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**Vestjysk Bank's Q1 2016 Quarterly Report**

Vestjysk Bank realised a profit after tax of DKK 12 million in Q1 2016. The Bank's core operations are still sound and are considered satisfactory. However, as a result of the persistently large impairment losses – in particular due to the depressed and worsened economic situation facing Danish agriculture, with very low price levels for milk as well as pork – the Bank reports an unsatisfactory result after impairment.

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.

Summary of Vestjysk Bank's results in Q1 2016:

- Profit after tax of DKK 12 million (Q1 2015: DKK 33 million).
- Core income of DKK 231 million (Q1 2015: DKK 268 million), including value adjustments of DKK 7 million (Q1 2015: DKK 31 million).
- Cost ratio of 54.6 (Q1 2015: 51.9). After value adjustments, the cost ratio was down 2.3 percentage points from 58.6 per cent in Q1 2015 to 56.3 per cent in Q1 2016.
- Core earnings of DKK 105 million before impairment (Q1 2015: DKK 129 million).
- Impairment of loans and receivables, etc. of DKK 93 million (Q1 2015: DKK 93 million). Impairment charges on agriculture accounted for the majority of the Bank's impairment charges.
- Deposit surplus of DKK 4.1 billion at 31 March 2016, compared with a deposit surplus of DKK 4.2 billion at 31 March 2015.
- The minimum requirements for continued banking operations are 8.0 per cent (total capital ratio) and 4.5 per cent (common equity tier 1 capital ratio), respectively, of weighted risk exposures. At 31 March 2016, the Bank's surplus relative to these requirements is 4.6 percentage points, or DKK 767 million, and 3.5 percentage points, or DKK 586 million, respectively.
- The total capital ratio stood at 12.6 per cent and the individual solvency need at 11.2 per cent, corresponding to a surplus of 1.4 percentage points or DKK 239 million at 31 March 2016.
- Common equity tier 1 capital ratio of 8.0 per cent at 31 March 2016, compared with a requirement of 7.2 per cent. The surplus is 0.8 of a percentage point, or DKK 135 million, which is the gap to the requirement to prepare a recovery plan.
- Surplus liquidity of 122 per cent at 31 March 2016.
- 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.

## 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. 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 worsened crisis in the agricultural sector becomes very protracted 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 further deterioration of the economic climate on the agricultural sector and/or other sectors will thus reduce the Bank's opportunities for consolidation in 2016.

Please address any enquiries regarding the present announcement to Jan Ulsø Madsen, CEO, at tel. +45 96 63 21 04.

**Vestjysk Bank A/S**

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