2015

Vestjysk Bank
2015 Annual Report

Contents

Vestjysk Bank A/S
Torvet 4-5, DK-7620 Lemvig
Denmark
CVR 34631328
Registered Office: Lemvig, Denmark
Telephone (+45) 96 63 20 00
www.vestjyskbank.dk
vestjyskbank@vestjyskbank.dk

Read or download this report at vestjyskbank.dk.
The Vestjysk Bank Financial Report for 2015 is a translation of the original report in Danish (Vestjysk Bank Årsrapport 2015).
In case of discrepancies, the Danish version prevails.

Summary

2015 Highlights

Vestjysk Bank realised a profit after tax of DKK 49 million in 2015. This is not satisfactory. However, considering the persistently large impairment charges – in particular due to the depressed economic situation facing Danish agriculture, with very low price levels for milk as well as pork – the performance is considered acceptable.

The Bank's core operations are sound, and core earnings of DKK 420 million before impairment are considered satisfactory and better than expected.

The Bank remains committed to improving its capital situation, including strengthening its solvency surplus in relation to the requirement for common equity tier 1 capital.

- Profit after tax of DKK 49 million (2014: a loss of DKK 188 million).
- Core income of DKK 989 million (2014: DKK 1,055 million), including value adjustments of DKK 17 million (2014: DKK 56 million).
- Expense ratio of 57.5 (2014: 53.1). As announced in the company announcement of 14 September 2015, Vestjysk Bank implemented organisational changes, which are expected to reduce the Bank's annual costs by at least DKK 25 million going forward. In 2015, the Bank recognised costs in the amount of DKK 15 million related to the organisational changes.
- Core earnings of DKK 420 million before impairment (2014: DKK 495 million).
- Impairment of loans and receivables, etc. of DKK 370 million (2014: DKK 683 million). Impairment charges on agriculture accounted for the majority of the Bank's impairment charges.
- Deposit surplus of DKK 4.8 billion at 31 December 2015, compared with a deposit surplus of DKK 4.1 billion at 31 December 2014.
- The minimum requirements for continued banking operations are 8 per cent (total capital ratio) and 4.5 per cent (common equity tier 1 capital ratio), respectively, of weighted risk exposures. At 31 December 2015, the Bank's surplus relative to these requirements is 4.5 percentage points, or DKK 752 million, and 3.4 percentage points, or DKK 567 million, respectively.
- The total capital ratio stood at 12.5 per cent and the individual solvency need at 10.7 per cent, corresponding to a surplus of 1.8 percentage points or DKK 307 million at 31 December 2015.
- Common equity tier 1 capital ratio of 7.9 per cent at 31 December 2015, compared with a requirement of 7.2 per cent. The surplus is 0.7 of a percentage point, or DKK 121 million, which is the gap to the requirement to prepare a recovery plan.
- Surplus liquidity of 140.1 per cent at 31 December 2015.
- In December 2015, the EU Commission opened an in-depth investigation to assess whether the restructuring aid granted to Vestjysk Bank by the Danish State in 2012 was in accordance with EU state aid rules. In particular, the Commission will examine whether Vestjysk Bank's restructuring plan would restore the Bank's long-term viability without unduly distorting competition. The time frame of this investigation and the approval process is unknown.

Introduction

A year of bottom line profit and stabilisation

2015 was the first year in which Vestjysk Bank's efforts to restore the Bank as a solid, profitable regional bank resulted in a net profit. Since 2012, when the Bank twice reported major impairment charges, totalling DKK 1.5 billion, the Bank has worked on returning to generating a profit and reducing impairment to a sector-average level.

This work is still ongoing, but in 2015 the Bank reduced the impairment to 1.9%, against 5.2% in 2012. The reduced impairment ratio resulted in a profit after tax of 49 million in 2015. This level of performance is not satisfactory for a bank of Vestjysk Bank's size, but in the current market climate and considering the Bank's starting point, it is considered acceptable.

Since 2012, the Bank has worked on trimming its balance sheet, mainly by reducing lending by 36% from DKK 20.7 billion in 2012 to DKK 13.3 billion at the end of 2015. This reduction of the business volume has caused a reduction in the Bank's interest income. Through a targeted effort to strengthen its earnings and cut costs, the Bank has succeeded in maintaining satisfactory core earnings excluding market value adjustments of DKK 403 million in 2015, against DKK 481 million in 2012 – a 16% reduction. Accordingly, the Bank has successfully carried out the action plan announced in 2012, which focused on trimming the balance sheet and keeping a careful eye on income and expenses.

Action plan

Management sees the 2015 annual report as the starting point of a new stabilisation period, in which the principal goal will be to strengthen total capital by sustaining the focus on earnings and expenses as well as by exploring options for obtaining new capital in order to ensure adequate surplus of primarily the Bank's common equity tier 1 capital.

The previous action plan, launched in 2012, will therefore be replaced by the following action points for the next few years:

- Maintaining the Bank's current business volume by focusing on the existing customers' borrowing and credit needs and adding good new retail customers and solid business customers in the SME segment
- Reducing the Bank's total agricultural and real estate exposures
- Continuing working actively with the Bank's weak and impaired customers to reduce the Bank's overall impairment charges
- Focusing on maintaining a cost ratio of around 55
- Increasing earnings, particularly in the investment area, by increasing the customers' proportion of pooled and wealth management products
- Further digitalisation of the Bank
- Exploring the options of raising additional tier 2 capital.
- Maintaining a strong liquidity position by balancing the development of gross lending and deposits.

With continued strong core earnings and the above measures, Management expects to see a continued improvement of the Bank's financial results in the coming years.

EU Commission

As announced in the company announcement dated 4 December 2015, the EU Commission has opened an in-depth investigation to assess whether the restructuring aid granted to Vestjysk Bank by the Danish State in 2012 was in accordance with EU state aid rules. In particular, the Commission will examine whether Vestjysk Bank's restructuring plan would restore the Bank's long-term viability without unduly distorting competition.

At this stage, the Commission is expressing doubts as to whether the restructuring plan will be adequate to ensure the Bank's return to long-term viability. The Commission will also assess whether the Bank and its owners contributed sufficiently to the cost of the restructuring, and whether appropriate measures have been put in place to minimise the possible distortion of competition brought about by the state aid measures.

Summary

The Commission will now make further investigations to determine whether these concerns are justified or not.

Via the Danish Ministry of Business and Growth, the Bank has maintained ongoing dialogue with the EU Commission. The time frame of this investigation and the approval process is unknown.

Management is not aware of any requirements to be 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 state aid might become relevant.

Outlook for 2016

While the Bank's performance since 2012 shows a positive trend, it has not yet reached a satisfactory level overall. For 2015, Vestjysk Bank achieved a modest profit, and we expect the Bank to be entering into a stabilisation phase with positive annual operating results. The uncertainty factors regarding the Bank's ability to sustain this stabilisation remain linked to the Bank's significant agricultural exposure. In 2015, this sector was marked by historically very low prices, and the most likely scenario is that the current price levels will be maintained. Once again, the Bank made significant impairment writedowns on agricultural exposures, and the same is expected for 2016.

For almost all other sectors, the Bank is seeing improving financial results, and the downward trend in overall impairment and the impairment ratio is therefore expected to continue in 2016.

The Bank's profit forecast for 2016 is thus core earnings of DKK 350-400 million, in line with the announced for 2015. Combined with our expectations for a continued reduction of total impairment charges, we expect a certain improvement of the Bank's consolidation in 2016, assuming that the economic climate in general remains stable.

If the current crisis in the agricultural sector becomes very protracted and/or it worsens further, the Bank's significant exposure to this industry may entail an increased need for impairment writedowns relative to Management's current estimates for 2016. This might also be the case if the economic climate generally deteriorates. The impact of a deterioration in the economic climate for the agricultural sector and/or other sectors will thus hamper the Bank's opportunities for consolidation in 2016.

Vagn Thorsager
Chairman of the Board

Jan Ulsø Madsen
Chief Executive Officer

Management's Review

Financial Highlights

Key Figures	2015	2014	2013	2012	2011
Statement of Income (DKKm)					
Net interest income	644	699	813	892	846
Net fee income	305	290	262	279	236
Dividends on shares, etc.	2	6	13	5	3
Value adjustments	17	56	126	94	-19
Other operating income	21	4	20	10	6
Core Income	989	1,055	1,234	1,280	1,072
Staff costs and administrative expenses	513	509	539	656	588
Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and tangible assets	56	51	64	49	61
Operating expenses and operating depreciation and amortisation	569	560	603	705	649
Core Earnings Before Impairment	420	495	631	575	423
Impairment of goodwill	0	0	0	208	0
Impairment of loans and receivables, etc.	370	683	1,073	1,515	984
Profit/loss Before Tax	50	-188	-442	-1,148	-561
Tax	1	0	0	299	-136
Profit/loss After Tax	49	-188	-442	-1,447	-425
Statement of financial position (DKKm)					
Assets, total	21,114	21,804	26,112	32,773	29,265
Loans	13,337	14,714	17,360	20,697	21,716
Deposits, including pooled schemes	18,090	18,768	17,877	18,058	15,029
Contingent liabilities	3,213	3,036	2,958	5,154	4,353
Business volume	34,640	36,518	38,195	43,909	41,098
Equity	1,404	1,362	887	998	1,718

The financial highlights have been restated to reflect the change relating to the recognition of additional tier 1 capital. See the description under the accounting policies.

Financial ratios [1]	2015	2014	2013	2012	2011
Solvency					
Total capital ratio	12.5%	12.1%	11.3%	11.2%	12.6%
Tier 1 capital ratio	10.5%	9.9%	5.9%	5.6%	9.3%
Common equity tier 1 capital ratio	7.9%	7.1%	4.1%	3.6%	5.0%
Earnings					
Return on equity before tax, annually	3.6%	-16.7%	-46.9%	-84.5%	-29.0%
Return on equity after tax, annually	3.6%	-16.7%	-46.9%	-106.6%	-22.0%
Income-cost ratio	1.05	0.85	0.74	0.53	0.66
Cost ratio [2]	57.5%	53.1%	48.9%	55.1%	60.6%
Return on assets	0.2%	-0.8%	-1.5%	-8.8%	-2.9%
Employees converted to full-time (average)	500.1	523.1	562.9	621.3	614.8
Market Risk					
Interest rate risk	-5.1%	-4.7%	-4.9%	-11.2%	-4.5%
Foreign exchange position	1.9%	1.4%	1.6%	1.6%	1.5%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus liquidity in relation to statutory liquidity requirements	140.1%	136.2%	162.2%	144.8%	98.8%
Credit Risk					
Loans plus impairment on loans relative to deposits	90.8%	97.3%	118.3%	133.5%	159.1%
Loans relative to equity	9.5	10.8	19.6	20.7	12.6
Growth in loans for the year	-9.4%	-15.2%	-16.1%	-4.7%	-7.5%
Sum of large exposures	35.1%	22.3%	33.5%	44.9%	30.4%
Accumulated impairment ratio	15.8%	16.7%	15.7%	11.8%	7.9%
Impairment ratio for the year	1.9%	3.2%	4.5%	5.2%	3.5%
Vestjysk Bank Share [3]					
Earnings per share for the year	0.3	-1.6	-6.0	-39.4	-34.5
Book value per share	8.8	8.5	10.3	16.3	139.5
Price of Vestjysk Bank shares, end of the year	7.8	9.3	9.0	13.0	18.8
Share price/earnings per share	23.7				
Share price/book value per share	0.9	1.1	0.9	0.8	0.1

The results of Aarhus Lokalbank are included in Vestjysk Bank's income statement from 1 April 2012. Aarhus Lokalbank's assets and liabilities are included in the statement of financial position from the end of March 2012.

1 The financial ratios are laid down in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. and restated to reflect the change relating to the recognition of additional tier 1 capital.

2 Operating expenses and operating depreciation and amortisation/core income

3 The ratios are calculated as though the additional tier 1 capital were a liability.

Management's Review

Financial Highlights by Quarters

Key Figures	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Statement of Income (DKKm)					
Net interest income	168	160	164	152	167
Net fee and commission income	73	69	81	82	87
Dividends on shares etc.	0	0	1	1	0
Value adjustments	11	-9	-16	31	-24
Other operating income	17	1	1	2	1
Core Income	269	221	231	268	231
Staff and administrative expenses	122	138	127	126	129
Other operating expenses as well as depreciation, amortisation and impairment losses onintangible and tangible assets	16	14	13	13	10
Operating expenses and operating depreciations and amortisations	138	152	140	139	139
Core Earnings Before Impairment	131	69	91	129	92
Impairment of loans and receivables, etc.	118	81	78	93	288
Profit/loss Before Tax	13	-12	13	36	-196
Tax	-1	-2	2	2	0
Profit/loss After Tax	14	-10	11	34	-196
Statement of financial position (DKKm)					
Assets, total	21,114	21,652	22,103	21,931	21,804
Loans	13,337	13,888	14,035	14,476	14,714
Deposits, including pooled schemes	18,090	18,137	18,821	18,695	18,768
Contingent liabilities	3,213	3,289	3,383	3,118	3,036
Business volume	34,640	35,314	36,239	36,289	36,518
Equity	1,404	1,391	1,403	1,394	1,362

The financial highlights have been restated to reflect the change relating to the recognition of additional tier 1 capital. See the description under the accounting policies.

Financial ratio [1]	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Solvency					
Total capital ratio	12.5%	12.6%	12.5%	12.4%	12.1%
Tier 1 capital ratio	10.5%	10.4%	10.3%	10.2%	9.9%
Common equity tier 1 capital ratio	7.9%	7.6%	7.5%	7.4%	7.1%
Earnings					
Return on equity before tax, annually	3.8%	-3.3%	3.5%	10.6%	-53.2%
Return on equity after tax, annually	4.4%	-3.0%	3.2%	9.8%	-53.2%
Income-cost ratio	1.05	0.95	1.06	1.15	0.54
Rate of cost[2]	51.2%	68.4%	61.0%	51.9%	60.0%
Return on investment	0.1%	0.0%	0.1%	0.2%	-0.9%
Employees converted to full-time (average)	473.1	505.7	509.2	512.6	515.7
Market Risk					
Interest rate risk	-5.1%	-5.3%	-5.8%	-6.0%	-4.7%
Foreign exchange position	1.9%	2.2%	2.1%	1.9%	1.4%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus liquidity in relation to statutory liquidity requirements	140.1%	130.1%	145.3%	123.1%	136.2%
Credit Risk					
Loans plus impairment on loans relative to deposits	90.8%	95.6%	92.6%	95.6%	97.3%
Loans relative to equity	9.5	10.0	10.0	10.4	10.8
Growth in loans for the period	-4.0%	-1.0%	-3.0%	-1.6%	-4.8%
Total of large exposures	35.1%	31.8%	33.0%	21.0%	22.3%
Accumulated impairment ratio	15.8%	16.9%	16.4%	16.3%	16.7%
Impairment ratio for the period	0.6%	0.4%	0.4%	0.4%	1.4%
Vestjysk Bank Share [3]					
Earnings per share for the period	0.1	-0.1	0.1	0.2	-1.3
Book value per share	8.8	8.7	8.8	8.7	8.5
Price of Vestjysk Bank shares, end of the reporting period	7.8	8.8	9.9	9.8	9.3
Share price/book value per share	0.9	1.0	1.1	1.1	1.1

1 The financial ratios are laid down in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. and restated to reflect the change relating to the recognition of additional tier 1 capital.

2 Operating expenses and operating depreciation and amortisation/core income

3 The ratios are calculated as though the additional tier 1 capital were a liability.

Management's Review

Financial Review

Introduction

The Bank's profit after tax came to DKK 49 million for 2015, compared with a loss of DKK 188 million for 2014.

Core income amounted to DKK 989 million, against DKK 1,055 million in 2014. Staff costs and administrative expenses grew by just under 1% from DKK 509 million in 2014 to DKK 513 million in 2015. The increase was due to non-recurring expenses of DKK 15 million in connection with the organisational changes effected in September 2015. Adjusted for this non-recurring expense, staff costs and administrative expenses were down 2%.

The development in income and expenses resulted in core earnings of DKK 420 million before impairment, against DKK 495 million in 2014 and the profit forecast for the year of DKK 350-400 million.

Loan impairment charges amounted to DKK 370 million, against DKK 683 million in 2014. The level of impairment continues its downward trend and is within the range expected for the year. However, the level is still above the sector average.

Overall, the profit after tax of DKK 49 million is in accordance with the Bank's expectations for the year, as was confirmed during the course of the year and most recently in November 2015 in the interim report for Q1-Q3 2015.

Income statement

Profit/loss after tax

For 2015, the Bank's profit after tax was DKK 49 million, compared with a loss of DKK 188 million for 2014.

Impairment of loans and receivables, etc. amounted to DKK 370 million in 2015. The impairment ratio for 2015 was 1.9%, against 3.2% in 2014. Despite the downward trend, the level remains high compared to the sector average, and thus also relative to the Bank's goal.

Core income

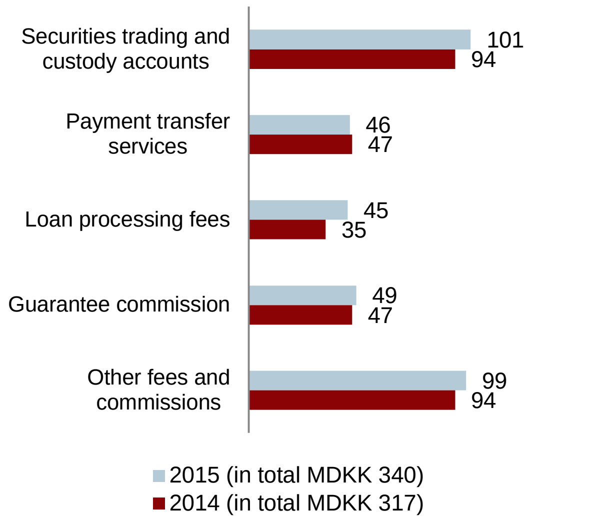
In 2015, Vestjysk Bank realised core income of DKK 989 million, down DKK 66 million compared with 2014. The core income drop was due to reduced interest income and market value adjustments, offset by lower interest expenses and higher net fee and commission income.

Net interest income totalled DKK 644 million in 2015, against DKK 699 million in 2014. The DKK 55 million decline was due to a DKK 173 million drop in interest income due to a lower lending volume and increased price pressure, while the Bank's interest expenses were reduced by DKK 118 million, mainly due to lower deposit rates.

Positive market value adjustments represented DKK 17 million, compared with DKK 56 million in 2014.

Fee and commission income rose 7% from DKK 317 million in 2014 to DKK 340 million in 2015. The increase in fee and commission income is mainly explained by a high level of securities trading activity and high conversion activity, particularly in the first half of 2015. The distribution is shown in the figure below.

Income from Fees and Commissions (DKKm)



Other operating income amounted to DKK 21 million in 2015, against DKK 4 million in 2014.

Operating expenses and operating depreciation and amortisation

Total operating expenses, depreciation and amortisation amounted to DKK 569 million in 2015, against DKK 560 million in 2014. The increase was exclusively due to a non-recurring expense of DKK 15 million in connection with the organisational changes effected in September 2015. Cf. company announcement dated 14 September 2015. Adjusted for this non-recurring expense, total operating expenses, depreciation and amortisation were reduced by approximately DKK 6 million, or approximately 1%.

Vestjysk Bank's contributions to the Guarantee Fund for Depositors and Investors was charged at DKK 42 million for 2015, compared with DKK 40 million for 2014. At the end of 2015, contributions to the Guarantee Fund for Depositors and Investors were replaced by contributions to a new Resolution Fund. Vestjysk Bank's share of contributions to the new Resolution Fund is as yet unknown but is expected to constitute a significantly lower cost relative to the contributions to the Guarantee Fund for Depositors and Investors.

Core earnings before impairment

For 2015, the Bank's core earnings before impairment stood at DKK 420 million, compared with DKK 495 million in 2014, a reduction of DKK 75 million compared with 2014, but slightly higher than the projected level for 2015 of DKK 350-400 million. The lower interest income and market value adjustments were partially offset by lower interest expenses and higher fee and commission income.

Impairment charges on loans, advances, guarantees etc.

Impairment charges amounted to DKK 370 million, net in 2015, compared with DKK 683 million in 2014. The impairment ratio for 2015 was 1.9%, against 3.2% in 2014. The level of impairment is still unsatisfying high and higher than the sector average, but is showing a continued downward trend. The level is in line with Management's expectations at the beginning of 2015.

In September 2015, the Danish FSA completed a functional examination of the Bank. The FSA's examination comprised a review of the Bank's 63 largest loans (all in excess of DKK 43.6 million), the 30 largest agricultural loans in addition to this, 60 business loans of between DKK 10 million and DKK 43.6 million, selected by random sample, and all loans to members of the Bank's Board of Directors and Executive Board. The loans reviewed represented just over 50% of the Bank's total lending volume. Based on its examination of the selected exposures, the FSA identified evidence of additional impairment in the amount of DKK 116.5 million, of which DKK 61.7 million was already charged at 30 June 2015. The full impairment loss identified by the FSA's examination was recognised in the interim financial statements at 30 September 2015.

Historically and until 2012, the Bank's exposures to the real estate and agricultural sectors were motivated by the Bank's growth strategy. The strategy was successful, but resulted in insufficient focus on credit risk and robustness in the composition of total capital. The Bank's overall exposure to the real estate and agricultural sectors accounts for approximately 37% of total net lending.

Milk and pork prices were historically low throughout 2015. No improvement seems likely for the foreseeable future, which is a cause for concern. The Bank is closely monitoring developments in the agricultural sector and will continue to incorporate the consequences of any changes in the calculation of impairment.

Agriculture is still a large factor in the sector diversification of the Bank's business loans, and as a result of the unfavourable market conditions that the sector has experienced in recent years, agriculture also accounts for the largest share of the Bank's accumulated impairment writedowns: 40% or DKK 1.2 billion. The Bank has thus written down approximately 23% of its gross lending to the agricultural sector.

The majority of the Bank's agricultural customers maintain an efficient production at a level which does not make a change of ownership advantageous to the Bank. When the customer's professional skills and managerial abilities are deemed adequate and the performance is improving to an extent that positive consolidation is already happening or the prospect thereof seems likely, the Bank is generally in favour of helping restore such farmers' financial viability by supplying additional liquidity, based on an individual assessment. In the longer term, once the agricultural sector's economic environment has been improved, this strategy is expected to lead to a reduction of new impairment charges on agricultural exposures and, in time, a certain reversal of the impairment charges already recognised.

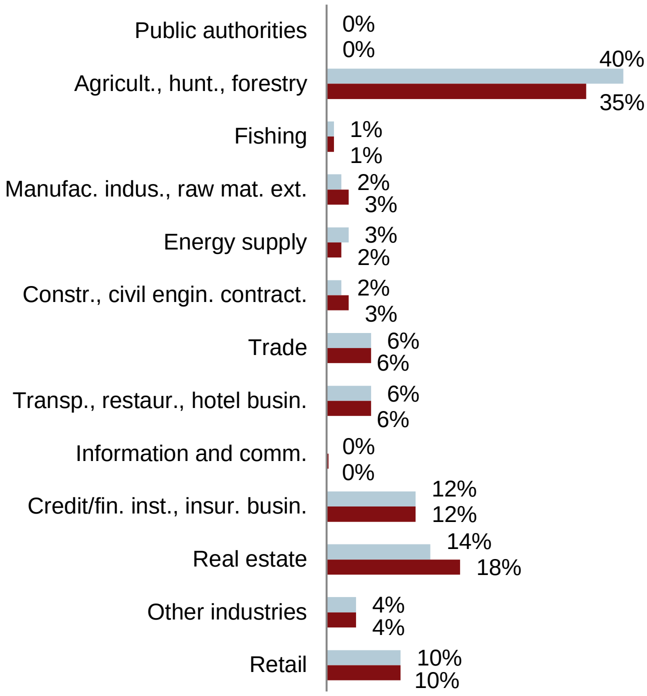
In order to strengthen the Bank's services to customers in the agricultural sector and increase focus on agriculture as an important strategic area, the Bank in 2015 established an agricultural centre in which to gather all of its agricultural customers. The centre was established in order to offer these customers the highest possible level of advisory services. This centralised function also ensure a uniform approach to the agricultural industry, setting a high professional standard for the staff who are now gathered in the agricultural centre.

The process of adjusting the Bank's involvement in the real estate sector continues, as the Bank focuses on weeding out unprofitable real estate exposures. For some of these property commitments, we are seeing a favourable trend with operating profits and sufficient liquidity to service debt. As a result, the Bank has reduced its exposure to this sector, and the Bank's customers have sold assets at acceptable prices.

The Bank continues to implement further measures to improve the process of managing and monitoring the Bank's loans and guarantees and to develop the skills of account managers.

The Bank's accumulated impairment ratio at the end of 2015 stood at 15.8%, compared with 16.7 at the end of 2014.

Accumulated Impairments and Provisions by Industry Segment at 31 December 2015



Statement of financial position

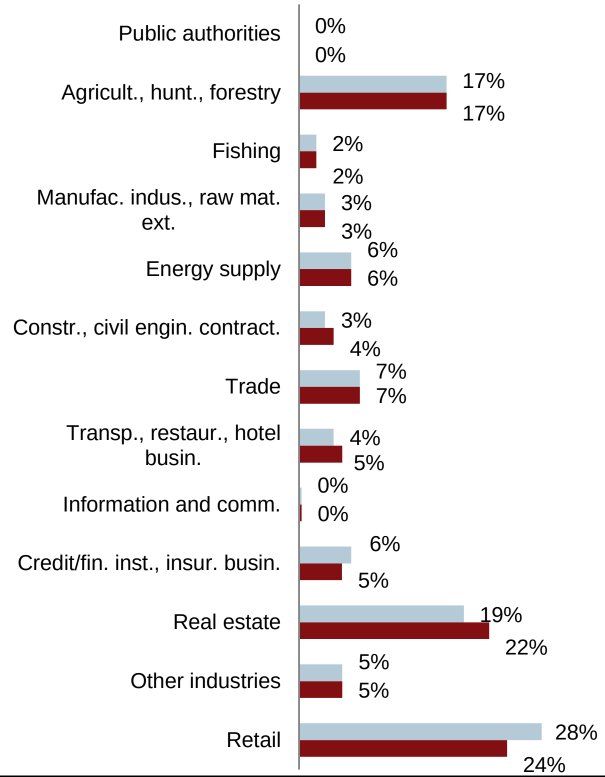
Vestjysk Bank's balance sheet amounted to DKK 21.1 million at 31 December 2015, against DKK 21.8 million at 31 December 2014. The Bank has succeeded in the planned trimming of its balance sheet, primarily by reducing lending. Based on its liquidity and funding situation, the Bank will now aim to maintain the current business volume.

Loans

At 31 December 2015, Vestjysk Bank's net lending amounted to DKK 13.3 billion, against DKK 14.7 billion at the end of 2014, a DKK 1.4 billion reduction during the year.

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

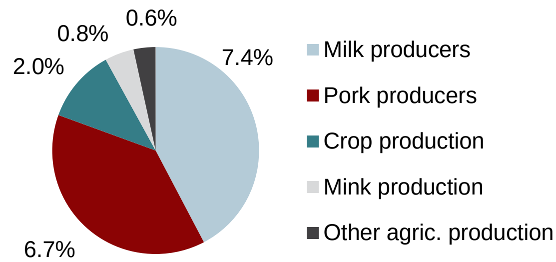
Loans and Guarantees by Industry Segment at 31 December 2015



It is a positive development that loans to retail customers continue to rise, accounting for 28% of the Bank's net loans and guarantees at 31 December 2015. At 31 December 2014, retail customers accounted for 24% of the Bank's net loans and guarantees. The Bank is working on further increasing the retail customer segment as a business area.

Agriculture remains an important strategic business area in which the Bank has considerable experience. In isolated terms, at 31 December 2015 the Bank's exposure to agriculture accounted for 17.5 per cent of its total loans and guarantees 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 31 December 2015



Large exposures

The sum of large exposures, constituting 10% or more of total capital, amounted to 35.1% of total capital at 31 December 2015, distributed on two exposures.

Difference between deposits and loans

Vestjysk Bank's deposits including pooled funds amounted to DKK 18.1 billion at 31 December 2015, against DKK 18.8 billion at 31 December 2014.

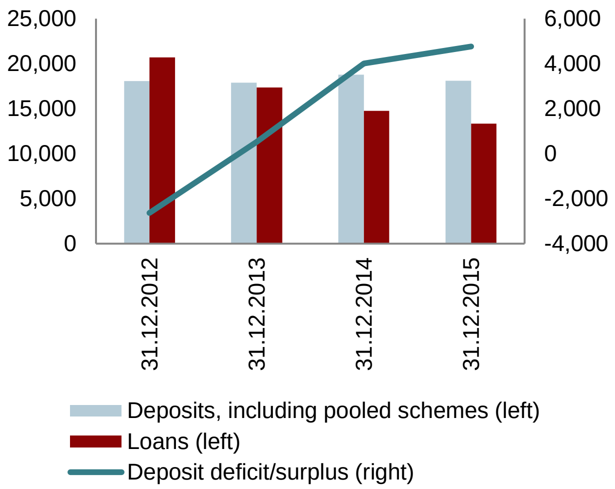
As a result of the positive development since 2012 between deposits and loans, the Bank had a deposit surplus at 31 December 2015 of DKK 4.8 billion, against DKK 4.1 at 31 December 2014.

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

Management's Review

Financial Review

Trend in Deposits, including Pooled schemes, Loans and Deposit Deficit/Surplus (DKKm)



Business volume

Vestjysk Bank's business volume – total deposits, loans and contingent liabilities – amounted to DKK 34.6 billion at 31 December 2015, against DKK 36.5 billion at 31 December 2014. The change in business volume was due to decreases in both loans and deposits.

Capital and liquidity

Equity

Vestjysk Bank's equity stood at DKK 1,404 million at 31 December 2015, against DKK 1,362 million at 31 December 2014. 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 915 million at 31 December 2015, of which state-funded additional tier 1 capital under Bank Package II totalled DKK 311 million. This capital carries interest at 9.561%.

Special statutory rules apply to additional tier 1 capital under Bank Package II. No dilution of the capital is allowed, and buyback programmes aimed at reducing the Bank's share capital are therefore not permitted. Moreover, only 50% of Executive Board salaries will be eligible for tax deduction.

Solvency

Solvency-related total capital amounted to DKK 2,091 million at 31 December 2015 which, relative to the total risk exposure of DKK 16,739 million, gives a total capital ratio of 12.5%. At 31 December 2014, the Bank's total capital ratio was 12.1%.

The minimum total capital ratio requirement for continued banking operations is 8.0%, which for Vestjysk Bank equals DKK 1,339 million at 31 December 2015. Based on the Bank's current financial position, this requirement is met with a surplus of 4.5 percentage points, or DKK 752 million.

Solvency-related adequate total capital amounted to DKK 1,784 million at 31 December 2015 which, relative to the total risk exposure of DKK 16,739 million, gives an individual solvency need of 10.7%, corresponding to a solvency need supplement of 2.7 percentage points in addition to the minimum requirement. Relative to the DKK 2,091 million total capital, the surplus solvency was 1.8 percentage points or DKK 307 million at 31 December 2015.

Common equity tier 1 capital

The Bank's common equity tier 1 capital totalled DKK 1,320 million at 31 December 2015 which, relative to the total risk exposure of DKK 16,739 million, gives a common equity tier 1 capital ratio of 7.9%, against 7.1% at 31 December 2014. The Bank's tier 1 capital ratio was 10.5% at 31 December 2015, compared to 9.9% at 31 December 2014.

The minimum common equity tier 1 capital ratio requirement for continued banking operations is 4.5%, which for Vestjysk Bank equals DKK 753 million at 31 December 2015. Based on the Bank's current financial position, this requirement is met with a surplus of 3.4 percentage points, or DKK 567 million.

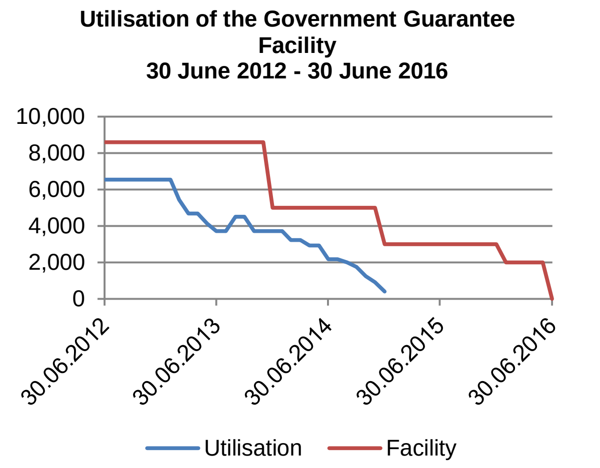
In relation to the Bank's common equity tier 1 capital, the aggregate capital requirement (minimum requirement + solvency need supplement) is 7.2%, or DKK 1,199 million, compared to the Bank's common equity tier 1 capital of DKK 1,320 million. The difference between these two amounts constitutes the Bank's surplus common equity tier 1 capital of 0.7 percentage point, or DKK 121 million at 31 December 2015. At the end of 2014, the surplus common equity tier 1 capital amounted to DKK 125 million. At 1 January 2015, the minimum common equity tier 1 capital ratio requirement was tightened from 4.0 per cent to 4.5 per cent. All other things being equal, this had a negative effect on the Bank's surplus of around DKK 90 million.

The Bank has taken measures to strengthen its common equity tier 1 capital, and the surplus was improved by approx. DKK 85 million during 2015, primarily through the Bank's earnings and lower risk-weighted exposures. The surplus is still tenuous, however, and the Bank is aware of the fact that this may lead to the need for a capital conservation plan and, if the operating results deteriorate compared to the expected, an actual recovery plan. Such plans would require the FSA's approval.

Also note that the provisions in the FSA's guidelines on the calculation of solvency need have been changed. Under the guidelines, the effect of any maturity of capital instruments in the coming 12 months should be recognised as a reservation in the solvency need. As from 1 January 2018, additional tier 1 capital in the amount of DKK 287.6 million, see note 26, will no longer be eligible for inclusion in total capital. The effect of this reservation in the Bank's solvency need is part of Management's rationale for seeking to strengthen total capital on a timely basis.

Liquidity

Vestjysk Bank's liquidity position has improved, especially as a consequence of an improved balance between the Bank's deposits and loans.



The government-guaranteed borrowing facility, which at the merger in 2012 amounted to DKK 8.6 billion and was to be repaid by June 2016 has been steadily reduced as a result of the Bank's liquidity position, and on 10 February 2015 the Bank repaid the final part of this facility, some 18 months ahead of the deadline agreed with the Danish state.

External Funding, Incl. Subordinated debt Injections (DKKm)

	31 Dec 2015	31 Dec 2014
Debts to credit institutions	327	339
Debts to central banks	0	0
Issued bonds at amortised cost	0	9
Total, before subordinated capital	327	348
Subordinated debt	915	996
Total	1,242	1,344

The table above shows the development in Vestjysk Bank's external funding including subordinated debt. Debt to credit institutions and central banks, as well as issued bonds at amortised cost and subordinated debt, were reduced by DKK 0.1 billion, from DKK 1.3 billion at 31 December 2014 to DKK 1.2 billion at 31 December 2015.

Liquidity Coverage Ratio

Effective as of 1 October 2015, the Bank must comply with new requirements in the form of the Liquidity Coverage Ratio (LCR) standards under the Basel III regulations. The Bank is aware of these issues and has incorporated them in the Bank's liquidity management at an early stage. At the end of 2015, the Bank's LCR ratio stood at 260%, relative to the LCR ratio requirement of 60%.

In accordance with the LCR regulation, the LCR requirement is being gradually phased in, with 60% at 1 October 2015, 70% at 1 January 2016, 80% at 1 January 2017 and 100% at 1 January 2018. The Bank's liquidity projections indicate that the Bank will meet the fully phased-in LCR requirements.

Uncertainty in recognition and measurement

The most significant uncertainty factors in recognition and measurement concern loan impairment and provisions for guarantees. To this should be added uncertainty concerning the valuation of the Bank's owner-occupied properties and financial instruments.

Management believes that the assessments made in relation to the determination of impairment charges at 31 December 2015 reflect the financial reporting rules and guidelines of the FSA.

Risks relating to going concern

If Management's projections of the Bank's core earnings and reduced impairment deviates significantly from the actual figures, or if any major unexpected events occur, this could ultimately lead to the Bank losing its banking licence or being forced to wind up, with resulting negative effect on the Bank's results of operation, financial position and going concern status.

Management is aware of the fact that the Bank has a relatively large proportion of customers exhibiting signs of weakness and customers subject to impairment charges. Consequently, loan impairment charges and provisions for guarantees are subject to considerable uncertainty. If the economic climate deteriorates significantly, particularly in the agricultural sector, this could also have a material impact on the Bank's results of operation, financial position and going concern status.

See note 2 "Uncertainty, capital structure and going concern" for more information on the risks related to the Bank's going concern.

The Financial Supervisory Authority's Supervisory Diamond

Vestjysk Bank's objective is to remain within the threshold values for the five indicators set out in the FSA's Supervisory Diamond, which all banks should generally comply with. Vestjysk Bank meets this objective.

Vestjysk Bank's values relative to each of these threshold values are set out in the table below.

Realised values at 31 December 2015

Supervisory Diamond Benchmarks	**Realised values**
Sum of large exposures (< 125%)	35.1%
Growth in loans (< 20%)	-9.4%
Real estate exposure (< 25%)	18.8%
Funding ratio (< 1)	0.66
Liquidity coverage ratio (> 50%)	140.1%

Other matters

Related parties
Vestjysk Bank's related parties comprise the members of the Board of Directors and Executive Board as well as these persons' family members. During the year, the Bank has conducted normal trading on arm's-length terms with Kaj Bech A/S, in which board member Anders Bech, exercises control.

Another related party is the Danish State, which by virtue of its ownership of 80.62% of the Bank's share capital and voting rights exercises control.

See note 32 to the financial statements for more information.

Remuneration policy
Vestjysk Bank's policy in this area is described in the Bank's remuneration policy, which is available at vestjyskbank.dk/om-banken/organisation.

Financial reporting process
The Board of Directors and the Executive Board have the overall responsibility for the Bank's control and risk management in relation to the financial reporting process, including compliance with applicable legislation and other rules and regulations relating to financial reporting. The Board of Directors has established an audit committee, which meets at least four times a year. The Bank's control and risk management systems may provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions in the financial reporting are avoided.

The Board of Directors assesses the Bank's organisational structure, the risk of fraud and the existence of internal rules and guidelines. The Board of Directors and the Executive Board are responsible for approving general procedures and controls in key areas in relation to the financial reporting process. On an ongoing basis, the Executive Board monitors compliance with relevant legislation and other financial reporting regulations and provisions and reports its findings to the Board of Directors.

The Board of Directors makes a general assessment of risk in relation to the financial reporting process. As part of its risk assessment, the Board of Directors assesses the risk of fraud and the measures to be taken to reduce and/or eliminate such risks. In connection with this, the Board discusses any incentive/motive Management may have to commit fraudulent financial reporting or other types of fraud.

Events after the reporting date
No significant events have occurred after the reporting date, 31 December 2015.

The Bank's current general action plan

As previously mentioned, the previous action plan, launched in 2012 and in force until the end of 2015, will be replaced by the following action points for the next few years:

- Maintaining the Bank's current business volume by focusing on the existing customers' borrowing and credit needs and adding good new retail customers and solid business customers in the SME segment
- Reducing the Bank's total agricultural and real estate exposures
- Continuing working actively with the Bank's weak and impaired customers to reduce the Bank's overall impairment writedowns
- Focusing on maintaining a cost ratio of around 55
- Increasing earnings, particularly in the investment area, by increasing the customers' proportion of pooled and wealth management products
- Further digitalisation of the Bank
- Exploring the options of raising additional tier 2 capital.
- Maintaining a strong liquidity position by balancing the development of gross lending and deposits.

EU Commission

When the EU Commission temporarily approved the state aid in parts of the capital plan for the merger with Aarhus Lokalbank in the spring of 2012, that approval was predicated upon the EU Commission's prior approval of the Bank's restructuring plan. As mentioned in the company announcement dated 4 December 2015, the EU Commission has opened an in-depth investigation into the restructuring aid granted to Vestjysk Bank in 2012.

The Bank utilised the facility in the amount of DKK 7,142 million, comprising a capital increase to which the Danish State contributed DKK 167 million, relief of the solvency-related capital charge through the sale of sector shares of DKK 175 million and guarantees in the amount of DKK 6,800 million. The state-guaranteed borrowing facility was repaid in early 2015, 18 months ahead of its expiry. The Bank maintains regular dialogue with the EU Commission via the Ministry of Business and Growth. The time frame for the approval process is not yet known.

Management is not aware of any requirements to be 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 state aid might become relevant.

Outlook for 2016

Given an unchanged economic climate, the Bank's total business volume is expected, to have the capacity to generate core earnings before impairment at around DKK 350-400 million. Impairment writedowns are expected to continue the downward trend. Assuming an unchanged economic climate, Management expects that impairment writedowns can be absorbed into the Bank's core earnings, resulting in a certain improvement of its consolidation in 2016. This will ensure a continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

If the current crisis in the agricultural sector becomes very protracted and/or worsens further, the Bank's significant exposure to this industry may entail an increased need for impairment writedowns relative to Management's current estimates for 2016. This might also be the case if the economic climate generally worsens. The impact of a deterioration of the economic climate on the agricultural sector and/or other sectors will thus reduce the Bank's opportunities for consolidation in 2016.

Management's Review

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Risk management

Vestjysk Bank defines risk as any event that may have a material adverse impact on the Bank's ability to achieve its business objectives. The Bank is exposed to various types of risk, which are monitored and managed at various levels of the organisation.

It has turned out that, in periods of economic upswing, the Bank was insufficiently focused on preventing risk and on incorporating precautionary principles that could act as a certain ballast against the impact of subsequent economic challenges. This has increased the Bank's sensitivity. At the same time, the Bank's previous growth strategy was excessively dependent on a total capital that entailed a relatively high level of interest expenditure.

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

Vestjysk Bank's Board of Directors establishes the overall risk and capital structure framework and policies under which the Bank's Executive Board and other executives manage the Bank's risks. The Board of Directors is briefed regularly on risk developments and utilisation of allocated risk limits. The day-to-day risk management is performed by Finance, Markets & Advisory Services, the Credit Department and the Credit Secretariat. The Risk Management Department performs independent monitoring.

Vestjysk Bank categorises risk as follows:

Market risk
The risk of changes to the market value of the Bank's financial assets and liabilities as a result of changes in market conditions is collectively referred to as "market risk". Market risk exposure is a natural part of the Bank's activities and it affects the Bank's total earnings.

Vestjysk Bank defines the following risks as market risks: interest rate risk, foreign exchange risk, share risk and other price risks, including commodities.

Vestjysk Bank's policy is to maintain a low overall level of market risk.

Vestjysk Bank's ambition is to only assume limited market risks not directly linked to the Bank's ordinary operations.

Vestjysk Bank accepts market risks related to the Bank's ordinary operations. However, where possible, the Bank will endeavour to mitigate a given risk or hedge it to such an extent that it cannot be characterised as high.

The Board of Directors has defined limits for the Bank's market risk. Market risk is monitored and the defined risk limits controlled on a daily basis.

Interest rate risk
Interest rate risk is defined as the loss incurred by the Bank in the event of a 1 percentage point rise in general interest rate levels.

In connection with its ordinary operations, the Bank assumes interest rate risk in relation to the following activities: deposits, lending, raising of tier 2 capital and funding as well as investing the Bank's liquidity reserves and trading book in interest rate-dependent instruments. The Bank may use financial instruments to hedge all or part the interest rate risk from these activities.

The Bank accepts a certain degree of interest rate risk on activities related to deposits, lending and raising of tier 2 capital and funding.

However, it is the Bank's policy that the interest rate risk derived from investment of the Bank's liquidity reserves and trading book in interest rate-dependent instruments must be low.

The Bank's overall interest rate exposure was negative in the amount of DKK 89 million at 31 December 2015. The Bank thus has a positive exposure in the event of a general increase in interest rates. The negative interest rate risk was primarily the result of fixed-interest deposits and subordinated debt, which contributed a negative interest rate risk of DKK 78 million and DKK 22 million respectively, while fixed-rate loans contributed a positive interest rate risk of DKK 7 million. Interest rate risk is subdivided into risks in and outside the trading book. All other things being equal, the direct profit/loss effect of a change in interest rates will solely be related to the interest rate risk in the trading book, which was DKK 5 million in 2015 and DKK 7 million in 2014.

Outside the trading book, a change in interest rates would impact future earnings and equity, as a change in interest rates would affect alternative funding and investment options.

The Bank based its calculation of interest rate risk on the FSA's guidelines.

Foreign exchange risk
The Bank assumes foreign exchange risk related to assets and liabilities in foreign currencies.

Vestjysk Bank's policy is to maintain a low overall level of foreign exchange risk. The Bank therefore makes extensive use of financial instruments to hedge foreign exchange risk.

Exchange rate indicator 1, which is a simplified measure of the Bank's foreign exchange positions, amounted to DKK 33 million at 31 December 2015.

Share risk
The Bank's share risk is derived from shares and derivative instruments in its investment book and in its trading book.

The investment book mainly comprises shares in financial sector companies with which the Bank has a strategic partnership.

They are typically equities in companies in which the Bank has an ownership interest equal to its proportionate share of the partnership.

The Bank accepts the risk associated with ownership interests in sector companies, while it is its policy that the risk derived from shares and derivative share instruments in its investment book must be low.

At 31 December 2015, share risk as expressed in terms of the invested amount was DKK 179 million, of which sector company equities amounted to DKK 153 million.

Other market risks
It is the Bank's policy not to assume market risks via financial instruments other than those specified above. It is therefore also the Bank's policy not to assume commodity risk via financial instruments.

The most important aspects of the various types are set out in notes 45-47 of the Annual Report.

Credit risk
Extending credit is a key factor in Vestjysk Bank's business area.

Credit risk is defined as the risk of a counterparty being unable or unwilling to meet an obligation and of any collateral being insufficient to cover the obligations. A reduction of the value of collateral or illiquidity may result in losses and an increase of impairment and provisions.

An increase of the Bank's credit risks may result in losses for the Bank or impairment, ultimate losses on already impaired exposures or it may increase its need for capital coverage.

The Bank's calculation of risk greatly relies on case-by-case assessments as to whether customers are able and willing to meet their obligations and whether the requisite value and collateral are present.

See pages 20-22 for more information.

Operational risk
Operational risk is defined as the risk of losses associated with internal and external conditions resulting from inadequate or failed internal processes, human or system errors as well as external events, including legal risk. See note 49 to the financial statements for more information.

Liquidity risk
Liquidity risk is defined as the risk of the Bank's inability to meet its payment obligations drawing on its normal liquidity reserves.

The Bank's objective is to maintain surplus liquidity of at least 50% in relation to statutory requirement. The Bank's liquidity risk and liquidity buffer are detailed in note 48 to the financial statements.

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

Strong relationships with all its stakeholders – shareholders, customers, suppliers, employees and thus also the local communities in which the Bank operates – are considered the foundation of Vestjysk Bank's continued success and its opportunities for growth.

Total capital risk
Total capital risk is defined as the risk of losses due to the Bank not having sufficient capital to meet the higher of the total capital requirement and the solvency need.

The Bank's total capital are determined in accordance with Danish Executive Order on the Calculation of Risk Exposures, Total capital and Solvency Need, and at 31 December 2015 its total capital amounted to DKK 2,091 million. The weighted risk exposures stood at DKK 16,739 million, which meant that the Bank's total capital ratio was 12.5%.

The solvency need at 31 December 2015 stood at 10.7%, which meant that the surplus solvency was 1.8 percentage points, or approx. DKK 307 million. The common equity tier 1 capital ratio at 31 December 2015 stood at 7.9%, which meant that the surplus common equity tier 1 capital was 0.7 of a percentage point, or DKK 121 million.

The Bank's capital is thus still deemed tenuous, and it is Management's assessment that a future strengthening will be necessary to reduce the Bank's vulnerability to future losses and changes to the capital rules as a result of the ongoing implementation of the Basel III rules.

Capital structure – going concern
The going concern assumption at the reporting date was that the Bank has adequate capital resources to cover its future capital need.

The calculated amounts of total capital, tier 1 capital ratio and solvency need are described in the management's review, page 14. The outlook for 2016 and the Bank's action plan are described in the management's review, page 17.

Assuming unchanged economic conditions, Management expects that impairment charges can be absorbed by the Bank's core earnings, resulting in a certain improvement of consolidation over 2015. Management expects to realise core earnings before impairment at around DKK 350-400 million

On this basis, the capital resources are deemed to be sufficient, but Management assesses that a future strengthening will be necessary to reduce the Bank's vulnerability to future losses and changes to the capital rules, including the Basel III/CRD IV rules in force.

If Management's projections of the Bank's core earnings and reduced impairment deviates significantly from the actual figures, or if any major unexpected events occur, this could ultimately lead to the Bank losing its banking licence or being forced to wind up, with resulting negative effects on the Bank's results of operation, financial position and going concern status.

Risk Report 2015

Pursuant to the Danish Financial Business Act, the CRR disclosure requirements (Pillar III) and other statutory orders and guidelines, Vestjysk Bank is required to provide detailed public disclosures on risks, capital structure, capital coverage, risk management, etc. To meet these requirements, Vestjysk Bank has prepared "Risk Report 2015". The report is published at the same time as the Annual Report and is available at vestjyskbank.dk/risikorapport.

Credit risk

Credit risk is defined as the risk of a counterparty being unable or unwilling to meet an obligation and of any collateral being insufficient to cover the obligations. Credit risk is a key part of Vestjysk Bank's risk taking.

In order to ensure adequate risk diversification across sectors and customers, the Bank does not accept exposures that exceed 10% of its total capital. Approved exposures greater than the 10% must be accompanied by an action plan for when and how the amount can be reduced to less than 10%. This way, Vestjysk Bank seeks to continually ensure that no individual exposure, including groups, poses a threat to the Bank's existence. The sum of large exposures amounted to 35.1% of total capital at 31 December 2015, distributed on two exposures.

The Bank's credit policy has been tightened with respect to financing assets outside the Bank's ordinary market area as well as its use of foreign currency loans and financial instruments. Also, the Bank's credit policy comprises targets for a number of measures related to the Bank's exposures.

In performing credit analyses of business exposures, Vestjysk Bank emphasises that decisions on whether to extend credit are based on a thorough analysis of the customer's financial position and the collateral provided, so that Vestjysk Bank has an adequate understanding of the risk involved. When extending credit, the Bank must have sufficient knowledge of the customer's financial circumstances. Decisions should generally be based on the robustness of the customer's future earnings and liquidity, and less so on the provided collateral, which may decrease in value. Another highly weighted factor is the Bank's confidence in the credibility and competence of the customer, the company or its management.

It is the Bank's ambition to have exposure strategies for all significant exposures, both retail and business customers.

For business customers, the Bank seeks to maintain an overview of the customer relationship by means of a logbook, in which minutes of meetings, discussions with customers and other documentation are filed electronically. Minutes must be taken, and all significant agreements with customers must be confirmed in writing.

In credit analyses of retail customers, the customer's disposable amount and assets are the decisive factors. Vestjysk Bank segments customer exposures into risk classes. To facilitate the correct segmentation, Vestjysk Bank uses various systems.

Segmentation is an important element in the Bank's credit risk management.

Of Vestjysk Bank's loans and guarantees at 31 December 2015, 72% were to business customers and 28% to retail customers.

The Bank's evaluation of collateral in real estate is based on an individual assessment of the property's market value, primarily addressed through a cost-benefit analysis with an estimated factor based on, among other things, the property's location, use as well as potential alternative uses, layout, tenant credit quality and lease duration. The value of the Bank's collateral in real estate is therefore subject to uncertainty, as changes in market conditions may lead to a need to reassess the value of the collateral provided. Even for exposures where the collateral provided is adequate according to the Bank's present evaluation, the Bank's loans and guarantees to the real estate segment are subject to considerable risk going forward, as the value of the collateral provided and any impairment may change if the market changes.

A decline in real estate prices, general economic conditions or other circumstances causing the prices of securities or other collateral to decline may mean that the value of the collateral provided vis-a-vis the Bank is reduced, and is thus not sufficient to cover the customer's liabilities. Where collateral is illiquid, it may not be possible to realise the collateral to cover the customer's liabilities.

Significant risk is also associated with the Bank's loans and guarantees to the agricultural sector, for example if the economic slump in the sector persists, including declining prices and debtors' ability to pay. Evidence of individual and collective impairment and the need for provisions for the credit exposures are assessed on an ongoing basis.

The Bank recognises impairment charges on exposures or groups of exposures for which there is objective evidence of impairment, so that the Bank's anticipated risk of losses is covered. Impairment charges are recognised on the basis of a number of general criteria and after the preparation of a loss calculation.

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Generally, the Bank does not want to increase its portfolio of agricultural customers for the time being, although it will continue to help skilled, solid existing customers based on an objective risk assessment of the individual farmer's operational skills and earnings. Agricultural customers able to demonstrate a likely development from negative to positive operating results, and whose need for additional bank financing is accommodated, will also entail increased risk for the Bank.

The Bank does not wish to increase its overall exposure to real estate, although it will, to a limited extent, help existing customers. The Bank will also continue to finance property purchases for customers' own use (principally single-family and holiday houses) if the customer's current and future earnings and assets are assessed to be stable. If the Bank participates in project financing in the real estate area, the project must have been sold or leased in full before the project is initiated, and the customer must be able to provide at least 20% self-financing.

Exposures that exhibit signs of weakness due to, for example, poor earnings or tenuous total capital are monitored closely in order for the Bank to be able to intervene in time to limit its losses. The Bank performs collective impairment writedowns 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 based on a number of macroeconomic variables.

Management is aware that the Bank has a relatively high proportion of customers exhibiting signs of weakness and customers subject to impairment. Consequently, loan impairment charges and provisions for guarantees are subject to considerable uncertainty. If the economic climate deteriorates significantly, particularly in the agricultural sector, this could also have a material impact on the Bank's results of operation, financial position and going concern status.

Through its Investor Relations (IR) activities, Vestjysk Bank seeks to communicate a true and fair view of the Bank's activities and prospects to investors, analysts and other stakeholders in the capital market.

Disclosure of information is subject to the rules of NASDAQ Copenhagen.

IR portal at Vestjysk Bank's website

An IR portal is found at Vestjysk Bank's website, where shareholders and other stakeholders can find relevant and updated information. Here, published company announcements, investor presentations, the current share price, financial reports and other IR information is available. Vestjysk Bank's IR policy can be found at vestjyskbank.dk/irpolitik.

The Vestjysk Bank share

The Vestjysk Bank share is listed on NASDAQ Copenhagen. The closing price of the Vestjysk Bank share at 31 December 2015 was DKK 7.75, against a closing price at 31 December 2014 of 9.25, a 16% drop. The share price/book value ratio is 0.9. The transaction volume for 2015 was just over 6.3 million shares at a total market value of DKK 58.9 million.

Share capital

Vestjysk Bank's share capital totalled DKK 151 million at 31 December 2015. The share capital consists of 151,008,121 shares with a nominal value of DKK 1 each.

Vestjysk Bank has some 40,000 registered shareholders. The Danish State holds 121,736,671 shares, corresponding to a stake of 80.62%. Additionally, the Financial Stability Company, which is wholly owned by the Danish State, holds 1,291,222 shares in Vestjysk Bank, corresponding to a stake of 0.86%. Including this stake, the Danish State holds 81.48 per cent of the share capital and voting rights in Vestjysk Bank.

After the Danish State, the ten largest shareholders hold 3.28 percent of Vestjysk Bank's share capital.

Capital

At the annual general meeting on 26 March 2013, the Board of Directors was authorised to acquire own shares of a nominal value of up to 10% of the share capital until 26 March 2018. At year end 2015, Vestjysk Bank held 173,000 own shares, which corresponds to 0.1% of the share capital.

No further additional tier 1 capital provided by the Danish State can be converted. The rules on conversion of additional tier 1 capital and other matters relating 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

Vestjysk Bank has received a state-funded capital injection pursuant to the Danish Act on State-Funded Capital Injections and utilised the individual government guarantee scheme pursuant to the Financial Stability Act. Consequently, the Bank is subject to limitations in its ability to pay dividends until such time as the Bank has neither outstanding government capital injections nor any issuance under the individual government guarantee scheme. This means that Vestjysk Bank may only pay dividends to the extent that they can be financed by the Bank's net profit after tax, which constitutes distributable reserves and which has been accumulated after 1 October 2010.

Under the terms of state-funded capital injections, Vestjysk Bank is under an obligation to pay a variable dividend supplement to the Danish State if dividends are paid out during the period when the state-funded capital injections remain.

During the period in which the government-funded additional tier 1 capital remains, the Bank may not reduce its capital or purchase own shares, other than as part of daily trading activities.

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Annual general meeting and shareholder meetings

Vestjysk Bank's annual general meeting is held on Wednesday, 30 March 2016 at Lemvig Idræts- og Kultur-center, Christinelystvej 8, DK-7620 Lemvig, Denmark.

A shareholder meeting will be held in Aarhus on Thursday, 31 March 2016 at Ceres Arena, Stadion Allé 70, DK-8000 Aarhus C, Denmark.

A shareholder meeting will be held in Holstebro on Monday, 4 April 2016 at Musikteatret, Den Røde Plads 16, DK-7500 Holstebro, Denmark.

A shareholder meeting will be held in Ringkøbing on Tues-day, 5 April 2016 at the ROFI Centre, Kirkevej 26, DK-6950 Ringkøbing, Denmark.

2016 Financial Calendar

25 February	2015 Annual report
30 March	Annual general meeting
12 May	Quarterly report for Q1
24 August	Half-year report
23 November	Quarterly report for Q1-Q3

Investor relations

The Bank's Executive Board is responsible for Vestjysk Bank's investor relations activities; shareholders and other interested parties are welcome to contact the Executive Board with questions or comments. The Bank's contact to equity market stakeholders and inquiries regarding the Bank's IR policy are primarily handled by:

Jan Ulsø Madsen, Chief Executive Officer
Vestjysk Bank
Torvet 45
DK-7620 Lemvig, Denmark
Tel: (+45) 96 63 21 04
jum@vestjyskbank.dk

Company announcements 2015

During 2015, Vestjysk Bank published the following company announcements:

4 December	EU Commission opens in-depth investigation into restructuring aid for Vestjysk Bank in 2012
3 December	Vestjysk Bank redeems subordinated loan capital at maturity
18 November	Vestjysk Bank’s quarterly report for Q1-Q3 2015
14 September	Vestjysk Bank reduces costs via organisational changes
19 August	Vestjysk Bank’s half-year report 2015
13 May	Vestjysk Bank’s quarterly report for Q1 2015
23 March	Resolutions at Vestjysk Bank A/S’ annual general meeting on 23 March 2015
26 February	Notice of annual general meeting from the Board of Directors of Vestjysk Bank A/S
26 February	Vestjysk Bank’s 2014 Annual Report
21 January	Vestjysk Bank provides information on profit warning in respect of the 2014 annual results

Corporate Governance

Corporate governance report
Vestjysk Bank's governance is based on the Recommendations on Corporate Governance issued by the Committee on Corporate Governance in Denmark (Komitéen for god Selskabsledelse) and are thus in line with the principles which listed companies must consider under the rules of NASDAQ Copenhagen. Moreover, the Bank considers the code of conduct of the Danish Bankers Association.

Vestjysk Bank has decided to publish its statutory report on corporate governance at the Bank's website – see vestjyskbank.dk/om-banken/organisation. The report provides details on the Bank's status on each of the recommendations issued by the Committee on Corporate Governance and the Code of Conduct of the Danish Bankers Association.

Corporate social responsibility report
Vestjysk Bank's social responsibility efforts focus on three key areas: Customers, the local communities in which the Bank wishes to play an active part, and employees. Through the Bank's vision, mission and values, its social responsibility platform has been an integral part of its business for several years.

Vestjysk Bank has decided to publish its statutory corporate social responsibility report at the Bank's website – see vestjyskbank.dk/om-banken/organisation.

Report on the under-represented gender
Vestjysk Bank seeks be an attractive workplace for both women and men and endeavours to provide equal opportunities for women and men to pursue careers and to attain and hold positions of leadership. For this, it is important that its executives have the proper competencies, irrespective of gender.

Vestjysk Bank has decided to publish its statutory report on the under-represented gender at the Bank's website – see vestjyskbank.dk/om-banken/organisation.

Rules on the appointment of members of the Board of Directors
Vestjysk Bank's Board of Directors consists of at least four and not more than eight members elected by the general meeting. The chairman and deputy chairman of the Board are also elected by the general meeting. Members are elected for a term of one year and are eligible for re-election.

Board members must retire from the Board at the first annual general meeting after their 70th birthday.

Board Of Directors and Executive Board

The Bank's Board of Directors
The Board of Directors of Vestjysk Bank consists of nine members, three of whom are elected by the Bank's employees.

Former Chief Executive Officer Vagn Thorsager (born 1948), Chairman

Thorsager was Chief Executive Officer of Aarhus Lokalbank from 2011 and continued as Managing Director of Vestjysk Bank after its merger in 2012. He was appointed Chief Executive Officer of Vestjysk Bank on 25 September 2012.

- Elected as a member of Vestjysk Bank's Board of Directors at the 2014 annual general meeting, when he was also appointed Chairman of the Board. At the same annual general meeting, he stepped down as Chief Executive Officer.
- Expiry of current term: 2016.
- Other directorships or organisational duties: Chairman of the boards of FP Aluglas A/S and Cetonia A/S and board member of BKG Finans A/S and CPU af 11/11 1986 A/S.
- Committee appointments: Chairman of the Board of Directors' remuneration committee, nomination committee and risk committee and member of the Board's audit committee.
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2015: 19,637
- Changes to shareholdings for the year: None

Lars Holst (born 1952), Deputy Chairman

- Elected as a member of Vestjysk Bank's Board of Directors at the 2014 annual general meeting, when he was also appointed Deputy Chairman of the Board.
- Expiry of current term: 2016.
- Other directorships or organisational duties: Board member of the Danish Growth Fund, Grønlandsbanken and Arkitektgruppen A/S.
- Committee appointments: Member of the Board of Directors' remuneration committee, nomination committee, audit committee and risk committee.
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2015: None
- Changes to shareholdings for the year: None

Anders Bech (born 1947)

Was chairman of the Board of Directors from 2002 to 2012, after which Anders Bech was elected deputy chairman. Anders Bech served as the Board's deputy chairman up until 2014, interrupted only by a brief period in 2013 during which he returned to the chairmanship when a vacancy arose.

- First elected to Vestjysk Bank's Board of Directors in 1997.
- Continued serving on Vestjysk Bank's Board of Directors after the merger with nordvestBank in 2002, after which he was elected chairman.
- Expiry of current term: 2016.
- Other directorships or organisational duties: CEO of Kaj Bech Holding A/S and one subsidiary, board member of Kaj Bech Holding A/S and one subsidiary and Fonden Nørre Vosborg and chairman of the board of Ejendomsselskabet Doktorvænget A/S.
- Committee appointments: None
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2015: 64,870
- Changes to shareholdings for the year: None

Bent Simonsen (born 1961)

- First elected to Vestjysk Bank's Board of Directors in 2013.
- Expiry of current term: 2016.
- Other directorships or organisational duties: Executive Vice President of Det danske Hedeselskab and Dalgasgroup A/S, CEO of Enricom A/S, DDH Forests A/S and SIA Dan Baltic Forest (Latvia), board member of HedeDanmark a/s, Orbicon A/S and one subsidiary, Enricom A/S, DDH Forests A/S and one subsidiary, A/S Jydsk Landvinding, Hedeselskabet Sp. z o.o. (Poland), JCCJS Rindibel (Belarus), Plantningsselskabet Steen Blicher A/S and A/S Plantningsselskabet Sønderjylland.
- Committee appointments: Chairman of the Board of Directors' audit committee and member of the risk committee.
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2015: None
- Changes to shareholdings for the year: None

Karina Boldsen (born 1968)

- First elected to Vestjysk Bank's Board of Directors in 2015.
- Expiry of current term: 2016
- Other directorships or organisational duties: Chief Commercial Officer of Solitwork, partner of the consultancy firm of Boldsen & Lindhardt Board Advice, chairman of the board of Aarhus Business College, board member of Studenterhus Aarhus, WAD Landskabsarkitekterne A/S and Erhverv Aarhus.
- Committee appointments: None
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2015: None
- Changes to shareholdings for the year: None

Poul Hjulmand (born 1945)

Was deputy chairman until the merger with Aarhus Lokalbank in 2012, after which he stepped down from the chairmanship of the Board. Because of a vacancy, he also served as deputy chairman for a brief period in 2013.

- First elected to the Board of Directors of Ringkjøbing Bank in 2003, after which he was elected chairman.
- Continued serving on Vestjysk Bank's Board of Directors after the merger in 2008, after which he was elected deputy chairman.
- Expiry of current term: 2016.
- Other directorships or organisational duties: Chairman of the board of Landia Holding ApS and member of the boards of two subsidiaries, chairman of the board of RAH Holding A/S and six subsidiaries and I.P.L. and three group companies, board member of Iron Fonden and three group companies, Vestas Aircoil A/S, Hydroman Holding A/S, Conset A/S and one subsidiary, RGT Holding A/S, Ølgaard-Jensens Fond, Hvide Sande Havn and Lem Varmeværk.
- Committee appointments: None
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2015: 30,804
- Changes to shareholdings for the year: None

Jacob Møllgaard, Development employee (born 1976)

- Elected as an employee representative on Vestjysk Bank's Board of Directors in 2013.
- Expiry of current term: 2017.
- Other directorships or organisational duties: Board member of the Financial Services Union Denmark, district West.
- Committee appointments: Member of the Board of Directors' remuneration committee
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2015: 328
- Changes to shareholdings for the year: None

Malene Rønø, Business Account Manager (born 1971)

- Elected as an employee representative on Vestjysk Bank's Board of Directors in 2011.
- Expiry of current term: 2017.
- Other directorships or organisational duties: None.
- Committee appointments: Member of the Board of Directors' audit committee
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2015: 672
- Changes to shareholdings for the year: None

Palle Hoffmann, Director of Agricultural Centre (born 1972)

- Elected as an employee representative on Vestjysk Bank's Board of Directors in 2011.
- Expiry of current term: 2019.
- Other directorships or organisational duties: None.
- Committee appointments: Member of the Board of Directors' risk committee
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2015: 5,910
- Changes to shareholdings for the year: None

The Bank's Executive Board

Jan Ulsø Madsen, Chief Executive Officer (born 1960)

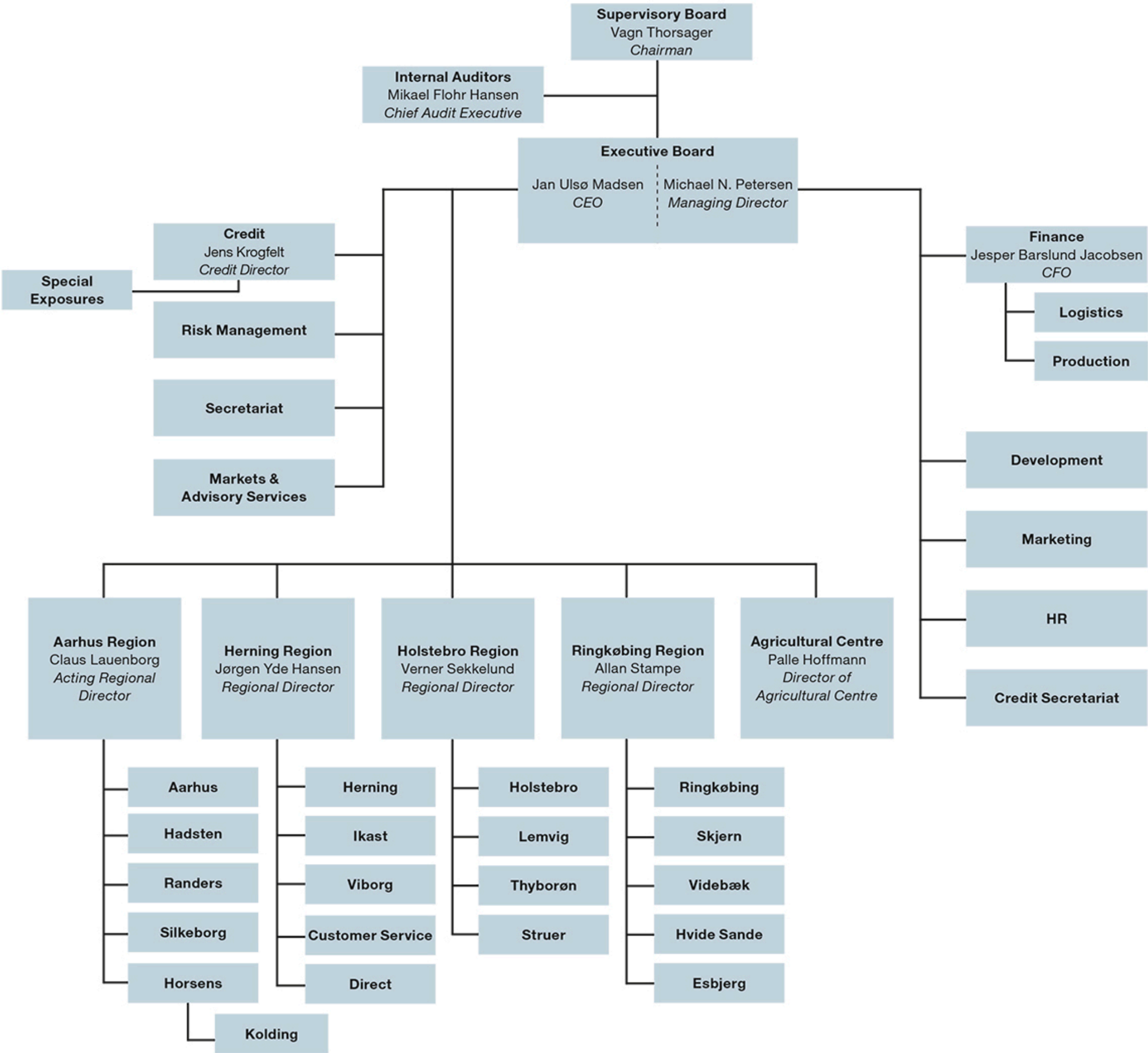
Appointed Chief Executive Officer 1 February 2015.

- Other directorships or organisational duties: None.
- Number of shares in Vestjysk Bank at 31 December 2015: None.
- Changes to shareholdings for the year: None

Michael Nelander Petersen, Managing Director (born 1963)

Appointed Managing Director of Vestjysk Bank on 25 September 2012. After Vagn Thorsager's election to the Board of Directors on 25 March 2014, Michael Nelander Petersen served as acting Chief Executive Officer until Jan Ulsø Madsen's appointment to the Bank's Executive Board, after which he once again serves as Managing Director.

- Other directorships or organisational duties: Board member of BEC (Bankernes EDB Central) and BDC-Bankernes Uddannelsesfond.
- Number of shares in Vestjysk Bank at 31 December 2015: 10,000
- Changes to shareholdings for the year: None



Supervisory Board
Vagn Thorsager
Chairman
Internal Auditors
Mikael Flohr Hansen
Chief Audit Executive
Executive Board
Jan Ulsø Madsen
CEO
Michael N. Petersen
Managing Director
Credit
Jens Krogfelt
Credit Director
Special Exposures
Risk Management
Secretariat
Markets & Advisory Services
Finance
Jesper Barslund Jacobsen
CFO
Logistics
Production
Development
Marketing
HR
Credit Secretariat
Aarhus Region
Claus Lauenborg
Acting Regional Director
Herning Region
Jørgen Yde Hansen
Regional Director
Holstebro Region
Verner Sekkelund
Regional Director
Ringkøbing Region
Allan Stampe
Regional Director
Agricultural Centre
Palle Hoffmann
Director of Agricultural Centre
Aarhus
Hadsten
Randers
Silkeborg
Horsens
Kolding
Herning
Ikast
Viborg
Customer Service
Direct
Holstebro
Lemvig
Thyborøn
Struer
Ringkøbing
Skjern
Videbæk
Hvide Sande
Esbjerg

Management’s Statement

Organisation of the Bank

Strategy

Vestjysk Bank is dedicated to being a customer-focused bank advising retail and business customers locally and regionally via a well-functioning branch network in select locations in Jutland.

The Bank seeks to create a framework for a business-oriented bank that offers products and services meeting ordinary customers' demands and needs. The Bank's focus is aimed at realising good core earnings, while also focusing on its credit exposure to certain industries, which is subject to a credit management policy that is to ensure a period of stabilisation of the Bank's current business volume and with continued focus on a healthier balance sheet and capital structure.

The Bank considers central, western and eastern Jutland its core market area. The market strategy is adapted to the general opportunities in the individual market areas. The number of branches is regularly evaluated in relation to current and anticipated market developments.

The Bank positions itself as the local bank that is engaged in the local community in central and western Jutland, where it has a large market share. In the Bank’s growth areas, it aims at being an attentive bank focusing on personal relations between bank and customer.

The Bank previously built up a certain portfolio outside its market area in Denmark. Going forward, the Bank will primarily seek to retain existing customers and attract new customers from within its geographical market area. It will therefore seek to actively reduce the proportion of loans outside its market area from the present approximately 16 percent to approximately 12 percent over the course of a five-year period.

The Bank has also built up a portfolio abroad. The Bank will seek to reduce the ratio of lending abroad from the present approximately 8 percent to approximately 5 percent over the course of a five-year period.

The Bank’s core business is conventional banking for retail and business customers, with special expertise in lending and financing for agriculture, fisheries and small and medium-sized enterprises.

Vestjysk Bank’s business customers are offered a number of financing products, such as fixed asset loans, commercial credit lines, provision of guarantees, foreign loans, as well as foreign exchange and interest rate swaps to hedge commercial risks.

The Bank’s retail customers are offered all the traditional products and advisory services on savings, pensions, loans, debit and credit cards. Through strategic preferred partners, the Bank also offers mortgage credit, investment, pension and insurance products.

In the short term, in which developments in society will be dominated by the consequences of the financial crisis and resulting economic downturn, Vestjysk Bank will focus particularly on mitigating risk and managing costs.

The overall financial goal for Vestjysk Bank is to consolidate the Bank’s tier 1 capital, in particular its common equity tier 1 capital.

Organisation

The Bank’s organisation is based on four regions and an agricultural centre responsible for sales, management and close sparring in the credit area.

The four regions and the agricultural centre are the link between the branches servicing customers and the central corporate functions in the Bank’s senior management. The Regional Directors and the Agricultural Director are thus part of the Bank’s management group which undertakes the Bank’s strategy, results and action plans.

In addition to the four regions, the Bank has a number of central management forums. For example, a credit committee has been established to handle major credit exposures, and a solvency and market risk committee which assesses the composition of the Bank’s funding and liquidity on an ongoing basis. Finally, the development and composition of the Bank’s prices and products is assessed by a separate committee.

Management and employee development

Vestjysk Bank constantly seeks to maintain a high level of expertise for management and employees alike. With our ambition of doing things properly, skills development is a key strategic development area.

This focus is one of the reasons that the Bank is able to retain and attract competent employees with strong general and specialist skills. The average age and seniority of the Bank’s employees are 47.9 and 15.3 years, respectively. The average number of employees converted to full time in 2015 was 500, which is 23 fewer than in 2014.

Management's Statement

The Bank's Board of Directors and Executive Board have today considered and approved the Annual Report for the period 1 January–31 December 2015 of Vestjysk Bank A/S.

The annual report is presented in accordance with the Danish Financial Business Act and in accordance with the supplementary Danish disclosure requirements relating to financial reporting for listed financial enterprises.

In our opinion, the accounting policies applied are appropriate and the financial statements present a true and fair view of the Company's assets and liabilities and financial position as at 31 December 2015, and of the results of the Bank's activities for the reporting period 1 January–31 December 2015.

In our opinion, the management's review includes a fair review of the development and performance of the company and a fair description of the principal risks and uncertainty factors that the Bank faces.

The management's review sections "Risks relating to going concern" and "Outlook for 2016" detail the need for a continued strengthening of the Bank's total capital and uncertainties related to the level of impairment. We also refer to note 2 to the financial statements, "Uncertainty, capital structure and going concern."

It is Management's assessment that the projected core earnings and impairment charges for 2016 will be sufficient to ensure the Bank's status as a going concern.

We recommend the annual report for adoption by the shareholders at the annual general meeting.

Lemvig, Denmark, 25 February 2016

Executive Board

……………………………………………	…………………………………………
Jan Ulsø Madsen	Michael Nelander Petersen
Chief Executive Officer	*Managing Director*

Board of Directors

………………………………………..	……………………………………….	……………………………………….
Vagn Thorsager	Lars Holst	Anders Bech
Chairman of the Board of Directors	*Deputy Chairman of the Board of Directors*	
……………………………………….	……………………………………….	……………………………………….
Karina Boldsen	Poul Hjulmand	Bent Simonsen
……………………………………….	……………………………………….	……………………………………….
Jacob Møllgaard	Malene Rønø	Palle Hoffmann

Auditors' Statement

Internal auditors' reports

To the Shareholders of Vestjysk Bank A/S

Report on Financial Statements

We have audited the Financial Statements of Vestjysk Bank A/S for the financial year 1 January to 31 December 2015, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Business Act.

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 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. 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.

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.

The 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 Company's Financial Statements give a true and fair view of the Company's financial position at 31 December 2015 and of its financial performance for the financial year 2015 in accordance with the Danish Financial Business Act.

Emphasis of Matter
Without modifying our opinion we draw attention to, that if management's expectations of the Bank's core earnings and impairment of loans is not in all material respects realised, there is significant uncertainty raising doubt as to the Bank's ability to continue its operations. We refer to management's assessment of the financial basis for the Bank's operations for the coming financial year in note 2 "Uncertainty, capital resources and going concern". Management has assessed capital resources as adequate to ensure the continued operations of the Bank, albeit the capital surplus is considered as low.

In assessing the adequacy of the capital resources management has placed emphasis as to being able to realise the expectations of the Bank's core earnings and impairment of loans in 2016. As mentioned in note 2, management's assessment of impairment of loans is subject to significant uncertainty.

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 Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Lemvig, 25 February 2016

Mikael Flohr Hansen
Chief Audit Executive

Auditors' Statement

Independent Auditor’s Report

To the Shareholders of Vestjysk Bank A/S

Report on the Financial Statements

We have audited the Financial Statements of Vestjysk Bank A/S for the financial year 1 January – 31 December 2015, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Business Act.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of 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 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 Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 Financial Statements give a true and fair view of assets, liabilities and the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Business Act.

Emphasis of matter
Without modifying our opinion we draw attention to, that if management’s expectations of the Bank’s core earnings and impairment of loans is not in all material respects realised, there is significant uncertainty raising doubt as to the Bank’s ability to continue its operations. We refer to management’s assessment of the financial basis for the Bank’s operations for the coming financial year in note 2 “Uncertainty, capital resources and going concern”. Management has assessed capital resources as adequate to ensure the continued operations of the Bank, albeit the capital surplus is considered as low.

In assessing the adequacy of the capital resources management has placed emphasis as to being able to realise the expectations of the Bank’s core earnings and impairment of loans in 2016. As mentioned in note 2, management’s assessment of impairment of loans is subject to significant uncertainty.

Auditors' Statement

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 Financial Statements. On this basis, in our opinion, the information provided in Management’s Review is consistent with the Financial Statements.

Holstebro, 25 February 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Jesper Edelbo	Carsten Jensen
State Authorised Public Accountant	*State Authorised Public Accountant*

Financial Statements

Statements of Income and Comprehensive Income

Note		2015 DKK'000	2014 DKK'000
	Statement of Income		
3	Interest income	888,693	1,061,802
4	Interest expenses	244,558	362,624
	Net interest income	644,135	699,178
	Dividends on shares etc.	2,397	5,944
5	Income from fees and commissions	339,645	317,091
	Fees and commissions paid	34,955	27,120
	Net interest and fee income	951,222	995,093
6	Market value adjustments	16,617	56,021
7	Other operating income	21,012	4,270
8-9	Staff costs and administrative expenses	513,185	509,239
	Depreciation, amortisation and impairment losses; on tangible and intangible assets	12,979	9,098
10	Other operating expenses	42,681	41,779
11	Impairment of loans and receivables, etc.	370,062	683,466
	Profit/loss before tax	49,944	-188,198
12	Tax	521	0
	Profit/loss after tax	49,423	-188,198
	Statement of Comprehensive Income		
	Profit/loss after tax	49,423	-188,198
	Other comprehensive income:		
	Change in the value of owner-occupied properties	-409	5,645
	Changes in the value of pension obligations	-248	-2,237
	Other comprehensive income after tax	-657	3,408
	Total comprehensive income	48,766	-184,790
	Proposed distribution of net profit		
	additional tier 1 capital holders	7,171	2,397
	Retained earnings	41,595	-187,187
	Total	48,766	-184,790

Financial Statements

Statement of Financial Position

Note		2015 DKK'000	2014 DKK'000
	Assets		
	Cash in hand and demand deposits with central banks	393,127	894,587
13	Receivables from credit institutions and central banks	373,257	123,477
14-15	Loans and other receivables at amortised cost	13,337,021	14,713,799
	Bonds at fair value	4,014,258	3,359,259
	Shares, etc.	179,255	187,188
16	Assets related to pooled schemes	2,108,604	1,720,926
17	Intangible assets	4,489	5,986
	Land and buildings, total	352,431	369,721
18	Investment property	29,900	0
19	Owner-occupied property	322,531	369,721
20	Other property, plant and equipment	4,378	7,271
	Current tax assets	5,482	1,006
	Assets held for sale	3,635	0
21	Other assets	319,852	404,694
	Prepayments	18,267	15,648
	Assets total	21,114,056	21,803,562

Financial Statements

Statement of Financial Position

Note		2015 DKK'000	2014 DKK'000
	Equity and liabilities		
	Debts		
22	Debts to credit institutions and central banks	326,710	338,672
23	Deposits and other debt	15,981,237	17,047,097
	Deposits with pooled schemes	2,108,604	1,720,926
24	Issued bonds at amortised cost	0	8,761
25	Other liabilities	340,151	282,218
	Prepayments	25	29
	Debts, total	18,756,727	19,397,703
	Provisions		
	Provision for pensions and similar liabilities	21,520	22,895
	Provisions for losses on guarantees	9,936	8,817
	Other provisions	7,219	16,086
	Provisions, total	38,675	47,798
26	**Subordinated debt**	914,920	995,919
	Equity		
27	Share capital	151,008	151,008
	Revaluation reserves	52,543	57,526
	Reserves provided for in the Bank's Articles of Association	551,600	551,600
	Retained earnings	573,583	527,008
	Shareholder equity, total	1,328,734	1,287,142
	Additional tier 1 capital holders	75,000	75,000
	Equity, total	1,403,734	1,362,142
	Equity and liabilities, total	21,114,056	21,803,562
29	**Items not recognised in the statement of financial position**		
	Contingent liabilities	3,212,734	3,036,027
	Other commitments	25,475	27,814
	Items not recognised in the statement of financial position, total	3,238,209	3,063,841

Financial Statements

Statement of Changes in Equity

DKK'000	Share capital	Share premium	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Retained earnings	Total	Additional tier 1 capital*)	Equity, total
Equity, 1 January 2015	151,008	0	57,526	551,600	527,008	1,287,142	75,000	1,362,142
Comprehensive income for the period			-409		49,175	48,766		48,766
Interest on additional tier 1 capital					-7,171	-7,171		-7,171
Additions relating to sale of own shares					21,916	21,916		21,916
Disposals relating to purchase of own shares					-21,919	-21,919		-21,919
Transferred to retained earnings			-4,574		4,574	0		0
Equity, 31 December 2015	151,008	0	52,543	551,600	573,583	1,328,734	75,000	1,403,734
Equity, 1 January 2014	85,982	0	55,433	551,600	194,004	887,019	0	887,019
Comprehensive income for the period			5,645		-190,435	-184,790		-184,790
Interest on additional tier 1 capital					-2,397	-2,397		-2,397
Additions relating to sale of own shares					51,824	51,824		51,824
Disposals relating to purchase of own shares					-51,793	-51,793		-51,793
Issued shares upon conversion of Additional tier 1 capital	65,026	522,813				587,839		587,839
Transferred from subordinated debt						0	75,000	75,000
Costs related to capital increase		-560				-560		-560
Transferred to retained earnings		-522,253	-3,552		525,805	0		0
Equity, 31 December 2014	151,008	0	57,526	551,600	527,008	1,287,142	75,000	1,362,142

The additional tier 1 capital has been provided for an indefinite term and Vestjysk Bank has full discretion at all times to omit interest payments, and it is consequently accounted for as equity. There is an option of early repayment, subject to approval by the Danish Financial Supervisory Authority, on 1 September 2019. The capital accrues interest at 9.561%. If Vestjysk Bank's common equity tier 1 capital ratio falls below 5.125%, the loan will be written down.
The additional tier 1 capital meets the conditions of CRR regulation no. 575/2013.

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Note

1 **Accounting policies**

General remarks

Vestjysk Bank's annual report is presented in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., as well as the disclosure requirements for listed companies issued by Nasdaq OMX Copenhagen A/S.

The accounting policies remain unchanged in relation to the 2014 Annual Report.

Referring to the FSA's information letter on financial reporting for 2015 for credit institutions etc., in order for an issuance of capital instruments to be considered additional tier 1 capital under the CRR regulation the following conditions, among others, must be met:

- They must have an indefinite term
- The issuer may at its sole discretion choose to omit an interest payment.
- The principal is either written down or converted into a variable number of shares in the issuer when the common equity tier 1 capital ratio falls below 5.125%.

Instruments with these characteristics should be classified as equity pursuant to the executive order on financial reports presented by credit institutions, investment companies, etc.

Vestjysk Bank has additional tier 1 capital in the amount of DKK 75 million which meets the above criteria and is therefore to be accounted for as equity. The change has the following effect on Vestjysk Bank's results and equity;

DKK'000	2015 before change	2015 after change	Effect
Profit after tax	42	49	7
Equity	1.329	1.404	75

DKK'000	2014 before change	2014 after change	Effect
Profit after tax	-191	-188	3
Equity	1.287	1.362	75

Recognition and Measurement

Assets are recognised in the financial position when it is deemed likely that - because of past events - future economic benefits will accrue to the Bank and that the value of the assets can be reliably measured.

Liabilities are recognised in the statement of financial position once the Bank has a legal or constructive commitment as a result of past events and where it is deemed likely that future economic benefits will flow from the Company and that the value of the liability can be reliably measured.

Note

1 **Accounting policies (continued)**

Foreseeable losses and risks arising before the presentation of the annual report and which confirm or disprove matters arising on or before the reporting date are taken into consideration upon recognition and measurement.

Income is recognised in the statement of income as it is earned while costs are recognised at the amounts that pertain to the reporting period. However, increases in the value of owner-occupied properties are recognised directly in equity.

Financial instruments are recognised on the day they are settled.

Segment information is not provided since neither the activities nor geographic markets differ substantially from one another.

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 judgements applied by Management are based on assumptions that it considers reasonable, but which are inherently 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 judgements; and when such estimates and judgements furthermore involve customer relationships and other counterparties, they will involve an additional degree of uncertainty. There may be a need to change previous estimates as a consequence 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 judgements critical to the financial reporting include, but are not limited to, judgements related to:

- Impairment of loans and advances and provisions for guarantees.
- Revaluation of owner-occupied properties.
- Fair value of financial instruments.

Impairment of loans and advances and provisions for guarantees
Impairment testing of individual loans and advances involves estimates of maters subject to 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 whether there is any need for impairment writedown at portfolio level.

Note

1 **Accounting policies (continued)**

An important aspect of testing a group of loans and advances for impairment is identifying events that provide objective evidence that the group has incurred losses. The assessment of the present 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 historical data and in order to reflect the current situation.

Collective assessment is performed for groups of loans and receivables that possess similar credit risk characteristics. There are 11 groups: One for public authorities, one for retail customers, and nine for business customers, segmented by industry.

Moreover, estimates of provisions for guarantees are subject to uncertainty in connection with determination of the extent of guarantee payments incurred on the guarantee in question.

If, at the reporting date, the Bank 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 based on a qualified estimate.

Restated value of owner-occupied properties
The returns method is used for measuring owner-occupied properties at restated value. The uncertainty related to the measurement is primarily linked to the rate of return and rental value used in the valuation.

The carrying amount of owner-occupied properties is specified in note 19.

Note

1 **Accounting policies (continued)**

Fair value of financial instruments
Vestjysk Bank measures a number of financial instruments at fair value, including all derivative financial instruments, as well as shares and bonds.

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.
- Estimate of future cash flows and rate of return requirements for unlisted shares.

As part of its operations, Vestjysk Bank has acquired strategic holdings. These are measured at fair value based on available information about trading in the relevant enterprise's shares or, alternatively, a valuation model based on accepted and current market data, including an assessment of expected future financial performance and cash flows. The valuation will also be influenced by co-ownership, trading and shareholder agreements, etc.

The carrying amount of securities measured at fair value is specified in note 33.

Specification of Accounting Policies

Foreign currency translation
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 converted at the prevailing rate at the reporting date. Exchange differences between the transaction date rate and the rate at the date of payment, or the closing rate, respectively, are recognised in the statement of income as a value adjustment.

Note

1 **Accounting policies (continued)**

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 market parameters.

Bonds 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.

Shares 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 shares in enterprises held jointly by the Bank 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 financial statements as well as taking into consideration shareholder agreements.

For floating-rate loans, impairment write-downs 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 issued bonds 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 issued bonds 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 Bank applies the special rules on hedge accounting to avoid the inconsistency of having certain financial assets or financial liabilities measured at amortised cost while derivative financial instruments are measured at fair value if the conditions relating to documentation and efficiency are met. Hedging has been established for the following items: Fixed-rate loans, foreign currency loans, subordinated debt and fixed-rate deposits. In hedging the fair value of recognised fixed rate assets and liabilities, the hedged items are adjusted to fair value as regards the hedged risk.

When future cash flows are hedged, the value adjustment of the hedging instruments is recognised in other comprehensive income and is classified as a special reserve in equity. The value adjustments are reversed to the income statement as the hedged items affect the results.

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

Note

1 **Accounting policies (continued)**

Statements of income and 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 integral part to 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 only. Any additional, interest income is recognised in the item "impairment 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 selling price, less selling expenses and the carrying amount at the time of sale.

Staff costs 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.

Defined contribution plans have been established for the majority of employees. For the defined contribution plans, fixed contributions are paid to an independent pension fund, and the Bank has no obligation to make any further contributions.

Other operating expenses
Other operating expenses contain items of a secondary nature in relation to the Bank's activities, including contributions to the Guarantee Fund for Depositors and Investors and the current guarantee commission relating to the Government Guarantee Facility (Garantifonden for indskydere og afviklingsformuen).

Tax
Tax for the reporting period, consisting of the year's current tax and changes in deferred tax, is recognised in the statement of income with respect to the part that can be attributed to the income for the reporting period, and directly to other comprehensive income, and equity, respectively, with respect to the part that can be attributed thereto.

Current tax liabilities and current tax receivables are recognised in the statement of financial position as calculated tax on the taxable income for the reporting period adjusted for tax paid on account.

Note

1 **Accounting policies (continued)**

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 that, 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.

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 not reclassified after initial recognition.

Financial assets are measured at fair value through profit or loss.

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 provision for losses incurred but not-yet realised.

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

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

Loans and other receivables
Loans and other receivables comprise loans to customers and certain bonds not traded in an active market.

Impairment of loans and receivables, as well as provisions for guarantees and unutilised credit commitments, are assessed both individually and collectively. Impairment charges are recognised when there is objective indication of impairment.

Note

1 **Accounting policies (continued)**

For individual impairment assessment, objective indication is considered to exist, at a minimum, if one or more of the following events have occurred:

- The borrower is in major financial difficulties;
- The borrower is in breach of contract, for example, by failing to perform payment obligations of principal and interest;
- The borrower has been granted relief from covenants 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 reconstruction.

Impairment is determined 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 collective impairment assessment.

Loans and receivables not individually impaired are collectively assessed to determine whether an objective indication of impairment of the group exists.

The collective assessment 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, real estate prices, interest rates, and number of bankruptcies/forced sales, etc.

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

This assessment has resulted in adjustments to model estimates to fit the Bank's own conditions, after which it is the adjusted estimates that form the basis for calculating the collective impairment. For each group of loans and receivables, an estimate is drawn up that expresses the percentage impairment relating to a given group of loans and receivables at the reporting date. The individual loan's contribution to the collective impairment 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 discounted value of the expected future payments adjusted for management estimates.

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

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Note

1 **Accounting policies (continued)**

Shares

Shares comprise shares traded in active markets as well as unlisted shares in enterprises owned jointly by the Bank and a number of other financial institutions.

Bonds

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, value adjustments and other operating income, respectively.

The fair value of investment property is determined based on a systematic assessment based on the property's expected return as the method is deemed 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 Bank utilises for administration, branches or other service activities.

Owner-occupied properties are measured at their revalued amounts, which is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment. The revalued value constitutes the depreciation basis. Revaluation to an amount that exceeds the cost less accumulated depreciations is recognised under other comprehensive income and is tied up under revaluation reserves in equity. Revaluation to an amount lower than the cost less accumulated depreciations is recognised in the statement of income.

Intangible assets

Intangible assets concern the value of customer relationships acquired in connection with the acquisition of Bonusbanken.

The value of acquired customer relationships is measured at cost less accumulated amortisation and impairment. The value of the acquired customer relationships is amortised on a straight-line basis over their expected useful life, which is 10 years.

Note

1 **Accounting policies (continued)**

Other property, plant and equipment
Other property, plant and equipment is measured at cost less accumulated depreciation and impairment. Depreciation is carried out on a straight-line basis based on the following assessment of the useful lives of other property, plant and equipment:

- IT equipment 2–3 years.
- Machinery and equipment 3 years.
- Automobiles 3–4 years.

Other property, plant and equipment is tested for impairment when there is evidence of impairment.

Other assets
This item comprises assets not included in 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 fair value at the settlement date. Transaction costs are deducted upon initial recognition of financial liabilities not subsequently measured at fair value.

Other liabilities
This item comprises liabilities not included in 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 measured at amortised cost.

Subordinated debt
Subordinated debt are measured at amortised cost.

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.

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

Note

2 **Uncertainty, capital structure and going concern**

It has turned out that, in periods of economic upswing, the Bank was insufficiently focused on preventing risk and on incorporating precautionary principles that could act as ballast and reduce the impact of the current economic challenges. This has increased the Bank's sensitivity. At the same time, the Bank's previous growth strategy was excessively dependent on a capital structure that entailed relatively large interest expenditure. The lack of patient and non-interest bearing tier 1 capital have hampered the Bank's long-term strategic maneuvering.

2015 saw a very low price level for agricultural products, and the outlook for 2016 is equally bleak. Pork and milk prices are historically low. The crisis between the EU and Russia and China's continued restraint compared with the amounts of powdered milk previously purchased are the main reasons for the present imbalance between the supply and demand for animal produce. The difficulties of the agricultural sector will indirectly spill over into a number of other industries. The current tensions between the EU and Russia are also affecting other export industries, creating mounting concern about Denmark's economic outlook.

Uncertainties relating to recognition and measurements

The Bank's solvency surplus is deemed tenuous, and it is Management's assessment that a future strengthening will be necessary to reduce the Bank's vulnerability to future losses and changes to the capital rules as a result of the ongoing implementation of the Basel III rules.

The most significant uncertainty factors in relation to recognition and measurement concern loan impairment and provisions for guarantees. The valuation of the Bank's owner-occupied properties and financial instruments is also subject to uncertainty.

In 2015, work continued to ensure that the Bank's credit policy, business procedures and internal procedures are adequate to ensure appropriate credit treatment of the Bank's exposures in order that evidence of impairment is assessed and determined on a timely basis. Management believes that the Bank's assessments to determine evidence of impairment at 31 December 2015 reflected the financial reporting rules and guidelines of the FSA. Management is aware that the Bank has a relatively high proportion of customers exhibiting signs of weakness and customers subject to impairment. Consequently, loan impairment charges and provisions for guarantees are subject to considerable uncertainty. If the economic climate deteriorates significantly, particularly in the agricultural sector, this could have a material adverse impact on the Bank's results of operation and financial position and create uncertainty about the Bank's going concern status.

Note

2 **Uncertainty, capital structure and going concern (continued)**

Capital structure and going concern

The going concern assumption at the reporting date requires that the Bank has adequate capital resources to cover its future capital need. Solvency-related total capital amounted to DKK 2,091 million at 31 December 2015 which, relative to the total risk exposure of DKK 16,739 million, gives a total capital ratio of 12.5%. At 31 December 2014, the Bank's total capital ratio was 12.1%.

The minimum total capital ratio requirement for continued banking operations is 8.0%, which for Vestjysk Bank equals DKK 1,339 million at 31 December 2015. Based on the Bank's current financial position, this requirement is met with a surplus of 4.5 percentage points, or DKK 752 million.

Solvency-related adequate total capital amounted to DKK 1,784 million at 31 December 2015 which, relative to the total risk exposure of DKK 16,739 million, gives an individual solvency need of 10.7%, corresponding to a solvency need supplement of 2.7 percentage points in addition to the minimum requirement. Relative to the DKK 2,091 million total capital, the surplus solvency was 1.8 percentage points or DKK 307 million at 31 December 2015.

The Bank's common equity tier 1 capital totalled DKK 1,320 million at 31 December 2015 which, relative to the total risk exposure of DKK 16,739 million, gives a common equity tier 1 capital ratio of 7.9%, against 7.1% at 31 December 2014. The Bank's tier 1 capital ratio was 10.5% at 31 December 2015, compared to 9.9% at 31 December 2014.

The minimum common equity tier 1 capital ratio requirement for continued banking operations is 4.5%, which for Vestjysk Bank equals DKK 753 million at 31 December 2015. Based on the Bank's current financial position, this requirement is met with a surplus of 3.4 percentage points, or DKK 567 million.

In relation to the Bank's common equity tier 1 capital, the aggregate capital requirement (minimum requirement + solvency need supplement) is 7.2%, or DKK 1,199 million, compared to the Bank's common equity tier 1 capital of DKK 1,320 million. The difference between these two amounts constitutes the Bank's surplus common equity tier 1 capital of 0.7 percentage point, or DKK 121 million at 31 December 2015. At the end of 2014, the surplus common equity tier 1 capital amounted to DKK 125 million. At 1 January 2015, the minimum common equity tier 1 capital ratio requirement was tightened from 4.0 per cent to 4.5 per cent. All other things being equal, this had a negative effect on the Bank's excess coverage of around DKK 90 million.

The Bank has taken measures to strengthen its common equity tier 1 capital, and the surplus was improved by some DKK 85 million during 2015, primarily through the Bank's earnings and lower weighted risk exposures. The surplus is still tenuous, however, and the Bank is aware that this may lead to the need for a capital conservation plan and, if the Bank's operating results fall short of expectations, an actual recovery plan. Such plans would require the FSA's approval.

Also note that the provisions in the FSA's guidelines on the calculation of solvency need have been changed. Under the guidelines, the effect of any maturity of capital instruments in the coming 12 months should be recognised as a supplement to the solvency need. As from 1 January 2018, additional tier 1 capital in the amount of DKK 287.6 million, see note 26, will no longer be eligible for inclusion in total capital. The effect of this supplement to the Bank's solvency need is part of Management's rationale for seeking to strengthen total capital on a timely basis.

Note

2 **Uncertainty, capital structure and going concern (continued)**

Outlook for 2016

Given an unchanged economic climate, the Bank's total business volume is expected to have the capacity to generate core earnings before impairment at around DKK 350-400 million. Impairment writedowns are expected to continue their downward trend. Assuming an unchanged economic climate, Management expects that impairment writedowns can be absorbed into the Bank's core earnings, resulting in a certain improvement of its consolidation in 2016. This will ensure a continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

If the current crisis in the agricultural sector becomes very protracted and/or it worsens further, the Bank's significant exposure to this industry may entail an increased need for impairment writedowns relative to Management's current estimates for 2016. This might also be the case if the economic climate generally worsens. The impact of a deterioration in the economic climate for the agricultural sector and/or other sectors will thus hamper the Bank's opportunities for consolidation in 2016.

If Management's projections of core earnings and impairment are not in all material respects realised, or if any major unexpected events occur, this could ultimately lead to the Bank losing its banking licence or being forced to wind up, with resulting negative effects on the Bank’s results of operation, financial position and going concern status.

EU Commission

When the EU Commission temporarily approved the state aid in parts of the capital plan for the merger with Aarhus Lokalbank in the spring of 2012, that approval was predicated upon the EU Commission’s prior approval of the Bank’s restructuring plan. As mentioned in the company announcement dated 4 December 2015, the EU Commission has opened an in-depth investigation into the restructuring aid granted to Vestjysk Bank in 2012. The Bank utilised the facility in the amount of DKK 7,142 million, comprising a capital increase to which the Danish State contributed DKK 167 million, relief of the solvency-related capital charge through the sale of sector shares of DKK 175 million and guarantees in the amount of DKK 6,800 million. The state-guaranteed borrowing facility was repaid in early 2015, 18 months ahead of its expiry. The Bank maintains regular dialogue with the EU Commission via the Ministry of Business and Growth. The time frame for the approval process is not yet known. Management is not aware of any requirements to be 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 of the potential repayment of state aid might become relevant.

Note		2015 DKK'000	2014 DKK'000
3	**Interest income**		
	Receivables from credit institutions and central banks	1,925	3,370
	Loans and other receivables	862,145	1,018,005
	Debt securities	14,997	17,169
	Other interest income	6	132
	Derivative financial instruments	9,620	23,126
	Total	888,693	1,061,802
	There is no interest income originating from reverse repo transactions.		
4	**Interest expenses**		
	Credit institutions and central banks	807	51,471
	Deposits and other debt	173,137	259,352
	Issued bonds	0	308
	Subordinated debt	70,554	51,438
	Other interest expenses	60	55
	Total	244,558	362,624
	There is no interest expense originating from repo transactions.		
5	**Income from fees and commissions**		
	Securities trading and custody services	101,194	93,406
	Payment services	45,618	46,884
	Loan processing fees	45,014	35,164
	Guarantee commission	48,747	47,405
	Other fees and commissions	99,072	94,232
	Total	339,645	317,091
6	**Value adjustments**		
	Bonds	-8,490	-5,164
	Shares, etc.	8,051	59,031
	Investment property	6,313	-1,994
	Foreign currency	6,786	17,414
	Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	-2,891	-6,779
	Assets related to pooled schemes	160,750	148,228
	Deposits with pooled schemes	-160,750	-148,228
	Other assets	-3,933	10,556
	Other liabilities	10,781	-17,043
	Total	16,617	56,021
7	**Other operating income**		
	Gains on sale of property, plant and equipment	2,237	781
	Other income	18,775	3,689
	Operation of investment properties	0	-200
	Total	21,012	4,270

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Note		2015 DKK'000	2014 DKK'000
8	**Staff costs and administrative expenses**		
	Salaries and remuneration for the Board of Directors and Executive Board	7,239	6,439
	Staff costs	329,247	314,360
	Other administrative expenses	176,699	188,440
	Total	513,185	509,239
	Staff costs		
	Wages and salaries	260,758	247,978
	Pensions	30,757	31,385
	Social security costs, payroll tax, etc.	37,732	34,997
	Total	329,247	314,360
	Salaries and remuneration of the Board of Directors and Executive Board and major risk takers		
	Board of Directors		
	Fixed remuneration	1,650	1,500
	Total	1,650	1,500
	Number of Board of Directors members, end of the reporting year	9	9
	Remuneration of Board of Directors		
	Board of Directors Chairman	300	300
	Deputy Chairman	250	250
	Non-executive members of the Board of Directors	150	150
	Supplemental remuneration for Chairman of Audit Committee	50	50
	Executive Board		
	Jan Ulsøe Madsen, Chief Executive Officer (appointed CEO 1 February 2015)		
	Contractual remuneration	2,883	0
	Pension	2	0
	Total	2,885	0
	Michael N. Petersen, Managing Director		
	Contractual remuneration	2,416	2,443
	Pension	288	293
	Total	2,704	2,736
	Vagn Thorsager, Chief Executive Officer (retired at 25 March 2014)		
	Contractual remuneration	0	2,202
	Pension	0	1
	Total	0	2,203
	Executive Board, total		
	Contractual remuneration	5,299	4,645
	Pension	290	294
	Total	5,589	4,939

Note		2015 DKK'000	2014 DKK'000
8	**Staff costs and administrative expenses (continued)**		
	Value of benefits	216	183
	With reference to the terms and conditions for participation in Bank Package II, please note that in the calculation of taxable income, remuneration of the Executive Board was deducted for tax purposes in the amount of	2,903	2,561
	No agreements have been concluded concerning bonus plans, incentive programmes or similar compensation plans.		
	The Bank is exempt from all pension obligations in respect of the departure of members of the Executive Board, whether as a result of age, illness, disability or any other reason.		
	Annual pension:		
	Jan Ulsø Madsen: No pension plan		
	Michael N. Petersen: Defined contribution plan through pension fund. Vestjysk Bank deposits 12.25% of salary.		
	Other employees with significant influence on the Bank's risk profile		
	Fixed remuneration	13,016	12,933
	Pension	1,562	1,523
	Total	14,578	14,456
	Number of employees with material influence on the Bank's risk profile, end of the reporting period	16	17
	Pension plan		
	Defined contribution plan through pension fund as well as annuity pension.		
	Annual pension:		
	Vestjysk Bank contributes 12.25% of salary		
9	**Auditors' fees**		
	Fees for statutory audit of the financial statements	1,500	2,717
	Fees for other assurance engagements	116	191
	Fees for other services	755	943
	Total	2,371	3,851
10	**Other operating expenses**		
	Contributions to the Guarantee Fund for Depositors and Investors	42,294	40,053
	Other expenses	387	1,726
	Total	42,681	41,779

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Note		2015 DKK'000	2014 DKK'000
11	**Impairment of loans and provisions for guarantees, etc.**		
	Individual impairment of loans		
	Individual impairment of loans and other receivables, beginning of the reporting period	3,423,412	3,722,615
	Impairment charges for the period	501,758	754,875
	Reversal of impairment charges in prior financial years	-143,534	-227,244
	Other movements	81,415	84,330
	Previously individually impaired, now written off	-865,819	-911,164
	Individual impairment of loans and other receivables, end of the reporting period	2,997,232	3,423,412
	Impact on financial income statement	358,224	527,631
	Collective impairment of loans		
	Collective impairment of loans and other receivables, beginning of the reporting period	116,069	60,227
	Impairment charges for the period	42,766	74,388
	Reversal of impairment charges in prior financial years	-68,700	-21,151
	Other movements	3,577	2,605
	Impairment of loans and other receivables in groups, end of the reporting period	93,712	116,069
	Impact on financial income statement	-25,934	53,237
	Impairment of loans, total		
	Impairment of loans and other receivables, beginning of the reporting period	3,539,481	3,782,842
	Impairment charges for the period	544,524	829,263
	Reversal of impairment charges in prior financial years	-212,234	-248,395
	Other movements	84,992	86,935
	Previously individually impaired, now written off	-865,819	-911,164
	Impairment of loans and other receivables, end of the reporting period	3,090,944	3,539,481
	Impact on financial income statement	332,290	580,868
	Provisions for losses on guarantees and unused credit commitments		
	Provisions for losses on guarantees and unused credit commitments, beginning of the reporting period	24,903	11,332
	Impairments for the period	11,034	22,427
	Reversal of provisions in prior financial years	-18,782	-8,856
	Provisions for losses on guarantees and unused credit commitments, end of the reporting period	17,155	24,903
	Impact on financial income statement	-7,748	13,571
	Accumulated impairment ratio	15.8%	16.7%

Note		2015 DKK'000	2014 DKK'000
11	**Impairment of loans and provisions for guarantees, etc. (continued)**		
	Receivables for which accrual of interest has been discontinued, end of the reporting period	1,361,082	1,810,463
	Total impairment charge thereon	991,083	1,261,185
	Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	8.3%	9.9%
	Impact on operations, total	324,542	594,439
	Loans with no prior individual impairment/provisions, written off	55,816	100,818
	Recovered on previously written-off debts	-10,296	-11,791
	Impairment of loans and guarantee debtors, etc., total	370,062	683,466
	Interest income on impaired loans is offset against impairment in the amount of	84,992	86,935
12	**Tax**		
	Current tax	0	0
	Tax related to prior years	521	0
	Total	521	0
13	**Receivables from credit institutions and central banks**		
	Receivables at notice from central banks	222,000	0
	Receivables from credit institutions	151,257	123,477
	Total	373,257	123,477
	Distributed by term to maturity		
	On demand	109,257	81,477
	Up to and including 3 month	222,000	0
	3 month to 1 year	42,000	42,000
	Total	373,257	123,477
14	**Loans and other receivables, by term to maturity**		
	Distributed by term to maturity		
	On demand	3,205,794	4,381,719
	Up to and including 3 months	4,050,439	3,966,302
	3 months to 1 year	998,700	917,026
	1 year to 5 years	3,168,219	3,439,527
	More than 5 years	1,913,869	2,009,225
	Total	13,337,021	14,713,799
15	**Carrying amount of loans and receivables for which there is objective indication of value impairment**		
	Loans and other receivables before impairments	15,982,044	17,695,554
	Impairment	2,645,023	2,981,755
	Carrying amount	13,337,021	14,713,799
	Only loans and receivables with a positive book value after impairment are included in the note.		

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Note		2015 DKK'000	2014 DKK'000
16	**Pooled assets**		
	Cash deposits	141,913	54,940
	Bonds	730,870	672,923
	Shares, etc.	1,230,535	987,043
	Other assets	5,286	6,020
	Total	2,108,604	1,720,926
17	**Intangible assets**		
	Customer relationships		
	Total acquisition cost, beginning of the reporting period	14,964	14,964
	Total acquisition cost, end of the reporting period	14,964	14,964
	Depreciation and impairment, beginning of the reporting period	8,978	7,482
	Depreciation and impairment for the period	1,497	1,496
	Depreciation and impairment, end of the reporting period	10,475	8,978
	Recognised holding, end of the reporting period	4,489	5,986
18	**Investment property**		
	Fair value, beginning of the reporting period	0	5,695
	Transferred from owner-occupied property	23,587	0
	Disposals	0	3,701
	Fair value adjustment for the reporting period	6,313	-1,994
	Fair value at the end of the reporting period	29,900	0
19	**Owner-occupied property**		
	Revalued amount, beginning of the period	369,721	365,976
	Additions	870	399
	Disposals	40,048	0
	Depreciations	6,080	6,749
	Changes in value recognised in other comprehensive income	-409	5,645
	Changes in value recognised in the statement of income	-1,523	4,450
	Revalued amount, end of the period	322,531	369,721
	External valuation experts have been involved in measuring the most important owner-occupied properties.		

Note		2015 DKK'000	2014 DKK'000
20	**Other property, plant and equipment**		
	Cost		
	Cost, beginning of the reporting period	17,563	27,128
	Additions	1,009	5,607
	Disposals	1,873	15,172
	Total cost, end of the reporting period	16,699	17,563
	Impairment and depreciation		
	Impairment and depreciation, beginning of the reporting period	10,292	19,744
	Depreciation for the reporting period	3,754	5,169
	Impairments and depreciation for the period on sold and scrapped assets	126	134
	Reversals for the reporting period of impairment charges for previous years and reversal of total impairment and depreciation on assets sold or retired from operations during the reporting period	1,851	14,755
	Impairment and depreciation, end of the reporting period	12,321	10,292
	Carrying amount, end of the reporting period	4,378	7,271
21	**Other assets**		
	Positive market value of derivative financial instruments	66,534	178,778
	Interest and commission receivable	51,397	47,079
	Investments in BEC	175,815	172,315
	Other assets	26,106	6,522
	Total	319,852	404,694
22	**Debts to credit institutions and central banks, by term to maturity**		
	Distributed by term to maturity:		
	On demand	325,662	338,672
	3 months to 1 year	1,048	0
	Total	326,710	338,672

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Note		2015 DKK'000	2014 DKK'000
23	**Deposits and other debt**		
	On demand	7,826,572	8,612,920
	At notice	771,137	0
	Term deposits	4,911,394	5,615,913
	Special deposit forms	2,472,134	2,818,264
	Total	15,981,237	17,047,097
	Distributed by term to maturity:		
	On demand	9,504,304	9,107,035
	Up to and including 3 months	1,021,041	1,729,281
	3 months to 1 year	1,419,430	309,418
	1 year to 5 years	3,855,741	5,724,343
	More than 5 years	180,721	177,020
	Total	15,981,237	17,047,097
24	**Issued bonds**		
	Distributed by term to maturity:		
	On demand	0	8,761
	Total	0	8,761
25	**Other liabilities**		
	Negative market value of derivative financial instruments	50,420	78,373
	Various creditors	243,640	174,974
	Interest and commission payable	10,389	14,805
	Other liabilities	35,702	14,066
	Total	340,151	282,218

Note		2015 DKK'000	2014 DKK'000
26	**Subordinated debt**		
	Tier 2 capital	453,893	534,305
	A nominal DKK 98 million will fall due from 22 February 2016 to 22 May 2016 with an option for early repayment subject to the Financial Supervisory Authority's approval. The capital accrues interest at 2.858–3.153%.		
	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 7.335% with no step-up clause.		
	Total	453,893	534,305
	Additional tier 1 capital		
	Additional tier 1 capital of DKK 100 million.	100,000	102,650
	The capital accrues interest at a fixed 4.765%. There is no due date.		
	There is an option of early repayment, subject to the approval of the Danish Financial Supervisory Authority on 15 November 2015.		
	Additional tier 1 capital of DKK 50 million.	50,000	50,000
	The capital accrues interest at a fixed 5.440%. There is no due date.		
	There is an option of early repayment, subject to the approval of the Danish Financial Supervisory Authority on 1 May 2016.		
	Additional tier 1 capital of DKK 287.6 million.	311,027	308,964
	The capital accrues interest at a fixed 9.561%. There is no due date.		
	There is an option of early repayment, 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	461,027	461,614
	Subordinated debt, total	914,920	995,919
	Charged as an expense under interest expenses/subordinated debt:		
	Interest expenses	69,933	54,068
	Costs related to repayment and incurrence	283	315
	Value adjustments, etc.	338	-2,945
	Total	70,554	51,438
	Subordinated debt that can be included in the total capital	696,118	823,096

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Note		2015 DKK'000	2014 DKK'000
27	**Share capital**		
	Share capital, beginning of the period	151,008	85,982
	Issued shares upon conversion of additional tier 1 capital	0	65,026
	Total	151,008	151,008
	Number of shares (units)	151,008,121 of DKK 1	151,008,121 of DKK 1
	Number of own shares, beginning of the period		
	Number of own shares (thousands)	173	176
	Nominal value DKK'000	173	176
	Percentage of the share capital	0.1%	0.2%
	Additions		
	Purchase of own shares (thousands)	2,355	4,293
	Nominal value DKK'000	2,355	4,293
	Percentage of the share capital	1.6%	2.8%
	Total purchase price DKK'000	21,919	51,793
	Disposals		
	Sold own shares (thousands)	2,355	4,296
	Nominal value DKK'000	2,355	4,296
	Percentage of the share capital	1.6%	2.8%
	Total selling price DKK'000	21,916	51,824
	Number of own shares, end of reporting period		
	Number of own shares (thousands)	173	173
	Nominal value DKK'000	173	173
	Percentage of the share capital	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 a direct counterparty in such transactions.		
	Vestjysk Bank has a constant holding of own shares.		
	The Bank receives state-funded additional tier 1 capital and issues bonds under the individual government guarantee and is therefore not allowed to pay out dividends.		
28	**Contingent assets**		
	Deferred tax asset at a tax rate of 22%	656,236	661,309
	The deferred tax asset is primarily related to carry forward taxable deficits. The Bank estimates there's no evidence for partial or fully capitalization of the deferred tax asset		
29	**Contingent liabilities**		
	Guarantees		
	Financial guarantees	441,403	395,720
	Loss guarantees on mortgage loans	1,868,648	1,687,315
	Other contingent liabilities	902,683	952,992
	Total	3,212,734	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	25,475	27,814
	Total	25,475	27,814

Note		2015 DKK'000	2014 DKK'000
30	**Capital requirements**		
	Shareholders Equity	1,328,734	1,287,142
	Intangible assets	-4,489	-5,986
	Prudent valuation	-4,151	-3,638
	Holdings in financial sector entities in which the Bank does not have significant investments	0	-1,388
	Common equity tier 1 capital	1,320,094	1,276,130
	Additional tier 1 capital	436,027	510,022
	Holdings in financial sector entities in which the Bank does not have significant investments	0	-2,776
	Tier 1 capital	1,756,121	1,783,376
	Tier 2 capital	335,091	388,074
	Holdings in financial sector entities in which the Bank does not have significant investments	0	-2,776
	Total capital	2,091,212	2,168,674
	Total risk exposure	16,738,717	17,926,706
	Common equity tier 1 capital ratio	7.9%	7.1%
	Tier 1 capital ratio	10.5%	9.9%
	Total capital ratio	12.5%	12.1%
31	**Security pledged**		
	Credit institutions:		
	Margin accounts pledged as security in relation to financial derivatives	31,132	29,215
	Deposited in the Danish Growth Fund	457	458
	Other accounts pledged as security	10,000	0
	Bonds:		
	Pledged as security for credit facility with Danmarks Nationalbank		
	Total nominal value	1,387,194	1,470,538
	Total market value	1,379,272	1,471,578

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Note		2015 DKK'000	2014 DKK'000
32	**Related parties**		
	Vestjysk Bank's related parties comprise the Danish State, the members of the Board of Directors and Executive 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 CEO Anders Bech.		
	Purchases from Kaj Bech A/S	110	39
	Share holdings of a min. 5% of the Bank's share capital (1,000 units):		
	The Danish State	121,737	121,737
	Financial Stability Company (wholly-owned by the Danish State)	1,291	1,291
	Total	123,028	123,028
	The Danish State's stake in per cent of the Bank's share capital	81.5%	81.5%
	The Danish State is a related party with controlling influence:		
	The Bank has had the following transactions with the Danish State:		
	Additional tier 1 capital, *cf.* Note 25:		
	Principal	287,600	287,600
	Interest rate	9.561%	9.561%
	Charged interest for additional tier 1 capital totalled	27,473	9,192
	Payment guarantee for debt securities	0	400,000
	Guarantee commission totalled	583	48,396
	Size of loans, pledges, sureties or guarantees made for members of the institution's		
	Executive Board	200	100
	Board of Directors	5,192	14,224
	In 2015, the Executive Board and the Board of Directors was granted a commitment increase of DKK'000 112		
	All commitments are provided on arm's-length terms		
	Interest rate:		
	Executive Board	0% *	0% *
	Board of Directors	2.5% - 4.25%	3.0% - 6.0%
	* MasterCard		
	Security pledges made for commitments issued to members of the institute's:		
	Executive Board	0	0
	Board of Directors	72	6,206
	Apart from what is considered normal management remuneration, no transactions have been carried out with related parties during the period		

Note

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

Financial assets and liabilities are measured in the statement of financial position at their fair value or at 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 instruments measured at fair value, the basis for determining fair value is:

Level 1: Listed prices in an active market for identical assets or liabilities.

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.

Shares, bonds, assets in pooled schemes and derivative financial instruments have been measured at their fair value in the financial statements so that the recognised values correspond to fair values.

For listed shares and bonds, the fair value is determined as the officially listed price at the reporting date. For unlisted shares in the form of shares in sector-held enterprises where the shares are redistributed, the fair value is determined as the redistribution price. For other unlisted shares in sector-held enterprises, with no observable market data, the valuation is involving estimates, based on financial reports from the enterprise, previous trading of shares in the enterprise and input from qualified external party. A change of 10 percent in the market value of sector-held enterprises in level 3 will result in an income and equity impact before tax of DKK 8.6 million.
For other financial instruments, the fair value is computed - to the greatest extent possible -based on generally accepted valuation methods based on observable market data. The valuation is based on non-observable market data only in exceptional cases.

Impairment of loans and advances is assessed to correspond to changes in credit quality. The difference relative to fair values is computed as received fees and commissions, interest receivable, not falling due until after the end of the financial reporting period, and, for fixed-rate loans, interest rate-dependent value adjustments. If the loan portfolio is transferred in full or in part, the fair value will be lower.

The fair value of receivables 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 assessed to be interest payable not falling due until after the end of the financial reporting period as well as costs and premiums amortised over the term of the loan and for fixed-rate debt securities in issue, also interest rate-dependent value adjustments.

For floating-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the difference relative to fair values is estimated to be interest payable not falling 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 difference relative to fair values is estimated to be interest payable not falling due until after the end of the financial reporting period and the interest rate-dependent value adjustments.

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Note

33	Fair value of financial assets and liabilities (continued)					
	2015 (DKK'000)	Carrying amount	Fair value	Listed Prices Level 1	Observable prices Level 2	Non-observable prices Level 3
	Financial assets					
	Cash on hand and demand deposits with central banks	393,127	393,127	91,652	301,475	0
	Receivables from credit institutions and central banks	373,257	373,264	0	373,264	0
	Loans at amortised cost	13,337,021	13,359,220	0	0	13,359,220
	Bonds at fair value	4,014,258	4,014,258	4,000,650	13,608	0
	Shares, etc.	178,195	178,195	19,664	66,510	92,021
	Assets related to pooled schemes	2,108,604	2,108,604	2,108,604	0	0
	Derivative financial instruments	66,534	66,534	0	66,534	0
	Total	20,470,996	20,493,202	6,220,570	821,391	13,451,241
	Financial liabilities					
	Debts to credit institutions and central banks	326,710	326,710	0	326,710	0
	Deposits	15,981,237	15,977,118	0	0	15,977,118
	Deposits in pooled schemes	2,108,604	2,108,604	0	0	2,108,604
	Issued bonds	0	0	0	0	0
	Subordinated debt	914,920	893,761	0	0	893,761
	Derivative financial instruments	50,420	50,420	0	50,420	0
	Total	19,381,891	19,356,613	0	377,130	18,979,483
	Shares measured at fair value based on non-observable inputs (Level 3)					
	Carrying amount, beginning of the period					87,951
	Additions					0
	Disposals					2,142
	Price adjustment					6,212
	Value, end of the period					92,021
	Period's value adjustments relating to financial assets in the portfolio, total					4,300

Note

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

2014 (DKK'000)	Carrying amount	Fair value	Listed Prices Level 1	Observable prices Level 2	Non-observable prices Level 3
Financial assets					
Cash on hand and demand deposits with central banks	894,587	894,587	91,465	803,122	0
Receivables from credit institutions and central banks	123,477	123,485	0	123,485	0
Loans at amortised cost	14,713,799	14,731,818	0	0	14,731,818
Bonds at fair value	3,359,259	3,359,259	3,334,520	24,739	0
Shares, etc.	186,128	186,128	21,098	77,079	87,951
Assets related to pooled schemes	1,720,926	1,720,926	1,720,926	0	0
Derivative financial instruments	178,778	178,778	0	178,778	0
Total	21,176,954	21,194,981	5,168,009	1,207,203	14,819,769
Financial liabilities					
Debts to credit institutions and central banks	338,672	338,672	0	338,672	0
Deposits	17,047,097	17,042,309	0	0	17,042,309
Deposits in pooled schemes	1,720,926	1,720,926	0	0	1,720,926
Issued bonds	8,761	8,761	0	0	8,761
Subordinated debt	995,919	971,008	0	0	971,008
Derivative Financial Instruments	78,373	78,373	0	78,373	0
Total	20,189,748	20,160,049	0	417,045	19,743,004

Shares measured at fair value based on non-observable inputs (Level 3)	
Carrying amount, beginning of the period	119,066
Additions	1,888
Disposals	55,486
Price adjustment	22,483
Value, end of the period	87,951
Period's value adjustments relating to financial assets in the portfolio, total	3,199

Note

34 **Risk and risk management**

Vestjysk Bank is exposed to various types of risk. These risks as well as the Bank's policies and goals for managing such risks are described in the Management Review's sections on risk:

Credit Risk, p. 19

Market Risk, p. 18

Interest Rate Risk, p. 18

Foreign Exchange Risk, p. 19

Share Risk, p. 19

Liquidity Risk, p. 19

		2015	2014
		DKK'000	DKK'000
35	**Credit exposure**		
	The Bank's credit exposure is composed of the following assets and items not recognised in the statement of financial position:		
	Receivables from central banks	523,475	803,121
	Receivables from credit institutions	151,256	123,477
	Bonds	4,014,258	3,359,259
	Loans	16,427,964	18,253,279
	Items not recognised in the statement of financial position		
	Financial guarantees	2,315,632	2,088,450
	Credit commitments	4,880,465	4,890,492
	Total	28,313,050	29,518,078
	Of which recognised in the statement of financial position	21,116,953	22,539,136
	Credit institutions		
	The item 'Receivables from central banks' solely pertains to Danmarks Nationalbank.		
	The item 'Receivables from credit institutions' pertains to receivables from a number of credit institutions located in Denmark and abroad.		
	'Receivables from Non-Danish credit institutions' is very limited in amount.		
	Receivables from individual institutions in excess of DKK 5 million		
	Credit institutions or their subsidiaries rated, at a minimum, A+	36,911	29,502
	Credit institutions or their subsidiaries rated A or lower	41,040	32,562
	Unrated credit institutions or their subsidiaries	52,000	42,000
	Total	129,951	104,064

Note		2015 DKK'000	2014 DKK'000
35	**Credit exposure (continued)**		
	Bonds by rating categories		
	AAA	3,701,100	3,264,620
	A+ to A-	0	0
	BBB+ to BBB-	299,550	69,900
	BB+ and lower	0	9,941
	No rating	13,608	14,798
	Total	4,014,258	3,359,259
	Bonds by Issuer		
	Mortgage-credit bonds	3,805,441	3,355,548
	Government bonds	51,290	0
	Other bonds	157,527	3,711
	Total	4,014,258	3,359,259
	Loans, Financial Guarantees and Credit Commitments by Industry Segments		
	Public authorities	0	0
	Business:		
	Agriculture, hunting, forestry and fishery	5,094,630	5,245,439
	Manufacturing industry and raw material extraction	758,895	909,363
	Energy supply	1,167,371	1,224,308
	Construction and civil engineering contractors	730,206	889,594
	Trade	1,818,150	1,848,379
	Transportation, hotels and restaurant businesses	992,570	1,114,810
	Information and communication	86,723	102,628
	Credit and financing institutes and insurance businesses	1,246,394	1,243,885
	Real estate	4,049,850	4,871,960
	Other business	1,223,062	1,394,072
	Business, total	17,167,851	18,844,438
	Retail	6,456,210	6,387,783
	Total	23,624,061	25,232,221

Note

36 **Collateral**

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

For the majority of retail customer exposures it is also the case that the Bank holds a charge in the financed asset—which is the reason the most common types of collateral are mortgages secured in real property and in motor vehicles.

The Bank continuously performs assessments of pledged collateral. Valuations are performed based on the fair value of the asset, less the margin for covering costs related to realisation, selling period costs as well as rebates. Some collateral is assessed for precautionary and practical reasons not to have any value; thus the figures listed below should not necessarily be taken to represent the actual value of the collateral.

Collateral by type

2015 (DKK'000)	Mortgages on properties and wind turbines	Right of subrogation for mortgages secured in real property	Charges held in movable property, motor vehicles, operating equipment, ships etc.	Securities	Bank accounts	Others	Total
Business:							
Agriculture, hunting, forestry and fishery	2,656,540	77,581	417,903	71,265	11,978	135,243	3,370,510
Manufacturing industry and raw material extraction	80,736	41,218	234,882	7,711	839	5,305	370,691
Energy supply	592,159	97,360	40,725	78,196	3,500	7,168	819,108
Construction and civil engineering contractors	136,960	36,983	111,980	8,305	4,859	7,668	306,755
Trade	169,558	100,087	458,809	20,166	11,932	35,175	795,727
Transportation, hotels and restaurant businesses	204,073	211,584	158,244	13,488	284	16,533	604,206
Information and communication	20,621	4,887	10,292	1,582	515	0	37,897
Credit and financing institutes and insurance businesses	368,739	14,779	1,601	217,529	11,532	29,057	643,237
Real estate	2,523,608	475,640	5,066	167,549	54,882	47,884	3,274,629
Other business	219,881	94,202	98,259	33,323	32,860	6,947	485,472
Business, total	6,972,875	1,154,321	1,537,761	619,114	133,181	290,980	10,708,232
Retail	2,177,694	736,239	190,000	259,837	78,740	48,840	3,491,350
Total	9,150,569	1,890,560	1,727,761	878,951	211,921	339,820	14,199,582

Note

36 **Collateral (continued)**

Collateral by type (continued)

2014 (DKK'000)	Mortgages on properties and wind turbines	Right of subrogation for mortgages secured in real property	Charges held in movable property, motor vehicles, operating equipment, ships etc.	Securities	Bank accounts	Others	Total
Business:							
Agriculture, hunting, forestry and fishery	2,745,101	73,985	412,726	89,488	30,330	116,144	3,467,774
Manufacturing industry and raw material extraction	60,680	25,483	234,231	1,227	658	31,246	353,525
Energy supply	718,849	103,603	40,732	72,125	8,074	11,337	954,720
Construction and civil engineering contractors	222,099	50,816	118,025	8,505	7,160	12,391	418,996
Trade	166,833	98,582	483,215	17,194	14,280	90,364	870,468
Transportation, hotels and restaurant businesses	231,620	238,357	174,787	5,515	3,513	18,610	672,402
Information and communication	19,806	3,147	7,546	1,495	591	0	32,585
Credit and financing institutes and insurance businesses	216,202	25,688	3,336	227,826	17,080	62,235	552,367
Real estate	2,865,822	544,664	7,857	181,931	84,267	135,725	3,820,266
Other business	217,788	87,327	113,075	28,308	43,652	7,239	497,389
Business, total	7,464,800	1,251,652	1,595,530	633,614	209,605	485,291	11,640,492
Retail	2,125,733	388,042	184,524	265,111	92,884	47,518	3,103,812
Total	9,590,533	1,639,694	1,780,054	898,725	302,489	532,809	14,744,304

Note		2015	2014
37	Loans and guarantees, by industry segments		
	Business:		
	Agriculture, hunting, forestry and fishery	19%	19%
	Manufacturing industry and raw material extraction	3%	3%
	Energy supply	6%	6%
	Construction and civil engineering contractors	3%	4%
	Trade	7%	7%
	Transportation, hotels and restaurant businesses	4%	5%
	Information and communication	0%	0%
	Credit and financing institutes and insurance businesses	6%	5%
	Real estate	19%	22%
	Other business	5%	5%
	Business, total	72%	76%
	Retail	28%	24%
	Total	100%	100%

Note

38 **Credit quality of loans and guarantee debtors not delinquent and for which impairment writedowns/Provisions have not been made**

'Loan and guarantee debtors with signs of weakness' refers to loans and guarantee debtors for which no individual impairment charges have been realised 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.

2015 (DKK'000)	Loan + guarantee debtors with material weaknesses, but without impairment/provision	Loan + guarantee debtors with slightly impaired credit quality, some signs of weakness	Loan + guarantee debtors with normal credit quality	Amortised cost, total
Business:				
Agriculture, hunting, forestry and fishery	386,453	1,017,315	346,850	1,750,618
Manufacturing industry and raw material extraction	54,744	167,109	162,850	384,703
Energy supply	88,490	387,782	230,146	706,418
Construction and civil engineering contractors	55,738	215,563	124,840	396,141
Trade	130,648	556,299	270,107	957,054
Transportation, hotels and restaurant businesses	75,389	258,357	129,369	463,115
Information and communication	4,846	23,865	26,712	55,423
Credit and financing institutes and insurance businesses	199,417	131,401	291,135	621,953
Real estate	677,503	718,102	333,373	1,728,978
Other business	73,011	347,973	214,902	635,886
Business, total	1,746,239	3,823,766	2,130,284	7,700,289
Retail	500,513	2,085,055	1,684,085	4,269,653
Total	2,246,752	5,908,821	3,814,369	11,969,942
2014 (DKK'000)				
Business:				
Agriculture, hunting, forestry and fishery	430,147	898,036	438,186	1,766,369
Manufacturing industry and raw material extraction	95,176	206,001	151,032	452,209
Energy supply	30,486	460,146	259,799	750,431
Construction and civil engineering contractors	105,988	225,273	114,211	445,472
Trade	274,203	428,071	352,726	1,055,000
Transportation, hotels and restaurant businesses	91,065	321,652	123,459	536,176
Information and communication	5,532	29,145	17,775	52,452
Credit and financing institutes and insurance businesses	127,612	209,292	290,448	627,352
Real estate	974,351	773,537	422,942	2,170,830
Other business	111,769	351,553	247,977	711,299
Business, total	2,246,329	3,902,706	2,418,555	8,567,590
Retail	536,436	1,901,216	1,497,782	3,935,434
Total	2,782,765	5,803,922	3,916,339	12,503,026

Note

39	**Amounts in arrears on loans that are not impaired, by industry segment**					
	2015 (DKK'000)	0-30 days	31-60 days	61-90 days	> 90 days	Total
	Business:					
	Agriculture, hunting, forestry and fishery	9,308	1,948	22	39	11,317
	Manufacturing industry and raw material extraction	3,039	18	38	0	3,095
	Energy supply	2,048	1	0	0	2,049
	Construction and civil engineering contractors	3,771	238	466	52	4,527
	Trade	7,658	728	75	330	8,791
	Transportation, hotels and restaurant businesses	3,784	363	0	21	4,168
	Information and communication	374	5	0	0	379
	Credit and financing institutes and insurance businesses	13,690	16	5	340	14,051
	Real estate	17,020	1,864	122	1,176	20,182
	Other business	7,660	345	765	33	8,803
	Business, total	68,352	5,526	1,493	1,991	77,362
	Retail	16,936	2,032	2,518	740	22,226
	Amounts in arrears, total	85,288	7,558	4,011	2,731	99,588
	Loans in arrears, total	1,163,660	35,213	11,607	15,544	1,226,024
	2014					
	Business:					
	Agriculture, hunting, forestry and fishery	25,614	2,680	499	280	29,073
	Manufacturing industry and raw material extraction	5,019	0	29	2,224	7,272
	Energy supply	3,182	0	0	12	3,194
	Construction and civil engineering contractors	3,807	1,169	42	559	5,577
	Trade	10,410	711	98	763	11,982
	Transportation, hotels and restaurant businesses	2,326	1,146	596	191	4,259
	Information and communication	214	138	0	75	427
	Credit and financing institutes and insurance businesses	1,237	190	10	2,190	3,627
	Real estate	15,651	255	37	6,761	22,704
	Other business	7,911	1,626	154	1,661	11,352
	Business, total	75,371	7,915	1,465	14,716	99,467
	Retail	28,843	3,390	827	1,643	34,703
	Amounts in arrears, total	104,214	11,305	2,292	16,359	134,170
	Loans in arrears, total	1,520,204	43,764	9,236	130,810	1,704,014

Note		2015 DKK'000	2014 DKK'000
40	**Gross loan and guarantee debtors, individually impaired, by cause**		
	Reconstruction/bankruptcy	255,253	429,012
	Rescheduling of debts	12,879	14,019
	Debt collection	1,255,255	1,067,650
	Customer deceased	4,225	8,281
	Easing of terms	1,464,746	2,146,894
	Other causes	3,462,311	3,425,230
	Total	6,454,669	7,091,086

41 **Segment of loan and guarantee debtors individually impaired, by industry**

	Gross	Loan value of collaterals	Unsecured component before impairments	Impairments/provisions	Unsecured component after impairments
2015 (DKK'000)					
Business:					
Agriculture, hunting, forestry and fishery	2,548,588	688,807	1,859,781	1,231,429	628,352
Manufacturing industry and raw material extraction	145,253	70,237	75,016	60,516	14,500
Energy supply	262,223	126,732	135,491	91,001	44,490
Construction and civil engineering contractors	116,800	48,257	68,543	48,579	19,964
Trade	300,103	73,907	226,196	188,340	37,856
Transportation, hotels and restaurant businesses	370,168	139,741	230,427	174,267	56,160
Information and communication	3,687	252	3,435	3,157	278
Credit and financing institutes and insurance businesses	650,577	191,885	458,692	371,888	86,804
Real estate	1,409,114	937,089	472,025	427,927	44,098
Other business	181,425	30,738	150,687	116,324	34,363
Business, total	5,987,938	2,307,645	3,680,293	2,713,428	966,865
Retail	466,732	126,095	340,637	300,959	39,678
Total	6,454,670	2,433,740	4,020,930	3,014,387	1,006,543
2014 (DKK'000)					
Business:					
Agriculture, hunting, forestry and fishery	2,503,370	687,335	1,816,035	1,227,356	588,679
Manufacturing industry and raw material extraction	171,304	48,691	122,613	103,927	18,686
Energy supply	245,440	118,686	126,754	72,962	53,792
Construction and civil engineering contractors	250,522	112,639	137,883	116,297	21,586
Trade	328,337	89,118	239,219	191,617	47,602
Transportation, hotels and restaurant businesses	419,928	158,595	261,333	196,327	65,006
Information and communication	12,042	95	11,947	5,802	6,145
Credit and financing institutes and insurance businesses	635,843	169,227	466,616	405,400	61,216
Real estate	1,766,717	1,031,599	735,118	632,095	103,023
Other business	219,517	40,234	179,283	152,873	26,410
Business, total	6,553,020	2,456,219	4,096,801	3,104,656	992,145
Retail	538,066	102,896	435,170	343,659	91,511
Total	7,091,086	2,559,115	4,531,971	3,448,315	1,083,656

Note

42	**Collateral for loan and guarantee debtors, individually impaired, by types**							
	2015 (DKK'000)	Mortgages on properties and wind turbines	Right of subrogation for mortgages secured in real property	Charges held in movable property, motor vehicles, operating equipment, ships etc.	Securities	Bank accounts	Others	Total
	Business:							
	Agriculture, hunting, forestry and fishery	589,928	17,291	18,906	4,615	2,093	55,974	688,807
	Manufacturing industry and raw material extraction	13,485	23,614	27,445	5,223	170	300	70,237
	Energy supply	115,647	0	2,700	8,057	328	0	126,732
	Construction and civil engineering contractors	34,152	2,343	11,572	0	141	49	48,257
	Trade	14,459	8,693	34,478	0	0	16,277	73,907
	Transportation, hotels and restaurant businesses	38,869	65,346	33,462	1,639	0	425	139,741
	Information and communication	252	0	0	0	0	0	252
	Credit and financing institutes and insurance businesses	137,460	1,703	1,500	46,972	47	4,203	191,885
	Real estate	843,174	78,946	0	14,954	15	0	937,089
	Other business	16,857	1,394	9,015	1,961	161	1,350	30,738
	Business, total	1,804,283	199,330	139,078	83,421	2,955	78,578	2,307,645
	Retail	87,626	15,182	2,566	17,118	109	3,494	126,095
	Total	1,891,909	214,512	141,644	100,539	3,064	82,072	2,433,740
	2014 (DKK'000)							
	Business:							
	Agriculture, hunting, forestry and fishery	589,936	18,123	21,138	7,183	2,042	48,913	687,335
	Manufacturing industry and raw material extraction	9,911	3,695	34,369	16	0	700	48,691
	Energy supply	110,237	0	2,700	1,262	287	4,200	118,686
	Construction and civil engineering contractors	91,392	2,695	14,286	0	141	4,125	112,639
	Trade	10,308	8,167	67,359	0	171	3,113	89,118
	Transportation, hotels and restaurant businesses	60,267	55,685	37,887	2,092	1,864	800	158,595
	Information and communication	0	0	0	92	3	0	95
	Credit and financing institutes and insurance businesses	105,547	1,350	1,140	52,453	198	8,539	169,227
	Real estate	907,959	102,930	478	7,050	8,272	4,910	1,031,599
	Other business	24,363	329	10,848	1,937	162	2,595	40,234
	Business, total	1,909,920	192,974	190,205	72,085	13,140	77,895	2,456,219
	Retail	59,865	15,495	5,037	17,246	71	5,182	102,896
	Total	1,969,785	208,469	195,242	89,331	13,211	83,077	2,559,115

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Notes

Note		2015 DKK'000	2014 DKK'000
43	**Hedge accounting**		
	To manage interest rate risk, the following are hedged (fair value hedge):		
	Bonds	250,245	0
	Hedged with interest rate swaps, maturity 2020-2025:		
	Notional principal	250,000	0
	Fair value	-1,990	0
	Loans at amortised cost	159,638	150,459
	Hedged with interest rate swaps, maturity 2016-2022:		
	Notional principal	142,977	126,333
	Fair value	-10,534	-17,403
	Hedged with interest rate caps, maturity 2024:		
	Notional principal	6,148	6,745
	Fair value	20	22
	Deposits	1,955,907	2,707,552
	Hedged with interest rate swaps, maturity 2016:		
	Notional principal	1,950,000	2,700,000
	Fair value	5,907	7,552
	Subordinated debt	0	609,249
	Hedged with interest rate swaps:		
	Notional principal	0	587,600
	Fair value	0	21,649
	Total fair value adjustment of hedging instruments	-95	22,182
	Total fair value adjustment of the hedged items	-879	-22,182
	Ineffectiveness recognised in the statement of income	-974	0

Note

44 **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.

2015 (DKK'000)	Nominal value	Net market value	Positive market value	Negative market value
Foreign exchange contracts				
Up to 3 months	2,130,477	19,084	23,296	4,212
3 months to 1 year	190,549	3,881	5,393	1,512
1 year to 5 years	23,435	-1,187	18	1,205
More than 5 years	7,684	-993	0	993
Average market value		25,416	42,093	16,677
Interest rate contracts				
Up to 3 months	1,260,055	1,577	1,983	406
3 months to 1 year	1,181,900	4,972	5,418	446
1 year to 5 years	523,194	-1,389	21,420	22,809
More than 5 years	214,516	-9,374	8,124	17,498
Average market value		3,128	50,827	47,699
Share contracts				
Up to 3 months	97,987	-301	864	1,165
3 months to 1 year	131	-156	18	174
1 year to 5 years	0	0	0	0
More than 5 years	0	0	0	0
Average market value		-760	771	1,531

2014 (DKK'000)				
Foreign exchange contracts				
Up to 3 months	3,110,780	78,637	87,003	8,366
3 months to 1 year	272,047	5,483	9,751	4,268
1 year to 5 years	46,347	-1,644	6,414	8,058
More than 5 years	8,891	-1,244	0	1,244
Average market value		88,024	109,174	21,150
Interest rate contracts				
Up to 3 months	1,295,272	686	1,560	874
3 months to 1 year	118,975	2,710	2,909	199
1 year to 5 years	2,633,207	14,257	37,811	23,554
More than 5 years	512,301	1,836	33,049	31,213
Average market value		15,600	72,230	56,630
Share contracts				
Up to 3 months	72,938	-226	281	507
3 months to 1 year	35	-90	0	90
1 year to 5 years	0	0	0	0
More than 5 years	0	0	0	0
Average market value		-672	1,338	2,010

Note	

45 **Interest rate risk**

Interest rate risk is the risk of losses incurred in the event of change in the general interest rate level. Vestjysk Banks interest rate risk is related to activities involving normal banking business such as deposits, loans, trading and position-taking in interest-related products.
The interest rate risk is divided into risks inside and outside the Bank’s trading book, see below. All else being equal, the direct impact on the income statement from a change in the general interest level will only be related to the interest rate risk inside the trading book. An increase in the interest rate of 1 percentage point would result in an income before tax of DKK 4.8 million in 2015 and DKK 7.4 million in 2014. A decline in the interest rate of 1 percentage point would result in a loss before tax of DKK 4.8 million in 2015 and DKK 7.4 million in 2014.

Outside the trading book a change in the general interest rate level will have an impact on the future earnings and equity, as a change in interest rates will impact the alternative funding and investment options.

Interest rate risk is calculated applying the Financial Supervisory Authority’s guidelines.

	2015	2014
	DKK’000	DKK’000
Interest rate risk inside the Bank’s trading book:		
Securities	21,076	5,489
Futures/forward contracts/forward rate agreements	-918	8,552
Options	0	0
Swaps	-15,362	-6,595
Total	4,796	7,446
Interest rate risk outside the Bank’s trading book:		
Receivables from credit institutions	0	0
Loans	6,931	13,303
Bonds	0	0
Debts to credit institutions	-7	0
Deposits	-78,301	-100,262
Issued bonds	0	0
Subordinated debt	-22,868	-4,729
Total	-94,245	-91,688
Total interest rate risk	-89,449	-84,242
Measured in relation to the tier 1 capital, the interest rate risk corresponds to	-5.1%	-4.7%
Interest rate risk, by modified duration		
Up to 1 year	229	3,810
1 year to 2 years	-25,130	-2,068
2 year to 3.6 years	-62,589	-73,260
More than 3.6 years	-1,958	-12,724
Total	-89,448	-84,242

Note			
46	**Foreign exchange risk**		
	Foreign exchange risk is the risk of losses on foreign exchange positions because of changes in foreign exchange rates.		
	Foreign exchange Indicator 1 expresses a simplified measure of the scope of the institution's positions in foreign currency and is calculated - according to the guidelines of the Danish Financial Supervisory Authority - as the greater of the sum of the foreign currency positions in which the Bank has net payables (short foreign exchange positions) and the sum of all the currencies in which the Bank has a net receivable (long foreign exchange positions).		
		2015	2014
		DKK'000	DKK'000
	Assets in foreign currency, total	2,086,384	2,176,070
	Liabilities in foreign currency, total	68,366	76,729
	Foreign Exchange Indicator 1	32,555	24,272
	Foreign Exchange Indicator 1 in percent of tier 1 capital	1.9%	1.4%
	The foreign exchange position consists primarily of positions in CHF, EUR, GBP, NOK, SEK and USD.		
	A change unfavourable to the Bank of 2% in EUR and of 10% in other foreign currencies will result in a profit/loss and equity impact before tax of	-2,125	-1,712
47	**Share risk**		
	The Bank's share risk is derived from shares and derivatives in the Bank's investment and trading books.		
	Shares, etc.		
	Shares/unit trust certificates listed on NASDAQ OMX Copenhagen A/S	10,182	11,786
	Shares/unit trust certificates listed on other exchanges	9,482	9,312
	Unlisted shares recognised at fair value	158,531	165,030
	Unlisted shares, etc. recognised at cost	1,060	1,060
	Total	179,255	187,188
	Of which, sector shares	153,474	162,093
	Sensitivity		
	An increase in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	17,926	18,719
	of which sector shares	15,347	16,209
	of which other shares	2,578	2,510
	A decrease in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	-17,926	-18,719
	of which sector shares	-15,347	-16,209
	of which other shares	-2,578	-2,510

Note

48 **Liquidity risk**

The liquidity buffer is established based on ongoing compliance with the Supervisory Diamond subject to a specific long-term stress scenario. The stress scenario is based on stress factors, etc. formulated by the Financial Supervisory Authority. The liquidity buffer consists of liquid securities and deposits with Danmarks Nationalbank.
Effective as of 1 October 2015, the Bank must comply with new requirements in the form of the Liquidity Coverage Ratio (LCR) standards under the Basel III regulations. The bank is aware of these issues and has incorporated them in the Bank's liquidity management at an early stage.

	2015 DKK'000	2014 DKK'000
Liquidity buffer		
Demand deposits with Danmarks Nationalbank as well as demand deposits with other credit institutions	682,795	943,931
Liquid securities	4,654,383	4,007,372
Other secure, readily negotiable and uncollateralised securities and credit instruments	0	400,000
Total	5,337,178	5,351,303
Excess coverage in relation to the 10%-requirement set out in section 152 of the Danish Financial Business Act.	140.1%	136.2%
LCR values	3,975,227	
LCR values after adjustment on level 1a assets	2,576,993	
Net outflow	990,540	0
Liquidity Coverage Ratio - LCR	260.2%	-

In accordance with the LCR regulation, the LCR requirement is being gradually phased in, with 60% at 1 October 2015, 70% at 1 January 2016, 80% at 1 January 2017 and 100% at 1 January 2018. The liquidity requirement in section 152 of the Danish Financial Business Act is expected to be phased out at 31 December 2016. Vestjysk Bank's goal is to maintain an LCR ratio of at least 100% at all times.

49 **Other risks**

Operational risks

General responsibility for operational risks resides with the Bank's Risk Management.

Vestjysk Bank 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.
Vestjysk Bank 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. In the event of 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 department. The Bank's contingency plan is reviewed by the Board of Directors 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.

Risk related to total capital

The total capital is monitored on an ongoing basis, and the Board of Directors receives monthly reports based on established guidelines.

Note	
49	**Other risks (continued)**
	Compliance
	Vestjysk Bank 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 Executive Board, have been drawn up.
50	**Pending litigation**
	Vestjysk Bank is a party to various lawsuits. The proceedings are evaluated on an ongoing basis, and requisite provisions are made based on an assessment of the risk of losses.
	The pending proceedings are not expected to have material influence on the Bank's financial position.
51	**Events after the balance sheet date**
	No significant events have occurred after the reporting date, 31 December 2015.

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Note		2015	2014	2013	2012	2011
52	**Financial highlights**					
	Key figures					
	Statement of income (DKKm)					
	Net interest income	644	699	813	892	846
	Net fee income	305	290	262	279	236
	Dividends on shares etc.	2	6	13	5	3
	Market value adjustments	17	56	126	94	-19
	Other operating income	21	4	20	10	6
	Core income	989	1,055	1,234	1,280	1,072
	Staff costs and administrative expenses	513	509	539	656	588
	Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and intangible assets	56	51	64	49	61
	Operating expenses and operating depreciation and amortisation	569	560	603	705	649
	Core earnings before impairment	420	495	631	575	423
	Impairment of goodwill	0	0	0	208	0
	Impairment of loans and receivables, etc.	370	683	1,073	1,515	984
	Profit/loss before tax	50	-188	-442	-1,148	-561
	Tax	1	0	0	299	-136
	Profit/loss after tax	49	-188	-442	-1,447	-425
	Statement of financial position (DKKm)					
	Assets, total	21,114	21,804	26,112	32,773	29,265
	Loans	13,337	14,714	17,360	20,697	21,716
	Deposits, including pooled schemes	18,090	18,768	17,877	18,058	15,029
	Contingent liabilities	3,213	3,036	2,958	5,154	4,353
	Business volume	34,640	36,518	38,195	43,909	41,098
	Equity	1,404	1,362	887	998	1,718

The financial highlights have been restated to reflect the change relating to the recognition of additional tier 1 capital. See the description under the accounting policies.

Note		2015	2014	2013	2012	2011
52	**Financial highlights (continued)**					
	Financial ratios[1]					
	Solvency					
	Total capital ratio	12.5%	12.1%	11.3%	11.2%	12.6%
	Tier 1 capital ratio	10.5%	9.9%	5.9%	5.6%	9.3%
	Common equity tier 1 capital ratio	7.9%	7.1%	4.1%	3.6%	5.0%
	Earnings					
	Return on equity before tax, annually	3.6%	-16.7%	-46.9%	-84.5%	-29.0%
	Return on equity after tax, annually	3.6%	-16.7%	-46.9%	-106.6%	-22.0%
	Income/cost ratio	1.05	0.85	0.74	0.53	0.66
	Cost Ratio[2]	57.5%	53.1%	48.9%	55.1%	60.6%
	Return on assets	0.2%	-0.8%	-1.5%	-8.8%	-2.9%
	Employees converted to full-time (average)	500.1	523.1	562.9	621.3	614.8
	Market risk					
	Interest rate risk	-5.1%	-4.7%	-4.9%	-11.2%	-4.5%
	Foreign exchange position	1.9%	1.4%	1.6%	1.6%	1.5%
	Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
	Surplus liquidity in relation to statutory liquidity requirements	140.1%	136.2%	162.2%	144.8%	98.8%
	Credit risk					
	Loans plus impairment of loans relative to deposits	90.8%	97.3%	118.3%	133.5%	159.1%
	Loans relative to equity	9.5	10.8	19.6	20.7	12.6
	Growth in loans for the year	-9.4%	-15.2%	-16.1%	-4.7%	-7.5%
	Sum of large exposures	35.1%	22.3%	33.5%	44.9%	30.4%
	Accumulated impairment ratio	15.8%	16.7%	15.7%	11.8%	7.9%
	Impairment ratio for the year	1.9%	3.2%	4.5%	5.2%	3.5%
	Vestjysk Bank share[3]					
	Earnings per share for the year	0.3	-1.6	-6.0	-39.4	-34.5
	Book value per share	8.8	8.5	10.3	16.3	139.5
	Price of Vestjysk Bank shares, end of the year	7.8	9.3	9.0	13.0	18.8
	Share price/earnings per share	23.7				
	Share price/book value per share	0.9	1.1	0.9	0.8	0.1

The results of Aarhus Lokalbank are included in Vestjysk Bank's income statement from 1 April 2012. Aarhus Lokalbank's assets and liabilities are included in the statement of financial position from the end of March 2012.

1 The financial ratios are laid down in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. and restated to reflect the change relating to the recognition of additional tier 1 capital.

2 Operating expenses and operating depreciation and amortisation/core income

3 The ratios are calculated as though the additional tier 1 capital were a liability.


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Struer
Region Holstebro
Viborg
Randers
Hadsten
Region Ringkøbing
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