



Vestjysk Bank

Quarterly Report 2016

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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 Quarterly Report 2016 is a translation of the original report in Danish (Vestjysk Bank Kvartalsrapport 2016).
In case of discrepancies, the Danish version prevails.

Summary

Q1– Q3 2016 Highlights

Vestjysk Bank realised a profit after tax of DKK 26 million in Q1– Q3 2016. The Bank's core operations are still sound, and a profit before impairment charges of DKK 354 million for Q1– Q3 2016 is considered satisfactory and leads the Bank to increase the expectations for core earnings in 2016. As a result of the persistently large impairment charges - due to the depressed economic situation still facing Danish agriculture, with very low settlement prices - 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.

- Profit after tax of DKK 26 million (Q1-Q3 2015: DKK 34 million).
- Core income of DKK 725 million (Q1-Q3 2015: DKK 719 million).
- Cost ratio of 51.2 (Q1-Q3 2015: 59.9), corresponding to a decrease of 8.7 percentage points.
- Core earnings of DKK 354 million before impairment (Q1-Q3 2015: DKK 288 million).
- Impairment of loans and receivables, etc. of DKK 326 million (Q1-Q3 2015: DKK 252 million). Impairment charges on agriculture accounted for the majority of the Bank's impairment charges.
- Deposit surplus of DKK 4.1 billion at 30 September 2016, compared with a deposit surplus of DKK 4.2 billion at 30 September 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 September 2016, the Bank's surplus relative to these requirements was 4.7 percentage points, or DKK 754 million, and 3.9 percentage points, or DKK 624 million, respectively.
- The total capital ratio stood at 12.7 per cent and the individual solvency need at 10.5 per cent, corresponding to a surplus of 2.2 percentage points or DKK 348 million at 30 September 2016.
- Common equity tier 1 capital ratio of 8.4 at 30 September 2016, compared with a requirement of 6.8. The surplus is 1.6 of a percentage point, or DKK 248 million, which is how far the Bank is from the need to prepare a capital conservation plan.
- Surplus liquidity of 120 per cent at 30 September 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 positive adjusted core earnings before impairment of DKK 400 to 450 million, against previously stated 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 contribute to ensuring a continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

Although Danish agriculture experienced improved conditions with rising settlement prices in Q3 2016, the outlook for the sector is still considered to be uncertain, and the year to date has not brought any essential improvements to the underlying economic conditions facing agriculture.

Summary

As the Bank has a significant exposure to this industry a return to the low price level in H2 2015 and H1 2016 will lead to increased need for impairment writedowns relative to Management's current estimates for 2016. 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.

As from 1 January 2017, the Bank will be required to include additional tier 1 capital from the Danish State in the Bank's individual solvency need, in addition to a 0.625% increase in the general capital conservation buffer. According to the Bank's expectations as to the financial performance for Q4 2016, all other things being equal, it will only be possible to partially comply with the enhanced requirements as to the amount and composition of the Bank's capital. Non-compliance with the so-called individual common equity tier 1 capital requirement – a “soft requirement” – leads to the need for a capital conservation plan to be prepared, which is to be approved by the Danish FSA.

Management's Review

Financial highlights

Key Figures	Q1-Q3 2016	Q1-Q3 2015	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	FY 2015
Statement of income (DKKm)								
Net interest income	442	475	147	149	146	168	160	644
Net fee income	227	232	79	71	77	73	69	305
Dividends on shares, etc.	3	2	0	3	0	0	0	2
Value adjustments	41	6	17	17	7	11	-9	17
Other operating income	12	4	5	6	1	17	1	21
Core income	725	719	248	246	231	269	221	989
Staff costs and administrative expenses	361	391	118	120	123	122	138	513
Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and tangible assets	10	40	3	4	3	16	14	56
Operating expenses and operating depreciation and amortisation	371	431	121	124	126	138	152	569
Core earnings before impairment	354	288	127	122	105	131	69	420
Impairment of loans and receivables, etc.	326	252	110	123	93	118	81	370
Profit/loss before tax	28	36	17	-1	12	13	-12	50
Tax	2	2	1	1	0	-2	-2	1
Profit/loss after tax	26	34	16	-2	12	15	-10	49
Statement of financial position (DKKm)								
Assets, total	19,878	21,652	19,878	20,557	20,444	21,114	21,652	21,114
Loans	12,878	13,888	12,878	13,051	13,304	13,337	13,888	13,337
Deposits, including pooled schemes	16,939	18,137	16,939	17,463	17,367	18,090	18,137	18,090
Contingent liabilities	3,175	3,289	3,175	3,143	3,101	3,213	3,289	3,213
Business volume	32,992	35,314	32,992	33,657	33,772	34,640	35,314	34,640
Equity	1,424	1,391	1,424	1,411	1,413	1,404	1,391	1,404

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 in the annual report for 2015.

Management's Review

Financial highlights

Financial ratios ¹	Q1-Q3 2016	Q1-Q3 2015	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	FY 2015
Solvency								
Total capital ratio	12.7%	12.6%	12.7%	12.5%	12.6%	12.5%	12.6%	12.5%
Tier 1 capital ratio	10.8%	10.4%	10.8%	10.6%	10.7%	10.5%	10.4%	10.5%
Common equity tier 1 capital ratio	8.4%	7.6%	8.4%	8.2%	8.0%	7.9%	7.6%	7.9%
Earnings								
Return on equity before tax, annually	2.6%	3.5%	4.7%	-0.2%	3.4%	3.8%	-3.3%	3.6%
Return on equity after tax, annually	2.4%	3.3%	4.3%	-0.3%	3.3%	4.4%	-3.0%	3.6%
Income-cost ratio	1.04	1.05	1.07	1.00	1.05	1.05	0.95	1.05
Cost ratio ²	51.2%	59.9%	48.9%	50.3%	54.6%	51.2%	68.4%	57.5%
Return on assets	0.1%	0.2%	0.1%	0.0%	0.1%	0.1%	0.0%	0.2%
Employees converted to full-time (average)	462.3	509.1	457.7	461.3	467.8	473.1	505.7	500.1
Market risk								
Interest rate risk	-3.7%	-5.3%	-3.7%	-4.1%	-4.6%	-5.1%	-5.3%	-5.1%
Foreign exchange position	0.8%	2.2%	0.8%	0.9%	0.9%	1.9%	2.2%	1.9%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus liquidity in relation to statutory liquidity requirements	119.9%	130.1%	119.9%	134.3%	121.6%	140.1%	130.1%	140.1%
Credit risk								
Loans plus impairment on loans relative to deposits	93.9%	95.6%	93.9%	92.0%	93.8%	90.8%	95.6%	90.8%
Loans relative to equity	9.0	10.0	9.0	9.3	9.4	9.5	10.0	9.5
Growth in loans for the year	-3.4%	-5.6%	-1.3%	-1.9%	-0.2%	-4.0%	-1.0%	-9.4%
Sum of large exposures	37.8%	31.8%	37.8%	38.6%	37.3%	35.1%	31.8%	35.1%
Accumulated impairment ratio	15.9%	16.9%	15.9%	15.7%	15.5%	15.8%	16.9%	15.8%
Impairment ratio for the year	1.7%	1.2%	0.6%	0.6%	0.5%	0.6%	0.4%	1.9%
Vestjysk Bank share³								
Earnings per share for the year	0.2	0.2	0.1	0.0	0.1	0.1	-0.1	0.3
Book value per share	8.9	8.7	8.9	8.9	8.9	8.8	8.7	8.8
Price of Vestjysk Bank shares, end of the year	9.2	8.8	9.2	8.0	9.1	7.8	8.8	7.8
Share price/book value per share	1.0	1.0	1.0	0.9	1.0	0.9	1.0	0.9

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 is a liability.

Income statement

Profit after tax

For Q1-Q3 2016, the Bank's profit after tax was DKK 26 million, compared with DKK 34 million for Q1-Q3 2015.

Impairment of loans and receivables, etc. amounted to DKK 326 million in Q1-Q3 2016, against DKK 252 million in Q1-Q3 2015. The impairment ratio for Q1-Q3 2016 was 1.7, against 1.2 in Q1-Q3 2015. The level remains high compared to the sector average reflecting the large impairment charges due to the depressed and worsened economic situation facing Danish agriculture, with very low price levels.

The Bank's core operations are sound, and core earnings of DKK 354 million before impairment is DKK 65 million higher than Q1-Q3 2015 and is considered satisfactory and leads the Bank to increase the expectations for core earnings in 2016.

Core income

In Q1-Q3 2016, Vestjysk Bank realised core income of DKK 725 million, up DKK 6 million compared with Q1-Q3 2015. The higher core income is mainly due to higher value adjustments largely matched by lower interest income due to lower business volume.

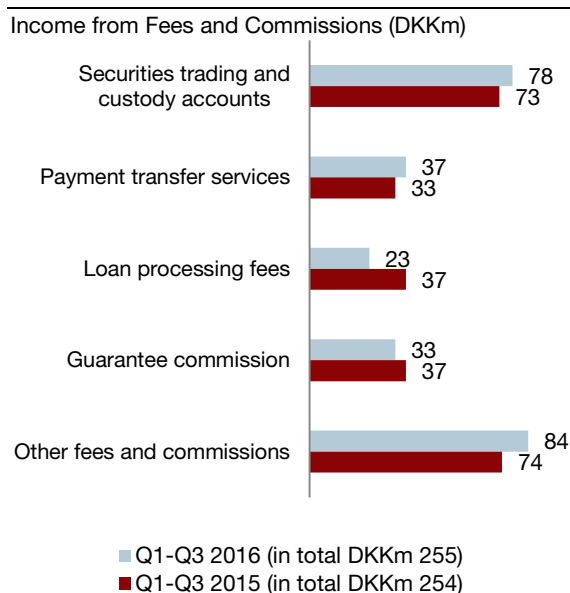
Net interest income shows a drop of DKK 33 million and totalled DKK 442 million in Q1-Q3 2016, against DKK 475 million in Q1-Q3 2015. The decline was due to a DKK 77 million drop in interest income due to a lower lending volume and increased price pressure, while the Bank's interest expenses were reduced by DKK 44 million, due to lower deposit rates and lower deposit volume.

Fee and commission income increased from DKK 254 million in Q1-Q3 2015 to DKK 255 million in Q1-Q3 2016.

The Bank has thus succeeded in compensating for the previous decrease in fee and commission income due to the high remortgaging activity in H1 2015.

This was achieved primarily through a dedicated effort to increase the Bank's business in the securities area, combined with a general increase in earnings from property activities in the retail area.

The distribution is shown in the following figure.



Positive value adjustments represented DKK 41 million in Q1-Q3 2016, compared with DKK 6 million in Q1-Q3 2015. The higher value adjustments are primarily due to positive value adjustments on bonds due to the declining interest level and narrowing of the interest spread.

The value adjustments are an important factor in the upward revision of core earnings. A downturn of the current economic conditions could reduce the Bank's core earnings for the full year 2016.

Management's Review

Financial highlights

Other operating income amounted to DKK 12 million in Q1-Q3 2016, against DKK 4 million in Q1-Q3 2015.

Operating expenses and operating depreciation and amortisation

Total operating expenses, depreciation and amortisation showed a drop of DKK 60 million from DKK 431 million in Q1-Q3 2015 to DKK 371 million in Q1-Q3 2016, equalling almost a 14 per cent reduction of expenses. The cost ratio has been reduced with 8.7 percentage points, from 59.9 per cent in Q1-Q3 2015 to 51.2 per cent in Q1-Q3 2016, which is considered a satisfying level.

The lower expenses are attributable to cost cuts realised after the organisational changes in September 2015, see company announcement of 14 September 2015, where the Bank also booked costs related to severances resulting from the organizational changes, and the discontinuation of contributions to the Guarantee Fund for Depositors and Investors, to which Vestjysk Bank's contribution in Q1-Q3 2015 amounted to DKK 31 million.

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 expected to amount to DKK 2 million for 2016.

Core earnings before impairment

For Q1-Q3 2016, the Bank's core earnings before impairment stood at DKK 354 million, compared with DKK 289 million in Q1-Q3 2015. Adjusted for value adjustments and severance payments in Q3 2015, core earnings before impairment for Q1-Q3 2016 are above Q1-Q3 2015, which is considered satisfactory.

Impairment charges on loans, advances, guarantees etc.

Impairment charges amounted to DKK 326 million, net in Q1-Q3 2016, compared to DKK 252 million in Q1-Q3 2015.

The impairment ratio for Q1-Q3 2016 was 1.7, against 1.2 in Q1-Q3 2015. The level of impairment is still unsatisfying high and higher than the sector average, reflecting the large impairment charges due to the depressed and worsened economic situation facing Danish agriculture, with very low price levels for especially milk but also pork. In Q1-Q3 2016 the agricultural sectors share of the banks impairment charges amounted to 90 per cent.

Milk and pork prices were historically low throughout 2015 and Q1-Q3 2016. A recent improvement in milk prices in the level of DKK 0.30 per kilogram milk, will in the long run improve the liquidity, but the stability of the price level is still uncertain. Pork prices have lately shown a stable tendency, but are still at a low level and there are still uncertainties about the future development in prices. 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.

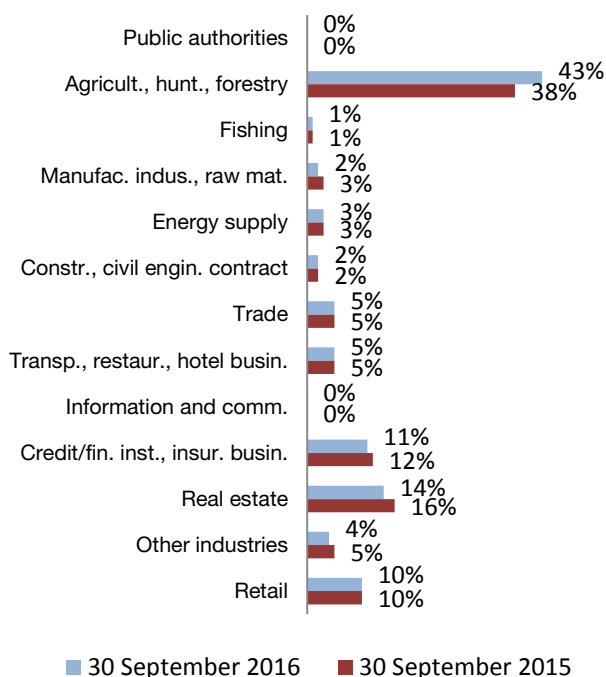
Agriculture is still a large factor in the sector diversification of the Bank's business loans, and as a result of the unfavourable market conditions that the sector has experienced in recent years, agriculture also accounts for the largest share of the Bank's accumulated impairment writedowns: 43 per cent or DKK 1.3 billion. The Bank has thus written down approximately 31 per cent of its gross lending to the agricultural sector.

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 September 2016 stood at 15.9, compared with 16.9 at the end of September 2015.

Accumulated Impairments and Provisions by Industry Segment at 30 September 2016

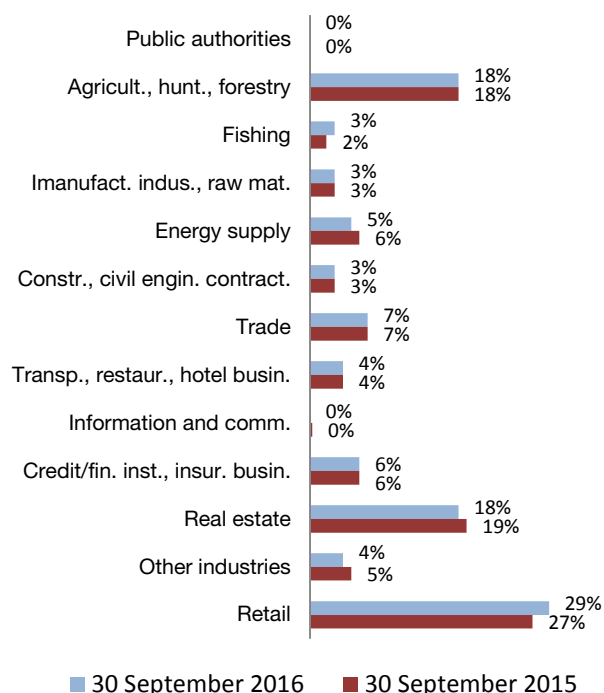


Loans

At 30 September 2016, Vestjysk Bank's net lending amounted to DKK 12.9 billion, against DKK 13.9 billion at 30 September 2015.

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

Loans and Guarantees by Industry Segment at 30 September 2016



Statement of financial position

Vestjysk Bank's balance sheet amounted to DKK 19.9 billion at 30 September 2016, against DKK 21.7 billion at 30 September 2015. 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.

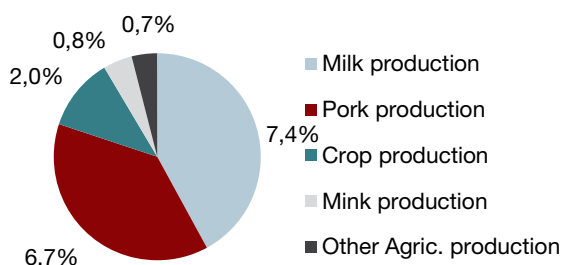
It is a positive development that loans to retail customers continues to rise, accounting for 29 per cent of the Bank's net loans and guarantees at 30 September 2016. At 30 September 2015, retail customers accounted for 27 per cent of the Bank's net loans and guarantees. The Bank is working dedicated on further increasing the retail customer segment as a business area and expects before 2018 to have met the Bank's goal of a distribution between retail customers and business customers of 30/70. The goal is thus almost achieved.

Management's Review

Financial highlights

Agriculture remains an important strategic business area in which the Bank has considerable experience. In isolated terms, at 30 September 2016 the Bank's exposure to agriculture accounted for 17.6 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 30 September 2016



Large exposures

The sum of large exposures, constituting 10 per cent or more of total capital, amounted to 37.8 per cent of total capital at 30 September 2016, consisting of two exposures.

Difference between deposits and loans

Vestjysk Bank's deposits including pooled schemes amounted to DKK 16.9 billion at 30 September 2016, against DKK 18.1 billion at 30 September 2015. The decrease in deposits is a planned adjustment as a consequence of the reduction in loans.

As a result of the positive development since 2012 between deposits and loans, the Bank had a deposit surplus at 30 September 2016 of DKK 4.1 billion, against DKK 4.2 at 30 September 2015.

Business volume

Vestjysk Bank's business volume – total deposits, loans and contingent liabilities – amounted to DKK 33.0 billion at 30 September 2016, against DKK 35.3 billion at 30 September 2015. 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 1,424 million at 30 September 2016, against DKK 1,391 million at 30 September 2015. The development in equity since 1 January 2015 is detailed in the statement of changes in equity.

Subordinated debt

The Bank's subordinated debt stood at DKK 815 million at 30 September 2016, of which state-funded additional tier 1 capital under Bank Package II totalled DKK 312 million including premium and amortisation. This capital carries interest at 9.561 per cent.

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 per cent of Executive Board salaries will be eligible for tax deduction.

Solvency

Solvency-related total capital amounted to DKK 2,031 million at 30 September 2016 which, relative to the total risk exposure of DKK 15,965 million, gives a total capital ratio of 12.7 per cent. At 30 September 2015, the Bank's total capital ratio was 12.6 per cent.

The minimum total capital ratio requirement for continued banking operations is 8.0 per cent, which for Vestjysk Bank equals DKK 1,277 million at 30 September 2016. Based on the Bank's current financial position, this requirement is met with a surplus of 4.7 percentage points, or DKK 754 million.

Solvency-related adequate total capital amounted to DKK 1,683 million at 30 September 2016 which, relative to the total risk exposure of DKK 15,965 million, gives an individual solvency need of 10.5 per cent, corresponding to a solvency need add-on of 2.5 percentage points in addition to the minimum requirement. Relative to the DKK 2,031 million total capital, the surplus solvency was 2.2 percentage points or DKK 348 million at 30 September 2016.

Common equity tier 1 capital

The Bank's common equity tier 1 capital totalled DKK 1,342 million at 30 September 2016 which, relative to the total risk exposure of DKK 15,965 million, gives a common equity tier 1 capital ratio of 8.4 per cent, against 7.6 per cent at 30 September 2015. The Bank's tier 1 capital ratio was 10.8 per cent at 30 September 2016, compared to 10.4 per cent at 30 September 2015.

The minimum common equity tier 1 capital ratio requirement for continued banking operations is 4.5 per cent, which for Vestjysk Bank equals DKK 718 million at 30 September 2016. Based on the Bank's current financial position, this requirement is met with a surplus of 3.9 percentage points, or DKK 624 million.

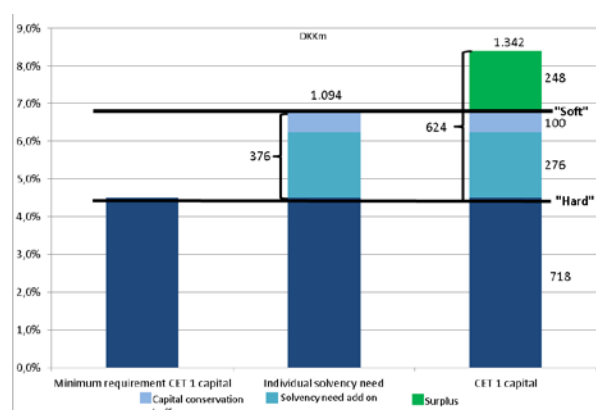
In relation to the Bank's common equity tier 1 capital, the aggregate capital requirement is 6.8 per cent, or DKK 1,094 million, compared to the Bank's common equity tier 1 capital of DKK 1,342 million. The difference between these two amounts constitutes the Bank's surplus common equity tier 1 capital of 1.6 percentage point, or DKK 248 million at 30 September 2016. At 30 September 2015, the surplus common equity tier 1 capital amounted to DKK 100 million.

Management is continuously considering measures to strengthen its common equity tier 1 capital. The surplus was improved by DKK 127 million during Q1-Q3 2016, primarily through the Bank's earnings and lower weighted risk 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 312 million, see note 15, 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.

As from 1 January 2017, the Bank will be required to include additional tier 1 capital from the Danish State in the Bank's individual solvency need, in addition to a 0.625% increase in the general capital conservation buffer. According to the Bank's expectations as to the financial performance for Q4 2016, all other things being equal, it will only be possible to partially comply with the enhanced requirements as to the amount and composition of the Bank's capital. Non-compliance with the so-called individual common equity tier 1 capital requirement – a "soft requirement" – leads to the need for a capital conservation plan to be prepared, which is to be approved by the Danish FSA.

The below graphic shows the correlation between the bank's common equity tier 1 capital and the related capital requirements at 30 September 2016.



Liquidity

Vestjysk Bank's liquidity position remains good with surplus liquidity of 120 per cent and a deposit surplus of DKK 4.1 billion.

At 30 September 2016, the Bank's Liquidity Coverage Ratio (LCR) stood at 264 per cent, relative to the LCR ratio requirement of 70 per cent.

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

Management's Review

Financial highlights

Share capital

Vestjysk Bank's share capital totalled DKK 151 million at 30 September 2016. The share capital consists of 151,008,121 shares with a nominal value of DKK 1 each.

Vestjysk Bank has some 38,000 registered shareholders. The Danish State holds 121,736,671 shares, corresponding to a stake of 80.62 per cent. 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 per cent. 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 3.29 percent of Vestjysk Bank's share capital.

The Bank's shares are listed in the Nasdaq OMX Nordic Mid Cap Index where the share has had observation status since 1 March 2013.

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 following table.

Realised values at 30 September 2016

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures (< 125%)	37.8%
Growth in loans (< 20%)	-7.3%
Real estate exposure (< 25%)	18.0%
Funding ratio (< 1)	0.67
Liquidity surplus (> 50%)	119.9%

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 period, 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 per cent of the Bank's share capital and voting rights exercises control.

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.

Action plan 2016

In the annual report for 2015, the bank launched a new action plan for 2016 and the following years, including the following action points:

- Maintaining the Bank's current business volume by focusing on the existing customers' borrowing and credit needs and adding new good 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

Execution of the plan is monitored closely by Management and the development in Q1-Q3 2016 is evaluated to be within the plan.

Outlook for 2016

Given an unchanged economic climate, the Bank's total business volume is expected to have the capacity to generate positive adjusted core earnings before impairment of DKK 400 to 450 million, against previously stated 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 contribute to ensuring a

continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

Although Danish agriculture experienced improved conditions with rising settlement prices in Q3 2016, the outlook for the sector is still considered to be uncertain, and the year to date has not brought any essential improvements to the underlying economic conditions facing agriculture.

As the Bank has a significant exposure to this industry a return to the low price level in H2 2015 and H1 2016 will lead to increased need for impairment writedowns relative to Management's current estimates for 2016. 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.

As from 1 January 2017, the Bank will be required to include additional tier 1 capital from the Danish State in the Bank's individual solvency need, in addition to a 0.625% increase in the general capital conservation buffer. According to the Bank's expectations as to the financial performance for Q4 2016, all other things being equal, it will only be possible to partially comply with the enhanced requirements as to the amount and composition of the Bank's capital. Non-compliance with the so-called individual common equity tier 1 capital requirement – a "soft requirement" – leads to the need for a capital conservation plan to be prepared, which is to be approved by the Danish FSA.

2017 Financial Calendar

■ 6 February	Deadline for receipt of shareholders' request for items to be included on the agenda for the Annual General Meeting
■ 23 February	Annual Report 2016
■ 20 March	Annual General Meeting
■ 17 May	Quarterly Report, Q1 2017
■ 23 August	Half Year Report, H1 2017
■ 22 November	Quarterly Report, Q1-Q3 2017

Management's Statement

The Bank's Board of Directors and Executive Board have today considered and approved the Quarterly Report for the period from 1 January to 30 September 2016 of Vestjysk Bank A/S.

The Quarterly Report is presented in accordance with the Danish Financial Business Act and in accordance with the supplementary Danish disclosure requirements relating to interim 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 30 September 2016, and of the results of the Bank's activities for the reporting period from 1 January to 30 September 2016.

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 section of the 2015 Annual Report detailed matters related to "Risks relating to going concern" and "Outlook for 2016". It is our assessment that these matters still apply and we refer to the Management's Statement, as well as Note 2 "Uncertainty, capital structure and going concern" in the 2015 Annual Report.

The present Quarterly Report has not been audited or reviewed.

Lemvig, Denmark, 23 November 2016

Executive Board

.....
Jan Ulsø Madsen
Chief Executive Officer

.....
Michael Nelander Petersen
Managing Director

Board of Directors

.....
Vagn Thorsager
Chairman of the Board of Directors

.....
Lars Holst
Deputy Chairman of the Board of Directors

.....
Anders Bech

.....
Bent Simonsen

.....
Jens Erik Christensen

.....
Karina Boldsen

.....
Jacob Møllgaard

.....
Malene Rønø

.....
Palle Hoffmann

Financial Statements

Statements of Income and Comprehensive Income

Note	Q1 - Q3 2016 DKK'000	Q1 - Q3 2015 DKK'000	Q3 2016 DKK'000	Q3 2015 DKK'000	FY 2015 DKK'000	
Statement of Income						
2	Interest income	588,563	665,450	192,655	215,985	888,693
3	Interest expenses	146,223	190,104	45,446	56,380	244,558
	Net interest income	442,340	475,346	147,209	159,605	644,135
	Dividends on shares etc.	3,330	2,354	87	40	2,397
4	Income from fees and commissions	254,826	254,284	89,180	76,901	339,645
	Fees and commissions paid	27,981	21,856	9,922	7,102	34,955
	Net interest and fee income	672,515	710,128	226,554	229,444	951,222
5	Value adjustments	41,068	6,089	17,571	-9,284	16,617
6	Other operating income	11,893	3,896	4,775	692	21,012
7	Staff costs and administrative expenses	360,933	391,322	117,993	137,913	513,185
	Depreciation, amortisation and impairment losses; on tangible and intangible assets	7,689	8,496	2,527	2,679	12,979
8	Other operating expenses	2,764	31,361	1,164	10,491	42,681
9	Impairment of loans and receivables, etc.	326,262	252,430	110,372	81,477	370,062
	Profit before tax	27,828	36,504	16,844	-11,708	49,944
	Tax	1,953	2,431	1,346	-1,297	521
	Profit after tax	25,875	34,073	15,498	-10,411	49,423
Statement of Comprehensive Income						
	Profit after tax	25,875	34,073	15,498	-10,411	49,423
	Other comprehensive income:					
	Change in the value of owner-occupied properties	0	0	0	0	-409
	Changes in the value of pension obligations	0	0	0	0	-248
	Other comprehensive income after tax	0	0	0	0	-657
	Total comprehensive income	25,875	34,073	15,498	-10,411	48,766

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Statement of Financial Position

Note	30 Sept 2016 DKK'000	30 Sept 2015 DKK'000	31 Dec 2015 DKK'000
Assets			
	406,928	438,656	393,127
	220,451	416,746	373,257
	12,877,987	13,887,769	13,337,021
	3,293,073	4,093,967	4,014,258
	173,654	176,296	179,255
	2,266,283	1,914,103	2,108,604
10	3,608	4,863	4,489
	318,754	365,371	352,431
11	0	0	29,900
12	318,754	365,371	322,531
	2,184	5,032	4,378
	3,659	4,080	5,482
	1,695	3,635	3,635
13	291,539	321,440	319,852
	18,555	19,790	18,267
	19,878,370	21,651,748	21,114,056

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Statement of Financial Position

Note	30 Sept 2016 DKK'000	30 Sept 2015 DKK'000	31 Dec 2015 DKK'000
Equity and liabilities			
Debts			
	331,823	661,935	326,710
	14,672,579	16,222,825	15,981,237
	2,266,283	1,914,103	2,108,604
14	334,368	413,520	340,151
	11	12,468	25
	17,605,064	19,224,851	18,756,727
Provisions			
	20,553	21,713	21,520
	11,621	9,122	9,936
	1,999	27,928	7,219
	34,173	58,763	38,675
15	814,908	977,285	914,920
Equity			
16	151,008	151,008	151,008
	52,543	57,526	52,543
	551,600	551,600	551,600
	594,074	555,715	573,583
	1,349,225	1,315,849	1,328,734
	75,000	75,000	75,000
	1,424,225	1,390,849	1,403,734
	19,878,370	21,651,748	21,114,056
17	Items not recognised in the statement of financial position		
	3,174,977	3,289,240	3,212,734
	48,288	50,307	51,235
	3,223,265	3,339,547	3,263,969

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Statement of Changes in Equity

DKK'000	Share capital	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Retained earnings	Total	Additional tier 1 capital*)	Equity, total
Equity, 1 January 2016	151,008	52,543	551,600	573,583	1,328,734	75,000	1,403,734
Comprehensive income for the period				20,492	20,492	5,383	25,875
Interest on additional tier 1 capital					0	-5,383	-5,383
Additions relating to sale of own shares				11,464	11,464		11,464
Disposals relating to purchase of own shares				-11,465	-11,465		-11,465
Equity, 30 September 2016	151,008	52,543	551,600	594,074	1,349,225	75,000	1,424,225
Equity, 1 January 2015	151,008	57,526	551,600	527,008	1,287,142	75,000	1,362,142
Comprehensive income for the period				28,709	28,709	5,364	34,073
Interest on additional tier 1 capital					0	-5,364	-5,364
Additions relating to sale of own shares				16,231	16,231		16,231
Disposals relating to purchase of own shares				-16,233	-16,233		-16,233
Equity, 30 September 2015	151,008	57,526	551,600	555,715	1,315,849	75,000	1,390,849
Equity, 1 January 2015	151,008	57,526	551,600	527,008	1,287,142	75,000	1,362,142
Comprehensive income for the period		-409		42,004	41,595	7,171	48,766
Interest on additional tier 1 capital					0	-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	52,543	551,600	573,583	1,328,734	75,000	1,403,734

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 per cent. If Vestjysk Bank's common equity tier 1 capital ratio falls below 5.125 per cent, the loan will be written down.

The additional tier 1 capital meets the conditions of CRR/CRV IV.

Overview of notes to the financial statements

- 1 Accounting policies
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- 4 Income from fees and commissions
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Note

1 Accounting policies

Vestjysk Bank's Quarterly report for 1 January - 30 September 2016 is presented in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive order on financial reporting for credit institutions and investment companies, et al. as well as the disclosure requirements for listed companies issued by NASDAQ OMX Copenhagen A/S.

The accounting policies applied in this report remain unchanged from the 2015 Annual Report, which contains a full description of those policies.

Measuring certain assets and liabilities require Management to make an estimate of how future events will affect the value of such assets and liabilities. Estimates considered material in presenting the accounts are, among other things, made by stating impairments of impaired loans, the fair values of unlisted financial instruments as well as provisions, cf. the more detailed discussion in the 2015 Annual Report. The applied estimates are based on assumptions deemed sound by Management but which by their nature are uncertain.

The Bank's significant risks and external conditions that may affect the Bank are described in greater detail in the 2015 Annual Report.

	Q1 - Q3 2016 DKK'000	Q1 - Q3 2015 DKK'000	FY 2015 DKK'000
2 Interest income			
Receivables from credit institutions and central banks	898	1,478	1,925
Loans and other receivables	576,182	645,840	862,145
Bonds	6,636	10,529	14,997
Other interest income	4,846	7,601	6
Derivative financial instruments	1	2	9,620
Total	588,563	665,450	888,693
There is no interest income originating from reverse repo transactions.			
3 Interest expenses			
Credit institutions and central banks	227	771	807
Deposits and other debt	96,680	136,190	173,137
Subordinated debt	49,265	53,084	70,554
Other interest expenses	51	59	60
Total	146,223	190,104	244,558
There is no interest expense originating from repo transactions.			
4 Income from fees and commissions			
Securities trading and custody services	78,227	72,580	101,194
Payment services	37,363	33,129	45,618
Loan processing fees	23,073	36,858	45,014
Guarantee commission	32,809	37,441	48,747
Other fees and commissions	83,354	74,276	99,072
Total	254,826	254,284	339,645

note	Q1 - Q3 2016 DKK'000	Q1 - Q3 2015 DKK'000	FY 2015 DKK'000
5 Value adjustments			
Bonds	35,749	-8,939	-8,490
Shares, etc.	-2,237	7,619	8,051
Investment property	0	0	6,313
Foreign currency	9,730	3,189	6,786
Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	-12,797	-1,892	-2,891
Assets related to pooled schemes	33,957	60,840	160,750
Deposits with pooled schemes	-33,957	-60,840	-160,750
Other assets	105	-3,340	-3,933
Other liabilities	10,518	9,452	10,781
Total	41,068	6,089	16,617
6 Other operating income			
Gains on sale of property, plant and equipment	681	504	2,237
Other income	11,212	3,392	18,775
Total	11,893	3,896	21,012
7 Staff costs and administrative expenses			
Salaries and remuneration for the Board of Directors and Executive Board	5,874	5,407	7,239
Staff costs	226,808	253,924	329,247
Other administrative expenses	128,251	131,991	176,699
Total	360,933	391,322	513,185
Salaries and remuneration of the Board of Directors and Executive Board			
Board of Directors			
Fixed remuneration	1,237	1,237	1,650
Total	1,237	1,237	1,650
Executive Board			
Contractual remuneration	4,425	3,950	5,299
Pension	211	220	290
Total	4,636	4,170	5,589

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Note	Q1 - Q3 2016 DKK'000	Q1 - Q3 2015 DKK'000	FY 2015 DKK'000
7 Staff costs and administrative expenses (continued)			
Value of benefits	161	160	216
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	2,399	2,165	2,903
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.			
Staff costs			
Wages and salaries	176,502	202,755	260,758
Pensions	21,500	23,064	30,757
Expenses relating to social security contributions, payroll tax etc.	28,806	28,105	37,732
Total	226,808	253,924	329,247
8 Other operating expenses			
Contributions to the Guarantee Fund for Depositors and Investors	1,143	31,157	42,294
Other expenses	1,621	204	387
Total	2,764	31,361	42,681
9 Impairment of loans and provisions for guarantees, etc.			
Individual impairment of loans			
Individual impairment of loans and other receivables, beginning of the reporting period	2,997,232	3,423,412	3,423,412
Impairment charges for the period	406,192	406,230	501,758
Reversal of impairment charges in prior financial years	-103,675	-154,290	-143,534
Other movements	59,430	69,253	81,415
Previously individually impaired, now written off	-439,421	-400,368	-865,819
Individual impairment of loans and other receivables, end of the reporting period	2,919,758	3,344,237	2,997,232
Impact on financial income statement	302,517	251,940	358,224
Collective impairment of loans			
Collective impairment of loans and other receivables, beginning of the reporting period	93,712	116,069	116,069
Impairment charges for the period	30,169	33,592	42,766
Reversal of impairment charges in prior financial years	-20,516	-47,501	-68,700
Other movements	3,305	2,792	3,577
Collective impairment of loans and other receivables, end of the reporting period	106,670	104,952	93,712
Impact on financial income statement	9,653	-13,909	-25,934

Note	Q1 - Q3 2016 DKK'000	Q1 - Q3 2015 DKK'000	FY 2015 DKK'000
9 Impairment of loans and provisions for guarantees, etc. (continued)			
Impairment of loans, total			
Impairment of loans and other receivables, beginning of the reporting period	3,090,944	3,539,481	3,539,481
Impairment charges for the period	436,361	439,822	544,524
Reversal of impairment charges in prior financial years	-124,191	-201,791	-212,234
Other movements	62,735	72,045	84,992
Previously individually impaired, now written off	-439,421	-400,368	-865,819
Impairment of loans and other receivables, end of the reporting period	3,026,428	3,449,189	3,090,944
Impact on financial income statement	312,170	238,031	332,290
Provisions for losses on guarantees and unused credit commitments			
Provisions for losses on guarantees and unused credit commitments, beginning of the reporting period	17,155	24,903	24,903
Provisions for the period	7,182	28,874	11,034
Reversal of provisions in prior financial years	-10,717	-16,727	-18,782
Provisions for losses on guarantees and unused credit commitments, end of the reporting period	13,620	37,050	17,155
Impact on financial income statement	-3,535	12,147	-7,748
Accumulated impairment ratio	15,9%	16,9%	15,8%
Receivables for which accrual of interest has been discontinued, end of the reporting period	1,434,511	1,727,286	1,361,082
Total impairment charge thereon	1,134,383	1,293,619	991,083
Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	9,0%	10,0%	8,3%
Impact on operations, total	308,635	250,178	324,542
Loans with no prior individual impairment/provisions, written off	23,842	10,172	55,816
Recovered on previously written-off debts	-6,215	-7,920	-10,296
Impairment of loans and guarantee debtors, etc., total	326,262	252,430	370,062
Interest income on impaired loans is offset against impairment in the amount of	62,735	72,045	84,992

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Notes

Note	30 Sept 2016 DKK'000	30 Sept 2015 DKK'000	31 Dec 2015 DKK'000
10 Intangible assets			
Customer relationships			
Total acquisition cost, beginning of the reporting period	14,964	14,964	14,964
Total acquisition cost, end of the reporting period	14,964	14,964	14,964
Depreciation and impairment, beginning of the reporting period	10,475	8,978	8,978
Depreciation and impairment for the period	1,122	1,123	1,497
Depreciation and impairment, end of the reporting period	11,597	10,101	10,475
Recognised holding, end of the reporting period	3,367	4,863	4,489
Other intangible assets			
Total acquisition cost, beginning of the reporting period	0	0	0
Additions	241	0	0
Total acquisition cost, end of the reporting period	241	0	0
Depreciation and impairment, beginning of the reporting period	0	0	0
Depreciation and impairment for the period	0	0	0
Depreciation and impairment, end of the reporting period	0	0	0
Recognised holding, end of the reporting period	241	0	0
Total acquisition cost, beginning of the reporting period	3,608	4,863	4,489
11 Investment property			
Fair value, beginning of the reporting period	29,900	0	0
Transferred from owner-occupied property	0	0	23,587
Disposals	29,900	0	0
Fair value adjustment for the reporting period	0	0	6,313
Fair value at the end of the reporting period	0	0	29,900
12 Owner-occupied property			
Revalued amount, beginning of the period	322,531	369,721	369,721
Additions	473	0	870
Disposals	0	0	40,048
Depreciations	4,250	4,350	6,080
Changes in value recognised in other comprehensive income	0	0	-409
Changes in value recognised in the statement of income	0	0	-1,523
Revalued amount, end of the period	318,754	365,371	322,531
External valuation experts have been involved in measuring the most important owner-occupied properties.			
13 Other assets			
Positive market value of derivative financial instruments	42,111	80,391	66,534
Interest and commission receivable	54,797	49,339	51,397
Investments in BEC	179,081	175,815	175,815
Other assets	15,550	15,895	26,106
Total	291,539	321,440	319,852

Note	30 Sept 2016 DKK'000	30 Sept 2015 DKK'000	31 Dec 2015 DKK'000
14 Other liabilities			
Negative market value of derivative financial instruments	56,334	56,953	50,420
Various creditors	172,166	174,552	243,640
Interest and commission payable	86,244	145,544	10,389
Other liabilities	19,624	36,471	35,702
Total	334,368	413,520	340,151
15 Subordinated debt			
Tier 2 capital	352,791	522,049	453,893
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. The capital meets the conditions of CRR/CRV IV.			
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 7.300% with no step-up clause. The capital meets the conditions of CRR/CRV IV.			
Total	352,791	522,049	453,893
Additional tier 1 capital			
Additional tier 1 capital of DKK 100 million.	100,000	100,609	100,000
The capital accrues interest at a floating rate of 2.295%. There is an option of early repayment, subject to the approval of the Danish Financial Supervisory Authority, at par, at any interest payment date with 30 calendar days' notice. The capital does not meet the conditions of CRR/CRV IV.			
Additional tier 1 capital of DKK 50 million.	50,000	50,000	50,000
The capital accrues interest at a floating rate of 2.638%. There is no due date. The capital does not meet the conditions of CRR/CRV IV.			
Additional tier 1 capital of DKK 287.6 million.	312,117	304,627	311,027
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. The capital does not meet the conditions of CRR/CRV IV, but is included in the Bank's total capital under the transitional provisions.			
Total	462,117	455,236	461,027
Subordinated debt, total	814,908	977,285	914,920
Charged as an expense under interest expenses/subordinated debt:			
Interest expenses	47,287	52,681	69,933
Costs related to repayment and incurrence	212	212	283
Value adjustments, etc.	1,766	191	338
Total	49,265	53,084	70,554
Subordinated debt that can be included in the total capital	613,849	794,212	696,118

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Note	30 Sept 2016 DKK'000	30 Sept 2015 DKK'000	31 Dec 2015 DKK'000
16 Share capital			
Share capital, beginning of the period	151,008	151,008	151,008
Number of shares (units)	151,008,121 of DKK 1	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	173	173
Nominal value DKK'000	173	173	173
Percentage of the share capital	0.1%	0.1%	0.1%
Additions			
Purchase of own shares (thousands)	1,355	1,698	2,355
Nominal value DKK'000	1,355	1,698	2,355
Percentage of the share capital	0.9%	1.1%	1.6%
Total purchase price DKK'000	11,465	16,233	21,919
Disposals			
Sold own shares (thousands)	1,355	1,698	2,355
Nominal value DKK'000	1,355	1,698	2,355
Percentage of the share capital	0.9%	1.1%	1.6%
Total selling price DKK'000	11,464	16,231	21,916
Number of own shares, end of the period			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	173
Percentage of the share capital	0.1%	0.1%	0.1%
Own shares are intermediated, purchased and sold through the securities exchange as part of Vestjysk Bank's normal customer banking transactions. The Bank is not 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.			
17 Items not recognised in the statement of financial position			
Guarantees			
Financial guarantees	441,993	495,120	441,403
Loss guarantees on mortgage loans	1,882,926	1,871,037	1,868,648
Other contingent liabilities	850,058	923,083	902,683
Total	3,174,977	3,289,240	3,212,734
'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			
Irreversible credit commitments	24,837	24,313	25,760
Other liabilities	23,451	25,994	25,475
Total	48,288	50,307	51,235

Note	30 Sept 2016 DKK'000	30 Sept 2015 DKK'000	31 Dec 2015 DKK'000
18 Capital requirements			
Shareholders Equity	1,349,225	1,315,849	1,328,734
Intangible assets	-3,608	-4,863	-4,489
Prudent valuation	-3,413	-4,249	-4,151
Holdings in financial sector entities in which the Bank does not have significant investments	0	-608	0
Common equity tier 1 capital	1,342,204	1,306,129	1,320,094
Additional tier 1 capital	387,117	489,928	436,027
Holdings in financial sector entities in which the Bank does not have significant investments	0	-456	0
Tier 1 capital	1,729,321	1,795,601	1,756,121
Tier 2 capital	301,732	379,284	335,091
Holdings in financial sector entities in which the Bank does not have significant investments	0	-456	0
Total capital	2,031,053	2,174,429	2,091,212
Total risk exposure	15,965,279	17,208,101	16,738,717
Common equity tier 1 capital ratio	8.4%	7.6%	7.9%
Tier 1 capital ratio	10.8%	10.4%	10.5%
Total capital ratio	12.7%	12.6%	12.5%
19 Security pledged			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	43,194	26,371	31,132
Deposited in the Danish Growth Fund	455	458	457
Other accounts pledged as security	0	0	10,000
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	1,042,692	1,515,474	1,387,194
Total market value	1,045,374	1,513,423	1,379,272

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Notes

Note					
20	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.				
		Q1 - Q3 2016	Q1 - Q3 2015	FY 2015	
21	Financial highlights				
	Key figures				
	Statement of income (DKKm)				
	Net interest income	442	475	644	
	Net fee income	227	232	305	
	Dividends on shares etc.	3	2	2	
	Value adjustments	41	6	17	
	Other operating income	12	4	21	
	Core income	725	719	989	
	Staff costs and administrative expenses	361	391	513	
	Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and intangible assets	10	40	56	
	Operating expenses and operating depreciation and amortisation	371	431	569	
	Core earnings before impairment	354	288	420	
	Impairment of loans and receivables, etc.	326	252	370	
	Profit before tax	28	36	50	
	Tax	2	2	1	
	Profit after tax	26	34	49	
		30 Sept 2016	30 Sept 2015	31 Dec 2015	
	Statement of financial position (DKKm)				
	Assets, total	19.878	21.652	21.114	
	Loans	12.878	13.888	13.337	
	Deposits, including pooled schemes	16.939	18.137	18.090	
	Contingent liabilities	3.175	3.289	3.213	
	Business volume	32.992	35.314	34.640	
	Equity	1.424	1.391	1.404	

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 in the annual report for 2015.

Note	Q1 - Q3 2016	Q1 - Q3 2015	FY 2015
21			
Financial highlights (continued)			
Financial ratios¹			
Solvency			
Total capital ratio	12.7%	12.6%	12.5%
Tier 1 capital ratio	10.8%	10.4%	10.5%
Common equity tier 1 capital ratio	8.4%	7.6%	7.9%
Earnings			
Return on equity before tax, annually	2.6%	3.5%	3.6%
Return on equity after tax, annually	2.4%	3.3%	3.6%
Income/cost ratio	1.04	1.05	1.05
Cost Ratio ²	51.2%	59.9%	57.5%
Return on assets	0.1%	0.2%	0.2%
Employees converted to full-time (average)	462.3	509.1	500.1
Market risk			
Interest rate risk	-3.7%	-5.3%	-5.1%
Foreign exchange position	0.8%	2.2%	1.9%
Foreign exchange risk	0.0%	0.0%	0.0%
Surplus liquidity in relation to statutory liquidity requirements	119.9%	130.1%	140.1%
Credit risk			
Loans plus impairment of loans relative to deposits	93.9%	95.6%	90.8%
Loans relative to equity	9.0	10.0	9.5
Growth in loans for the year	-3.4%	-5.6%	-9.4%
Sum of large exposures	37.8%	31.8%	35.1%
Accumulated impairment ratio	15.9%	16.9%	15.8%
Impairment ratio for the period	1.7%	1.2%	1.9%
Vestjysk Bank share³			
Earnings per share for the period	0.2	0.2	0.3
Book value per share	8.9	8.7	8.8
Price of Vestjysk Bank shares, end of the period	9.2	8.8	7.8
Share price/book value per share	1.0	1.0	0.9

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 is a liability.

