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Vestjysk Bank's Half-Year Report 2016

Vestjysk Bank realised a profit after tax of DKK 10 million in the first half of 2016. The Bank's core operations are still sound, and a profit before impairment charges of DKK 227 million for H1 2016 is considered satisfactory. As a result of the persistently large impairment charges – due to the depressed economic situation still facing Danish agriculture, with very low settlement prices for milk in particular, but also for pork – the Bank's profit after impairment charges is considered unsatisfactory.

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

Summary of Vestjysk Bank's results in H1 2016:

- Profit after tax of DKK 10 million (H1 2015: DKK 44 million).
- Core income of DKK 477 million (H1 2015: DKK 499 million).
- Cost ratio of 52.4 per cent (H1 2015: 56.1 per cent), corresponding to a decrease of 3.7 percentage points.
- Core earnings of DKK 227 million before impairment (H1 2015: DKK 220 million).
- Impairment of loans and receivables, etc. of DKK 216 million (H1 2015: DKK 171 million). Impairment charges on agriculture accounted for the majority of the Bank's impairment charges.
- Deposit surplus of DKK 4.4 billion at 30 June 2016, compared with a deposit surplus of DKK 4.8 billion at 30 June 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 30 June 2016, the Bank's surplus relative to these requirements was 4.5 percentage points, or DKK 729 million, and 3.7 percentage points, or DKK 598 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 295 million at 30 June 2016.
- Common equity tier 1 capital ratio of 8.2 per cent at 30 June 2016, compared with a requirement of 7.0 per cent. The surplus is 1.2 of a percentage point, or DKK 193 million, which is how far the Bank is from the need to prepare a recovery plan.
- Surplus liquidity of 134 per cent at 30 June 2016.
- In December 2015, the EU Commission opened an in-depth investigation to assess whether the state 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 the upper end of DKK 350 to 400 million. Assuming an unchanged economic climate, Management expects that impairment writedowns can be absorbed into the Bank's core earnings, leading to a result at the same level as 2015. 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 in 2016 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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