going Concern" and "2015 Outlook". It is our assessment that these matters still apply and we refer to the Management's Statement, as well as Note 2 "Uncertainty, Capital Structure and Going Concern" in the 2014 Annual Report.

The present Quarterly Report has not been audited or reviewed.

Lemvig, Denmark, 18 November 2015

Executive Board

.....
Jan Ulsø Madsen
Chief Executive Officer

.....
Michael Nelander Petersen
Managing Director

Supervisory Board

.....
Vagn Thorsager
Chairman

.....
Lars Holst
Deputy Chairman

.....
Anders Bech

.....
Karina Boldsen

.....
Poul Hjulmand

.....
Bent Simonsen

.....
Jacob Møllgaard

.....
Malene Rønø

.....
Palle Hoffmann

Quarterly Financial Statements

Statements of Income and Comprehensive Income

Note	Q1 - Q3 2015 TDKK	Q1 - Q3 2014 TDKK	Q3 2015 TDKK	Q3 2014 TDKK	FY 2014 TDKK
Statement of Income					
2	665,450	810,942	215,985	264,264	1,061,802
3	195,468	278,410	58,188	86,725	365,021
	469,982	532,532	157,797	177,539	696,781
	2,354	5,868	40	0	5,944
4	254,284	220,933	76,901	76,267	317,091
	21,856	18,291	7,102	5,637	27,120
	704,764	741,042	227,636	248,169	992,696
5	6,089	79,560	-9,284	12,053	56,021
6	3,896	3,425	692	468	4,270
7	391,322	380,232	137,913	114,526	509,239
	8,496	10,031	2,679	3,273	9,098
8	31,361	31,486	10,491	10,596	41,779
9	252,430	395,259	81,477	194,775	683,466
	31,140	7,019	-13,516	-62,480	-190,595
	2,431	0	-1,297	-2,481	0
	28,709	7,019	-12,219	-59,999	-190,595
Statement of Comprehensive Income					
	28,709	7,019	-12,219	-59,999	-190,595
Other comprehensive income:					
	0	0	0	0	5,645
	0	0	0	0	-2,237
	0	0	0	0	3,408
	28,709	7,019	-12,219	-59,999	-187,187

Quarterly Financial Statements

Statement of Financial Position

Note	30 Sept 2015 TDKK	30 Sept 2014 TDKK	31 Dec 2014 TDKK
Assets			
	438,656	362,489	894,587
	416,746	562,738	123,477
	13,887,769	15,462,136	14,713,799
	4,093,967	2,127,292	3,359,259
	176,296	439,090	187,188
	1,914,103	1,708,118	1,720,926
10	4,863	6,360	5,986
	365,371	363,645	369,721
	0	2,500	0
11	365,371	361,145	369,721
	5,032	6,655	7,271
	4,080	3,201	1,006
	3,635	256	0
12	321,440	418,712	404,694
	19,790	14,959	15,648
Assets, total	21,651,748	21,475,651	21,803,562

Quarterly Financial Statements

Statement of Financial Position

Note	30 Sept 2015 TDKK	30 Sept 2014 TDKK	31 Dec 2014 TDKK
Liabilities			
Debts			
	661,935	345,319	338,672
	16,222,825	16,275,098	17,047,097
	1,914,103	1,708,118	1,720,926
	0	8,761	8,761
13 Other liabilities	413,520	484,072	282,218
	12,468	12	29
Debt, total	19,224,851	18,821,380	19,397,703
Provisions			
	21,713	20,681	22,895
	9,122	8,427	8,817
	27,928	952	16,086
Provisions, total	58,763	30,060	47,798
14 Subordinated debt	1,052,285	1,142,867	1,070,919
Equity			
15 Share Capital	151,008	151,008	151,008
	57,526	55,433	57,526
	551,600	551,600	551,600
	555,715	723,303	527,008
Equity, total	1,315,849	1,481,344	1,287,142
Equity and liabilities, total	21,651,748	21,475,651	21,803,562
Items not recognised in the Statement of Financial Position			
16 Contingent liabilities	3,289,240	2,900,338	3,036,027
	25,994	28,307	27,814
Items not recognised in the Statement of Financial Position, total	3,315,234	2,928,645	3,063,841

Quarterly Financial Statements

Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Retained profit/loss	Equity, total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity, 1 January 2015	151,008	0	57,526	551,600	527,008	1,287,142
Comprehensive income for the period					28,709	28,709
Additions relating to sale of own shares					16,231	16,231
Disposals relating to purchase of own shares					-16,233	-16,233
Equity, 30 September 2015	151,008	0	57,526	551,600	555,715	1,315,849
Equity, 1 Jan 2014	85,982	0	55,433	551,600	194,004	887,019
Comprehensive income for the period					7,019	7,019
Additions relating to sale of own shares					45,250	45,250
Disposals relating to purchase of own shares					-45,223	-45,223
Issued shares upon conversion of additional Tier 1 capital	65,026	522,813				587,839
Costs related to the raising of capital		-560				-560
Transferred to retained earnings		-522,253			522,253	0
Equity, 30 September 2014	151,008	0	55,433	551,600	723,303	1,481,344
Equity, 1 January 2014	85,982	0	55,433	551,600	194,004	887,019
Comprehensive income for the period			5,645		-192,832	-187,187
Additions relating to sale of own shares					51,824	51,824
Disposals relating to purchase of own shares					-51,793	-51,793
Issued shares upon conversion of additional Tier 1 capital	65,026	522,813				587,839
Costs related to the raising of capital		-560				-560
Transferred to retained earnings		-522,253	-3,552		525,805	0
Equity, 31 December 2014	151,008	0	57,526	551,600	527,008	1,287,142

Quarterly Financial Statements

Notes

List of notes for the Quarterly Financial Statements

- 1 Accounting policies
- 2 Interest income
- 3 Interest expenses
- 4 Income from fees and commissions
- 5 Value adjustments
- 6 Other operating income
- 7 Staff and administrative expenses
- 8 Other operating expenses
- 9 Impairments of loans and provisions against guarantees, etc.
- 10 Intangible assets
- 11 Owner-occupied property
- 12 Other assets
- 13 Other liabilities
- 14 Subordinated debt
- 15 Share capital
- 16 Contingent liabilities
- 17 Capital requirements
- 18 Security pledged
- 19 Pending litigation
- 20 Key figures and financial ratios

Note

1 **Accounting policies**

Vestjysk Bank's Quarterly report for 1 January - 30 September 2015 is presented in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive order on financial reporting for credit institutions and investment companies, et al. as well as the disclosure requirements for listed enterprises issued by NASDAQ OMX Copenhagen A/S.

The accounting policies applied in this report remain unchanged from the 2014 Annual Report, which contains a full description of those policies.

Measuring certain assets and liabilities require Management to make an estimate of how future events will affect the value of such assets and liabilities. Estimates considered material in presenting the accounts are, among other things, made by stating impairments of impaired loans, the fair values of unlisted financial instruments as well as provisions, cf. the more detailed discussion in the 2014 Annual Report. The applied estimates are based on assumptions deemed sound by Management but which by their nature are uncertain.

The Bank's significant risks and external conditions that may affect the Bank are described in greater detail in the 2014 Annual Report.

	Q1 - Q3 2015	Q1 - Q3 2014	FY 2014
	TDKK	TDKK	TDKK
2 Interest income			
Receivables from credit institutions and central banks	1,478	2,609	3,370
Loans and other receivables	645,840	776,561	1,018,005
Bonds	10,529	13,719	17,169
Derivative financial instruments	7,601	17,928	23,126
Other interest income	2	125	132
Total	665,450	810,942	1,061,802
There was no interest income from actual purchase and resale transactions			
3 Interest expenses			
Credit institutions and central banks	771	46,467	51,471
Deposits and other debt	136,190	197,931	259,352
Issued bonds	0	236	308
Subordinated debt	58,448	33,721	53,835
Other interest expenses	59	55	55
Total	195,468	278,410	365,021
There was no interest expense from actual sale and repurchase transactions			

Quarterly Financial Statements

Notes

Note	Q1 - Q3 2015 TDKK	Q1 - Q3 2014 TDKK	FY 2014 TDKK
4	Income from fees and commissions		
	72,580	61,669	93,406
	33,129	34,445	46,884
	36,858	19,324	35,164
	37,441	35,023	47,405
	74,276	70,472	94,232
	Total	220,933	317,091
5	Value adjustments		
	-8,939	1,218	-5,164
	7,619	58,158	59,031
	0	-1,994	-1,994
	3,189	12,428	17,414
	-1,892	14,733	-6,779
	60,840	147,321	148,228
	-60,840	-147,321	-148,228
	-3,340	10,556	10,556
	9,452	-15,539	-17,043
	Total	79,560	56,021
6	Other operating income		
	504	477	781
	3,392	3,077	3,689
	0	-129	-200
	Total	3,425	4,270

Note	Q1 - Q3 2015 TDKK	Q1 - Q3 2014 TDKK	FY 2014 TDKK
7 Staff and administrative expenses			
Salaries and remuneration to the Supervisory and Executive Boards	5,407	5,074	6,439
Staff expenses	253,924	235,312	314,360
Other administrative expenses	131,991	139,846	188,440
Total	391,322	380,232	509,239
Salaries and remuneration to the Supervisory and Executive Boards			
Supervisory Board			
Fixed remuneration	1,237	1,087	1,500
Total	1,237	1,087	1,500
Executive Board			
Contractual remuneration	3,950	3,770	4,645
Pension	220	217	294
Total	4,170	3,987	4,939
Value of benefits	160	154	183
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	2,165	2,071	2,561
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.			
Staff expenses			
Wages and salaries	202,755	184,966	247,978
Pensions	23,064	23,667	31,385
Expenses relating to social security contributions, payroll tax etc.	28,105	26,679	34,997
Total	253,924	235,312	314,360
8 Other operating expenses			
Contributions to the Guarantee Fund for Depositors and Investors	31,157	30,091	40,053
Other expenses	204	1,395	1,726
Total	31,361	31,486	41,779

Quarterly Financial Statements

Notes

Note	Q1 - Q3 2015 TDKK	Q1 - Q3 2014 TDKK	FY 2014 TDKK
9			
Impairments of loans and provisions against guarantees, etc.			
Individual impairments of loans			
Individual impairments of loans and other receivables, beginning of the reporting period	3,423,412	3,722,615	3,722,615
Impairments for the period	406,230	622,892	754,875
Reversal of impairments performed in prior financial years	-154,290	-232,938	-227,244
Other movements	69,253	65,633	84,330
Previously individually impaired, now definitely lost	-400,368	-643,406	-911,164
Individual impairments of loans and other receivables, end of the reporting period	3,344,237	3,534,796	3,423,412
Impact on Financial Income Statement	251,940	389,954	527,631
Collective impairments of loans			
Collective impairments of loans and other receivables, beginning of the reporting period	116,069	60,227	60,227
Impairments for the period	33,592	15,199	74,388
Reversal of impairments performed in prior financial years	-47,501	-20,370	-21,151
Other movements	2,792	2,120	2,605
Collective impairments of loans and other receivables, end of the reporting period	104,952	57,176	116,069
Impact on Financial Income Statement	-13,909	-5,171	53,237
Impairments of loans, total			
Impairments of loans and other receivables, beginning of the reporting period	3,539,481	3,782,842	3,782,842
Impairments for the period	439,822	638,091	829,263
Reversal of impairments performed in prior financial years	-201,791	-253,308	-248,395
Other movements	72,045	67,753	86,935
Previously individually impaired, now definitely lost	-400,368	-643,406	-911,164
Impairments of loans and other receivables, end of the reporting period	3,449,189	3,591,972	3,539,481
Impact on Financial Income Statement	238,031	384,783	580,868

Note	Q1 - Q3 2015 TDKK	Q1 - Q3 2014 TDKK	FY 2014 TDKK
9			
Impairments of loans and provisions against guarantees, etc. (continued)			
Provisions against losses on guarantees and unused credit commitments			
Provisions against losses on guarantees and unused credit commitments, beginning of the reporting period	24,903	11,332	11,332
Provisions for the period	28,874	6,888	22,427
Reversal of provisions performed in prior financial years	-16,727	-8,961	-8,856
Provisions against losses on guarantees and unused credit commitments, end of the reporting period	37,050	9,259	24,903
Impact on Financial Income Statement	12,147	-2,073	13,571
Accumulated impairment ratio	16.9%	16.4%	16.7%
Receivables for which calculation of interest has stopped, end of the reporting period	1,727,286	1,768,811	1,810,463
Of which impaired, total	1,293,619	1,286,276	1,261,185
Receivables for which calculation of interest has stopped, as a percentage of loans before impairments	10.0%	9.3%	9.9%
Impairments/provisions for receivables from credit institutions			
The Bank has not made impairment charges/provisions from credit institutions receivables			
Impact on financial income statement, total	250,178	382,710	594,439
Lost, where individual impairments/provisions have not been made	10,172	20,686	100,818
Included in previously written-off debts	-7,920	-8,137	-11,791
Impairment of loans and guarantee debtors, etc., total	252,430	395,259	683,466
Interest income on impaired loans is offset in impairments by	72,045	67,753	86,935

Quarterly Financial Statements

Notes

Note		30 Sept 2015	30 Sept 2014	31 Dec 2014
		TDKK	TDKK	TDKK
10	Intangible assets			
	Customer relationships			
	Total acquisition price, beginning of the reporting period	14,964	14,964	14,964
	Total acquisition price, end of the reporting period	14,964	14,964	14,964
	Amortisations and impairments, beginning of the reporting period	8,978	7,482	7,482
	Amortisations and impairments for the period	1,123	1,122	1,496
	Amortisations and impairments, end of the reporting period	10,101	8,604	8,978
	Recognised holding, end of the reporting period	4,863	6,360	5,986
11	Owner-occupied property			
	Restated value, beginning of the period	369,721	365,976	365,976
	Additions	0	175	399
	Disposals	0	0	0
	Depreciations	4,350	5,006	6,749
	Changes in value recognised in other comprehensive income	0	0	5,645
	Changes in value recognised in the Statement of Income	0	0	4,450
	Restated value, end of the period	365,371	361,145	369,721
	External assessment experts have been involved in measuring the most important owner-occupied properties			
12	Other assets			
	Positive market value of derivative financial instruments	80,391	189,064	178,778
	Interest and commission receivable	49,339	40,795	47,079
	Other assets	191,710	188,853	178,837
	Total	321,440	418,712	404,694
13	Other liabilities			
	Negative market value of derivative financial instruments	56,953	85,111	78,373
	Various creditors	174,552	225,360	174,974
	Interest and commission payable	145,544	162,002	14,805
	Other liabilities	36,471	11,599	14,066
	Total	413,520	484,072	282,218

Note	30 Sept 2015 TDKK	30 Sept 2014 TDKK	31 Dec 2014 TDKK
14 Subordinated debt			
Tier 2 capital	522,049	606,547	534,305
A nominal DKK 173 million will fall due from 3 December 2015 to 22 May 2016 with an option for early repayment subject to the Financial Supervisory Authority's approval. The capital accrues interest at 2.6125 - 3.2175%.			
A nominal DKK 200 million will fall due on 28 June 2020 with an option for early repayment on 28 June 2017 subject to the Financial Supervisory Authority's approval. The capital accrues interest at 9.500% with no step-up clause.			
A nominal DKK 150 million will fall due on 1 September 2022 with an option for early repayment on 1 September 2019 subject to the Financial Supervisory Authority's approval. The capital accrues interest at 7.4375% with no step-up clause.			
Total	522,049	606,547	534,305
Additional Tier 1 capital			
Additional Tier 1 capital of DKK 100 million	100,609	103,302	102,650
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.			
Additional Tier 1 capital of DKK 75 million	75,000	75,000	75,000
The capital accrues interest at a fixed 9.561%. There is no due date.			
There is an option of prepayment, subject to the approval of the Danish Financial Supervisory Authority on 1 September 2019.			
Additional Tier 1 capital of DKK 50 million	50,000	50,000	50,000
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.			
Additional Tier 1 capital of DKK 287.6 million	304,627	308,018	308,964
The capital accrues interest at a fixed 9.561%. There is no due date.			
The Bank retains the option of prepayment, subject to the approval of the Danish Financial Supervisory Authority at a price of DKK 110.			
Premiums are recognised and amortised according to their expected repayment date.			
Total	530,236	536,320	536,614
Subordinated debt, total	1,052,285	1,142,867	1,070,919
Expensed under Interest expenses /Subordinated debt:			
Interest expenses	58,045	36,390	56,465
Costs related to payment and incurrence	212	236	315
Value adjustments, etc.	191	-2,905	-2,945
Total	58,448	33,721	53,835
Subordinated debt that can be included in the total capital	869,212	895,044	898,096

Quarterly Financial Statements

Notes

Note	30 Sept 2015 TDKK	30 Sept 2014 TDKK	31 Dec 2014 TDKK
15 Share capital			
Share capital, beginning of the period	151,008	85,982	85,982
Issued shares upon conversion of additional Tier 1 capital	0	65,026	65,026
Total	151,008	151,008	151,008
Number of shares (units)	151,008,121	151,008,121	151,008,121
	of DKK 1	of DKK 1	of DKK 1
Number of own shares, beginning of the period			
Number of own shares in 1,000 unit lots	173	176	176
Nominal value in DKK 1,000	173	176	176
Percentage of share capital	0.1%	0.1%	0.1%
Additions			
Purchase of own shares in 1,000 unit lots	1,698	3,686	4,293
Nominal value in DKK 1,000	1,698	3,686	4,293
Percentage of share capital	1.1%	2.4%	2.8%
Total purchase price in DKK 1,000	16,233	45,223	51,793
Disposals			
Sold own shares in 1,000 unit lots	1,698	3,689	4,296
Nominal value in DKK 1,000	1,698	3,689	4,296
Percentage of share capital	1.1%	2.4%	2.8%
Total selling price in DKK 1,000	16,231	45,250	51,824
Number of own shares, end of reporting period			
Number of own shares in 1,000 unit lots	173	173	173
Nominal value in DKK 1,000	173	173	173
Percentage of share capital	0.1%	0.1%	0.1%
Own shares are intermediated, purchased and sold through the securities exchange as part of Vestjysk Bank's normal customer banking transactions. The Bank is not direct counterparty in such transactions.			
Vestjysk Bank has a constant holding of own shares.			
The Bank is receiving additional Tier 1 capital and issuing bonds under the individual government guarantee and is therefore not allowed to pay out dividends.			

Note	30 Sept 2015 TDKK	30 Sept 2014 TDKK	31 Dec 2014 TDKK
16 Contingent liabilities			
Guarantees			
Financial guarantees	495,120	402,082	395,720
Guarantees for losses on mortgage-credit loans	1,871,033	1,609,558	1,687,291
Registration and remortgaging guarantees	4	38	24
Other contingent liabilities	923,083	888,660	952,992
Total	3,289,240	2,900,338	3,036,027
'Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of indemnity in relation to the Danish Guarantee Fund for Depositors and Investors, etc.			
Other commitments			
Other liabilities	25,994	28,307	27,814
Total	25,994	28,307	27,814
17 Capital requirements			
Equity	1,287,140	1,474,325	1,477,737
Recognised profit/loss	28,709	7,019	-190,595
Intangible assets	-4,863	-6,360	-5,986
Prudent valuation	-4,249	-2,426	-3,638
Holdings in financial sector entities in which the Bank does not have significant investments	-608	-47,381	-1,388
Common Equity Tier 1 capital	1,306,129	1,425,177	1,276,130
Additional Tier 1 capital	489,928	509,076	510,022
Holdings in financial sector entities in which the Bank does not have significant investments	-456	-94,762	-2,776
Tier 1 capital	1,795,601	1,839,491	1,783,376
Tier 2 capital	379,284	385,968	388,074
Holdings in financial sector entities in which the Bank does not have significant investments	-456	-94,762	-2,776
Total capital	2,174,429	2,130,697	2,168,674
The external auditors have verified that the conditions for ongoing inclusion of the period's earnings in core capital are met.			
Total risk exposure	17,208,101	18,508,782	17,926,706
Common Equity Tier 1 capital ratio	7.6%	7.7%	7.1%
Tier 1 capital ratio	10.4%	9.9%	9.9%
Total capital ratio	12.6%	11.5%	12.1%

Quarterly Financial Statements

Notes

Note	30 Sept 2015 TDKK	30 Sept 2014 TDKK	31 Dec 2014 TDKK
18 Security pledged			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	26,371	28,399	29,215
Deposited in the Danish Growth Fund	458	0	458
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	1,515,474	650,436	1,470,538
Total market value	1,513,432	655,898	1,471,578
Of which pledged	255,102	0	0
19 Pending litigation			
Vestjysk Bank is a party to various lawsuits. The proceedings are evaluated on an ongoing basis, and requisite provisions are made in assessing the risk of losses.			
The pending proceedings are not expected to have material influence on the Bank's financial position.			

