Vestjysk Bank
2016 Annual Report

vestjyskBANK

Contents

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The Vestjysk Bank Annual Report for 2016 is a translation of the original report in Danish (Vestjysk Bank Årsrapport 2016).
In case of discrepancies, the Danish version prevails.

Summary

2016 Highlights

Vestjysk Bank realised a profit after tax of DKK 80 million in 2016. The Bank's core operations are sound and core earnings of DKK 499 million before impairment are considered very 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 - the Bank's profit after impairment charges is considered acceptable.

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.

In light of the Bank's operational performance and the expectation that the positive trend will continue, a capital increase in the form of a share issue is being considered. For the time being, the Bank has not settled on any concrete model, however, and no further information on these considerations is therefore available.

- Profit after tax of DKK 80 million (2015: DKK 49 million).
- Core income of DKK 1,004 million (2015: DKK 989 million), including value adjustments of DKK 65 million (2015: DKK 17 million).
- Cost ratio of 50.3 (2015: 57.5), corresponding to a decrease of 7.2 percentage points.
- Core earnings before impairment of DKK 499 million (2015: DKK 420 million).
- Impairment of loans and receivables, etc. of DKK 416 million (2015: DKK 370 million). Impairment charges on agriculture still accounts for the majority of the Bank's impairment charges.
- 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 December 2016, the Bank's surplus relative to these requirements was 5.0 percentage points, or DKK 798 million, and 4.2 percentage points, or DKK 682 million, respectively.
- The total capital ratio stood at 13.0 per cent and the individual solvency need at 10.6 per cent, corresponding to a surplus of 2.4 percentage points or DKK 388 million at 31 December 2016, which is how far the Bank is from the need to prepare a recovery plan.
- Common equity tier 1 capital ratio of 8.7 at 31 December 2016, compared with a requirement of 7.0. The surplus is 1.7 percentage point, or DKK 287 million, which is how far the Bank is from the need to prepare a capital conservation plan.
- Deposit surplus of DKK 4.4 billion at 31 December 2016, compared with a deposit surplus of DKK 4.7 billion at 31 December 2015. Surplus liquidity of 127.4 per cent at 31 December 2016.

As announced in the company announcement dated 4 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.

At 1 January 2017, in accordance with the FSA's guidelines on the calculation of solvency need, the Bank has recognised state-funded additional tier 1 capital of DKK 312 million in the Bank's individual solvency need, in addition to a 0.625 per cent increase in the general capital conservation buffer. Accordingly, the common equity tier 1 capital requirement has risen to 9.5 per cent. At 1 January 2017, common equity tier 1 capital ratio was calculated at 8.8 per cent – i.e. 0.7 of a percentage point, or DKK 116 million, short of the requirement.

Due to the shortfall, the Bank has, in compliance with section 125 of the Danish Financial Business Act, prepared a capital conservation plan. The plan has been assessed and approved by the Danish FSA. The Bank is expected to be able to recover the shortfall through earnings from ordinary operation.

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 400-450 million. Lower impairment losses are expected. Assuming an unchanged economic climate, Management expects that impairment losses can be absorbed by the Bank's core earnings, resulting in a significant improvement of its consolidation in 2017.

Introduction

A year of bottom line profit and stabilization
2016 was the second year in a row 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 2016 the Bank reduced the impairment ratio to 2.2 per cent, against 5.2 per cent in 2012 despite a very challenging year for Danish agriculture and thus also the Bank.

On the basis of its stable core business, the Bank generated a profit after tax of DKK 80 million in 2016 against 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 almost 40 per cent from DKK 20.7 billion in 2012 to DKK 12.5 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 434 million in 2016, against DKK 481 million in 2012 – a 10 per cent 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.

In 2016, Vestjysk Bank was named Digital Financial Business of the Year, winning all three categories of this prize for medium-sized banks. The Bank was also the winner of the Financial Sector's Customer Benchmark for the third year running. The Bank is very proud and grateful that our customers express their satisfaction with our general approach to banking in this manner. The Bank considers this a key parameter and driver for our continuing operations.

Action plan
At the presentation of the annual report for 2016, Management is confident about the Bank's efforts to secure a strong position for Vestjysk Bank in Danish banking. 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 action plan for 2016 will thus be strengthened with the following action points for 2017 and the following years:

- Exploring the options of raising additional capital in the form of an issue of shares, possibly combined with other capital instruments.
- 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 50
- Increasing earnings, particularly in the investment area, by increasing the customers' proportion of pooled and wealth management products
- Further digitalisation of the Bank through effective internal processes and new options for the customers
- 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
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.

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.

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.

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. The time frame for the approval process is not yet known.

Outlook for 2017

While the Bank's performance since 2012 shows a positive trend, it has not yet reached a satisfactory level overall. For 2016, Vestjysk Bank posted a profit and achieved improvement over 2015, and we expect the Bank to be entering into a phase with increasing annual profits. The uncertainty factors regarding the Bank's ability to sustain this momentum remain linked to the Bank's significant agricultural exposure. In the first half of 2016, this sector suffered historically depressed settlement prices, which recovered somewhat in the second half of 2016, however, and projections point to sustained or increasing price levels in 2017. In 2016, the Bank also recognised considerable impairment losses on agricultural exposures, whereas expectations for 2017 point to a lower impairment level for agriculture.

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 2017.

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 400-450 million. Lower impairment losses are expected. Assuming an unchanged economic climate, Management expects that impairment losses can be absorbed by the Bank's core earnings, resulting in a significant improvement of its consolidation in 2017. This will ensure a continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

If the improvement of pork and milk settlement prices seen in the second half of 2016 are not sustained in 2017, the Bank's significant exposure to agriculture could cause increased impairment losses relative to the Management's current estimates for 2017. 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 2017.

Vagn Thorsager	Jan Ulsø Madsen
Chairman of the Board	*Chief Executive Officer*

Management's Review

Financial Highlights

Key Figures	2016	2015	2014	2013	2012
Statement of Income (DKKm)					
Net interest income	595	644	699	813	892
Net fee income	312	305	290	262	279
Dividends on shares, etc.	3	2	6	13	5
Value adjustments	65	17	56	126	94
Other operating income	29	21	4	20	10
Core Income	1,004	989	1,055	1,234	1,280
Staff costs and administrative expenses	489	513	509	539	656
Other operating expenses as well as deprecia-tion, amortisation and impairment losses; on intangible and tangible assets	16	56	51	64	49
Operating expenses and operating depreciation and amortisation	505	569	560	603	705
Core Earnings Before Impairment	499	420	495	631	575
Impairment of goodwill	0	0	0	0	208
Impairment of loans and receivables, etc.	416	370	683	1,073	1,515
Profit/loss Before Tax	83	50	-188	-442	-1,148
Tax	3	1	0	0	299
Profit/loss After Tax	80	49	-188	-442	-1,447
Statement of financial position (DKKm)					
Assets, total	19,895	21,114	21,804	26,112	32,773
Loans	12,529	13,379	14,756	17,402	20,739
Deposits, including pooled schemes	16,971	18,090	18,768	17,877	18,058
Contingent liabilities	3,358	3,213	3,036	2,958	5,154
Business volume	32,858	34,682	36,560	38,237	43,951
Equity	1,487	1,404	1,362	887	998

Financial ratios [1]	2016	2015	2014	2013	2012
Solvency					
Total capital ratio	13.0%	12.5%	12.1%	11.3%	11.2%
Tier 1 capital ratio	11.2%	10.5%	9.9%	5.9%	5.6%
Common equity tier 1 capital ratio	8.7%	7.9%	7.1%	4.1%	3.6%
Earnings					
Return on equity before tax, annually	5.7%	3.6%	-16.7%	-46.9%	-84.5%
Return on equity after tax, annually	5.5%	3.6%	-16.7%	-46.9%	-106.6%
Income-cost ratio	1.09	1.05	0.85	0.74	0.53
Cost ratio [2]	50.3%	57.5%	53.1%	48.9%	55.1%
Return on assets	0.4%	0.2%	-0.8%	-1.5%	-8.8%
Employees converted to full-time (average)	458.6	500.1	523.1	562.9	621.3
Market Risk					
Interest rate risk	-3.0%	-5.1%	-4.7%	-4.9%	-11.2%
Foreign exchange position	0.3%	1.9%	1.4%	1.6%	1.6%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus liquidity in relation to statutory liquidity requirements	127.4%	140.1%	136.2%	162.2%	144.8%
Credit Risk					
Loans plus impairment on loans relative to deposits	91.7%	91.0%	97.5%	118.5%	113.7%
Loans relative to equity	8.4	9.5	10.8	19.6	20.8
Growth in loans for the year	-6.4%	-9.3%	-15.2%	-16.1%	-4.5%
Sum of large exposures	36.9%	35.1%	22.3%	33.5%	44.9%
Accumulated impairment ratio	16.1%	15.8%	16.7%	15.7%	11.8%
Impairment ratio for the year	2.2%	1.9%	3.2%	4.4%	5.2%
Vestjysk Bank Share					
Earnings per share for the year	0.5	0.3	-1.6	-6.0	-39.4
Book value per share [3]	9.4	8.8	8.5	10.3	16.3
Price of Vestjysk Bank shares, end of the year	13.0	7.8	9.3	9.0	13.0
Share price/earnings per share	24.6	23.7			
Share price/book value per share [3]	1.4	0.9	1.1	0.9	0.8

1 The financial ratios are laid down in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Statement of Income (DKKm)					
Net interest income	153	147	149	146	168
Net fee and commission income	85	79	71	77	73
Dividends on shares etc.	0	0	3	0	0
Value adjustments	24	17	17	7	11
Other operating income	17	5	6	1	17
Core Income	279	248	246	231	269
Staff and administrative expenses	128	118	120	123	122
Other operating expenses as well as depreciation, amortisation and impairment losses onintangible and tangible assets	6	3	4	3	16
Operating expenses and operating depreciations and amortisations	134	121	124	126	138
Core Earnings Before Impairment	145	127	122	105	131
Impairment of loans and receivables, etc.	90	110	123	93	118
Profit/loss Before Tax	55	17	-1	12	13
Tax	1	1	1	0	-2
Profit/loss After Tax	54	16	-2	12	15
Statement of financial position (DKKm)					
Assets, total	19,895	19,878	20,557	20,444	21,114
Loans	12,529	12,920	13,093	13,346	13,379
Deposits, including pooled schemes	16,971	16,939	17,463	17,367	18,090
Contingent liabilities	3,358	3,175	3,143	3,101	3,213
Business volume	32,858	33,034	33,699	33,814	34,682
Equity	1,487	1,424	1,411	1,413	1,404

Financial ratios [1]	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Solvency					
Total capital ratio	13.0%	12.7%	12.5%	12.6%	12.5%
Tier 1 capital ratio	11.2%	10.8%	10.6%	10.7%	10.5%
Common equity tier 1 capital ratio	8.7%	8.4%	8.2%	8.0%	7.9%
Earnings					
Return on equity before tax, annually	15.0%	4.7%	-0.2%	3.4%	3.8%
Return on equity after tax, annually	14.8%	4.3%	-0.3%	3.3%	4.4%
Income-cost ratio	1.25	1.07	1.00	1.05	1.05
Cost ratio [2]	47.9%	48.9%	50.3%	54.6%	51.2%
Return on assets	0.3%	0.1%	0.0%	0.1%	0.1%
Employees converted to full-time (average)	447.7	457.7	461.3	467.8	473.1
Market Risk					
Interest rate risk	-3.0%	-3.7%	-4.1%	-4.6%	-5.1%
Foreign exchange position	0.3%	0.8%	0.9%	0.9%	1.9%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus liquidity in relation to statutory liquidity requirements	127.4%	119.9%	134.3%	121.6%	140.1%
Credit Risk					
Loans plus impairment on loans relative to deposits	91.7%	94.1%	92.2%	94.1%	91.0%
Loans relative to equity	8.4	9.1	9.3	9.4	9.5
Growth in loans for the year	-3.0%	-1.3%	-1.9%	-0.2%	-4.0%
Sum of large exposures	36.9%	37.8%	38.6%	37.3%	35.1%
Accumulated impairment ratio	16.1%	15.9%	15.7%	15.5%	15.8%
Impairment ratio for the year	0.5%	0.6%	0.6%	0.5%	0.6%
Vestjysk Bank Share					
Earnings per share for the year	0.4	0.1	0.0	0.1	0.1
Book value per share [3]	9.4	8.9	8.9	8.9	8.8
Price of Vestjysk Bank shares, end of the year	13.0	9.2	8.0	9.1	7.8
Share price/earnings per share [3]	1.4	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.

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.

Introduction

The Bank's profit after tax came to DKK 80 million for 2016, compared with DKK 49 million for 2015.

Core income amounted to DKK 1,004 million, against DKK 989 million in 2015. Staff costs and administrative expenses fell by just under 5 per cent from DKK 513 million in 2015 to DKK 489 million in 2016. The decrease 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 in 2015, staff costs and administrative expenses were down 2 per cent.

The development in income and expenses resulted in core earnings of DKK 499 million before impairment, against DKK 420 million in 2015.

Loan impairment charges amounted to DKK 416 million in 2016, against DKK 370 million in 2015. The level of impairment is higher than expected by the beginning of 2016. The level is still above the sector average.

In summary, the profit after tax of DKK 80 million is above the Bank's guidance for the year, causing the Bank to announce an upgrade of both core earnings and profit before tax in a company announcement on 27 January 2017.

Income statement

Profit/loss after tax
For 2016, the Bank's profit after tax was DKK 80 million, compared with DKK 49 million for 2015.

Impairment of loans and receivables, etc. amounted to DKK 416 million in 2016. The impairment ratio for 2016 was 2.2 per cent, against 1.9 per cent in 2015. The level is still above the sector average, and thus also relative to the Bank's goal.

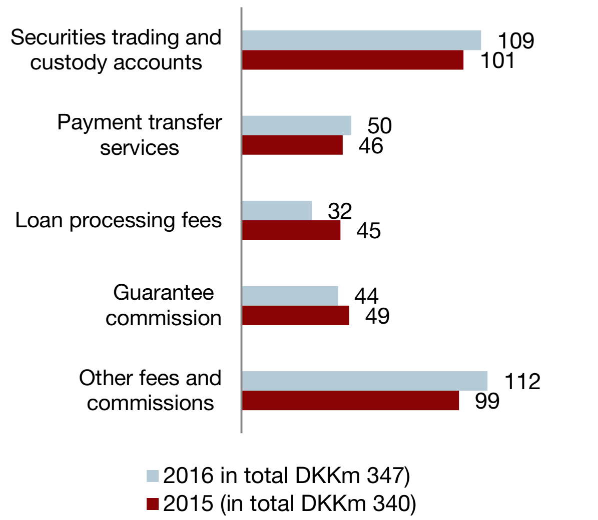
Core income
In 2016, Vestjysk Bank realised core income of DKK 1,004 million, up DKK 15 million compared with 2015. The core income increase was due to higher value adjustments, partly offset by lower interest income.

Net interest income totalled DKK 595 million in 2016, against DKK 644 million in 2015. The DKK 49 million decline was due to a DKK 109 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 59 million, mainly due to lower deposit rates.

Positive value adjustments represented DKK 65 million, compared with DKK 17 million in 2015.

Fee and commission income rose 2 per cent from DKK 340 million in 2015 to DKK 347 million in 2016. The increase in fee and commission income is mainly explained by a high level of securities trading activity and other fees and commissions, especially within property finance, which more than offsets the 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 29 million in 2016, against DKK 21 million in 2015.

Operating expenses and operating depreciation and amortisation
Total operating expenses, depreciation and amortisation amounted to DKK 505 million in 2016, against DKK 569 million in 2015. The lower expenses are attributable to cost cuts realised after the organisational changes in September 2015, where the Bank also booked costs related to sever-

ances resulting from the organizational changes, and the discontinuation of contributions to the Guarantee Fund for Depositors and Investors.

Vestjysk Bank's contributions to the Guarantee Fund for Depositors and Investors was charged at DKK 42 million for 2015. 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 below DKK 2 million.

Adjusted for the non-recurring cost and the discontinuation of contributions to the Guarantee Fund for Depositors and Investors, total operating expenses and depreciation was reduced by approx. DKK 9 million, or approx. 2 per cent, despite an increase in the general cost level due to salary and price increases.

Core earnings before impairment

For 2016, the Bank's core earnings before impairment stood at DKK 499 million, compared with DKK 420 million in 2015. Adjusted for value adjustments and non-recurring severance costs in 2015, core earnings before impairment in 2016 remained above the 2015 level, which is considered satisfactory.

Impairment charges on loans, advances, guarantees etc.

Impairment charges amounted to DKK 416 million, net in 2016, compared with DKK 370 million in 2015. The impairment ratio for 2016 was 2.2 per cent, against 1.9 per cent in 2015. The level of impairment is still unsatisfying high and higher than the sector average. The level is higher than Management's expectations at the beginning of 2016 and is entirely due to the agricultural sector's continued serious financial challenges with very depressed settlement prices throughout the greater part of 2016.

In February 2017, the Danish FSA will complete a functional examination of the Bank based on September 30 2016 figures. The FSA's examination comprised a review of the Bank's 65 largest loans (all in excess of DKK 40.8 million), the 40 largest agricultural loans in addition to this, 60 business loans of between DKK 10 million and DKK 40.8 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 30 per cent of the Bank's total lending volume. Based on its examination of the selected exposures, the FSA estimates evidence of additional impairment in the level of DKK 20 million. The full impairment loss identified by the FSA's examination was recognised in the annual report 2016.

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 35 per cent of total net lending.

Milk and pork prices were historically low in Q1-Q2 2016. During the second half of 2016, milk and pork settlement prices both improved. 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. Despite the higher settlement prices for the Danish agricultural sector, the Bank also expects to see net impairment losses on agricultural exposures in 2017.

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: 44 per cent or DKK 1.4 billion. The Bank has thus written down approximately 33 per cent 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.

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 2016 stood at 16.1 per cent, compared with 15.8 per cent at the end of 2015.

Statement of financial position

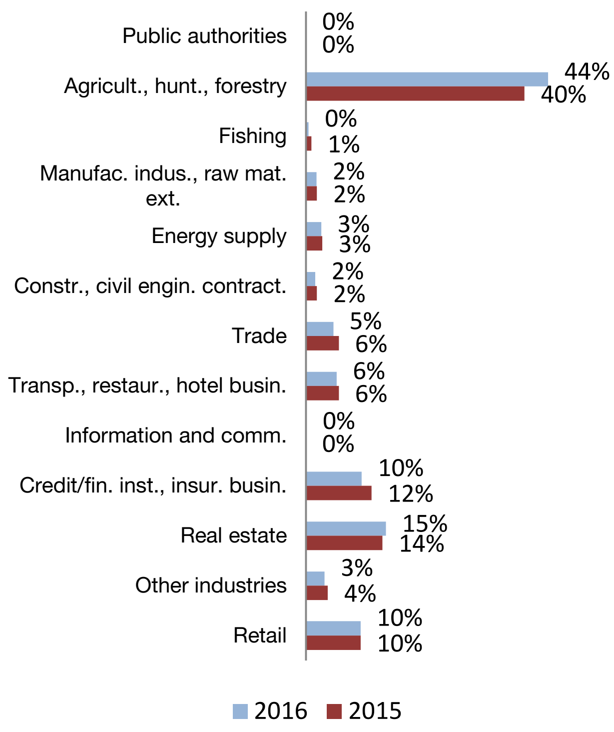
Vestjysk Bank's balance sheet amounted to DKK 19.9 billion at 31 December 2016, against DKK 21.1 billion at 31 December 2015. The Bank has succeeded in the planned trimming of its balance sheet, primarily by reducing lending. Based on its liquidity and funding situation, the Bank will now aim to maintain the current business volume.

Loans

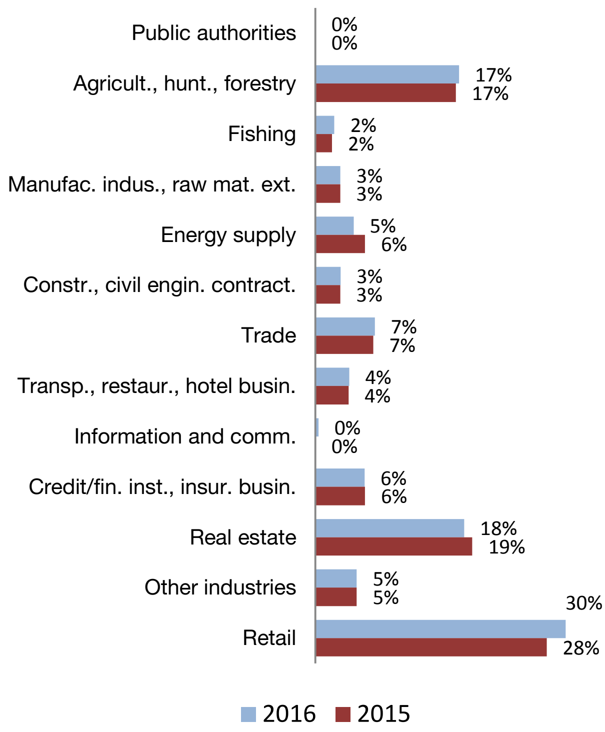
At 31 December 2016, Vestjysk Bank's net lending amounted to DKK 12.5 billion, against DKK 13.4 billion at the end of 2015, a DKK 0.9 billion reduction during the year.

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

Accumulated Impairments and Provisions by Industry Segment at 31 December 2016



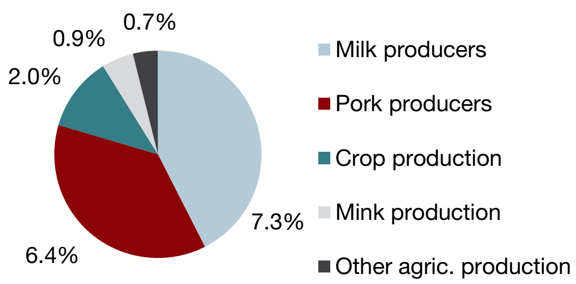
Loans and Guarantees by Industry Segment at 31 December 2016



It is a positive development that loans to retail customers continue to rise, accounting for 30 per cent of the Bank's net loans and guarantees at 31 December 2016. The Bank has thus fulfilled the ambition of strengthening the retail segment to achieve a 30/70 distribution between retail and business customers.

Agriculture remains an important strategic business area in which the Bank has considerable experience. In isolated terms, at 31 December 2016 the Bank's exposure to agriculture accounted for 17.3 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 2016



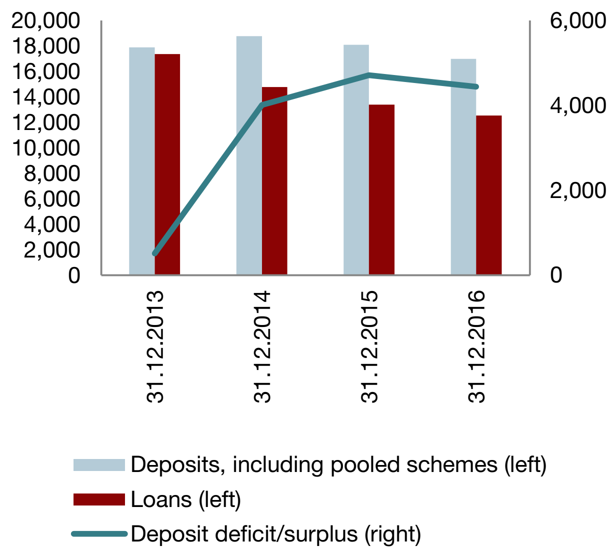
Large exposures
The sum of large exposures, constituting 10 per cent or more of total capital, amounted to 36.9 per cent of total capital at 31 December 2016, distributed on two exposures. The aim is lower concentration and greater diversification of the Bank's portfolio.

Difference between deposits and loans
Vestjysk Bank's deposits including pooled funds amounted to DKK 17 billion at 31 December 2016, against DKK 18.1 billion at 31 December 2015.

The Bank had a deposit surplus at 31 December 2016 of DKK 4.4 billion, against DKK 4.7 at 31 December 2015.

Vestjysk Bank's objective is for the development in deposits to match the development in gross lending. The figure below illustrates the development in Vestjysk Bank's deposit-lending ratio over the past four years and that the bank through 2015 and 2016 has succeeded in fulfilling this objective in a satisfactory fashion.

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 32.9 billion at 31 December 2016, against DKK 34.7 billion at 31 December 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 1,487 million at 31 December 2016, against DKK 1,404 million at 31 December 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 814 million at 31 December 2016, of which state-funded additional tier 1

capital under Bank Package II totalled DKK 312 million. 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 2,083 million at 31 December 2016 which, relative to the total risk exposure of DKK 16,066 million, gives a total capital ratio of 13.0 per cent. At 31 December 2015, the Bank's total capital ratio was 12.5 per cent.

The minimum total capital ratio requirement for continued banking operations is 8.0 per cent, which for Vestjysk Bank equals DKK 1,285 million at 31 December 2016. Based on the Bank's current financial position, this requirement is met with a surplus of 5.0 percentage points, or DKK 798 million.

Solvency-related adequate total capital amounted to DKK 1,696 million at 31 December 2016 which, relative to the total risk exposure of DKK 16,066 million, gives an individual solvency need of 10.6 per cent, corresponding to a solvency need supplement of 2.6 percentage points in addition to the minimum requirement. Relative to the DKK 2,083 million total capital, the surplus solvency was 2.4 percentage points or DKK 388 million at 31 December 2016.

Common equity tier 1 capital

The Bank's common equity tier 1 capital totalled DKK 1,405 million at 31 December 2016 which, relative to the total risk exposure of DKK 16,066 million, gives a common equity tier 1 capital ratio of 8.7 per cent, against 7.9 per cent at 31 December 2015. The Bank's tier 1 capital ratio was 11.2 per cent at 31 December 2016, compared to 10.5 per cent at 31 December 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 723 million at 31 December 2016. Based on the Bank's current financial position, this requirement is met with a surplus of 4.2 percentage points, or DKK 682 million.

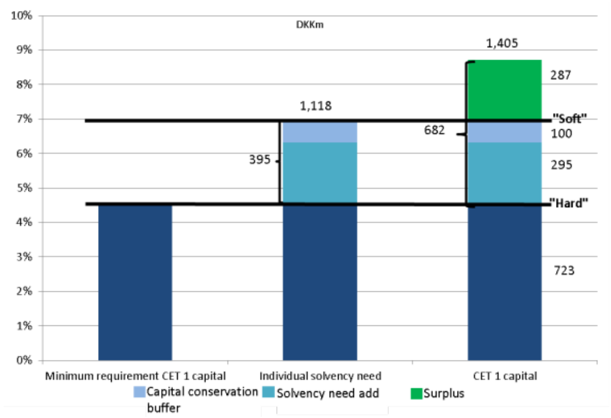
In relation to the Bank's common equity tier 1 capital, the aggregate capital requirement, comprising the minimum capital requirement, the capital conservation buffer and the share of the solvency need add-on that may be fulfilled by common equity tier 1 capital, is 7.0 per cent, or DKK 1,118 million, compared to the Bank's common equity tier 1 capital of DKK 1,405 million. The difference between these two amounts constitutes the Bank's surplus common equity tier 1 capital of 1.7 percentage point, or DKK 287 million at 31 December 2016. At the end of 2015, the surplus common equity tier 1 capital amounted to DKK 121 million. At 1 January 2016, the phase-in of the general capital conservation buffer started at 0.625 per cent. All other things being equal, this reduced the surplus by approximately DKK 100 million.

An alternative calculation of the surplus of DKK 287 million is based on the solvency surplus of 2.4 percentage point or DKK 388 million. From this amount the general capital conservation buffer of 0.625 per cent or DKK 101 million is deducted, leading to a surplus of DKK 287 million.

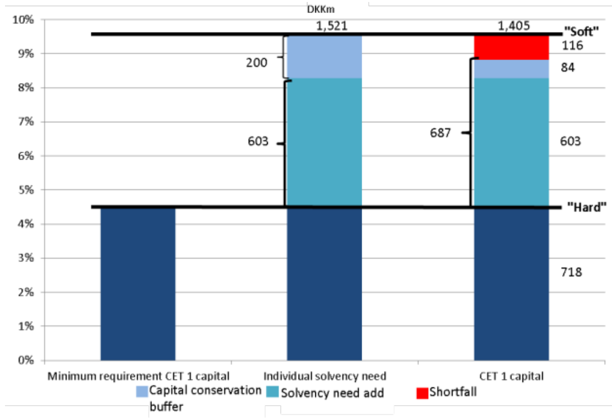
Management is continuously considering measures to strengthen its common equity tier 1 capital. The surplus was improved by approximately DKK 270 million during 2016.

The following graphic shows the relationship between the bank's common equity tier 1 capital and the related capital requirements at 31 December 2016.

Capital requirements at 31 December 2016



Capital requirements at 1 January 2017



At 1 January 2017, in accordance with the FSA's guidelines on the calculation of solvency need, the Bank has recognised state-funded additional tier 1 capital of DKK 312 million in the Bank's individual solvency need, in addition to a 0.625 per cent increase in the general capital conservation buffer. Accordingly, the common equity tier 1 capital requirement has risen to 9.5 per cent. At 1 January, the common equity tier 1 capital ratio was calculated at 8.8 per cent – i.e. 0.7 of a percentage point, or DKK 116 million, short of the requirement. The distance to a recovery plan is DKK 84 million.

As of 1 January 2017, 2018 and 2019 the capital conservation buffer will increase with 0.625 per cent each year until it reach 2.500 per cent by 1 January 2019.

The above mentioned circumstances are part of the considerations and efforts by the management to strengthen the total capital.

Due to the shortfall, the Bank has, in compliance with section 125 of the Danish Financial Business Act, prepared a capital conservation plan, which has been assessed and approved by the Danish FSA. The Bank is expected to be able to recover the shortfall through earnings from ordinary operations.

Liquidity

Vestjysk Bank's liquidity position remains good with surplus liquidity of 127 per cent and a deposit surplus of DKK 4.4 billion.

Liquidity Coverage Ratio

At 31 December 2016, the Bank's Liquidity Coverage Ratio (LCR) stood at 318 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.

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 2016 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. However, in 2015 and 2016 the buffer against the ultimate outcome described above increased and at 31 December 2016 stood at DKK 682 million.

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 2016

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures (< 125%)	36.9%
Growth in loans (< 20%)	-6.4%
Real estate exposure (< 25%)	17.3%
Funding ratio (< 1)	0.65
Liquidity coverage ratio (> 50%)	127.4%

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

See note 31 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
As mentioned above, as a consequence of the common equity tier 1 capital shortfall at 1 January 2017 the Bank has prepared a capital conservation plan, which at 30 January 2017 has been assessed and approved by the Danish FSA.

The Bank's current general action plan

The action plan for 2016 will be strengthened with the following action points for 2017 and the following years:

- Exploring the options of raising additional capital in the form of an issue of shares, possibly combined with other capital instruments.
- 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 50
- Increasing earnings, particularly in the investment area, by increasing the customers' proportion of pooled and wealth management products
- Further digitalisation of the Bank through effective internal processes and new options for the customers
- 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.

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.

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.

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. The time frame for the approval process is not yet known.

Outlook for 2017

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 400-450 million. Lower impairment losses are expected. Assuming an unchanged economic climate, Management expects that impairment losses can be absorbed by the Bank's core earnings, resulting in a significant improvement of its consolidation in 2017. This will ensure a continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

If the improvement of pork and milk settlement prices seen in the second half of 2016 are not sustained in 2017, the Bank's significant exposure to agriculture could cause increased impairment losses relative to the Management's current estimates for 2017. 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 2017.

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 of the interest rate risk from these activities.

The Bank accepts a certain degree of interest rate risk on activities related to lending, deposits 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 risk was negative in the amount of DKK 54 million at 31 December 2016. 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 47 million and DKK 15 million respectively, while fixed-rate loans contributed a positive interest rate risk of DKK 5 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 7 million in 2016 and DKK 5 million in 2015.

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 6 million at 31 December 2016.

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 2016, share risk as expressed in terms of the invested amount was DKK 255 million, of which sector company equities amounted to DKK 235 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 44-46 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.

Vestjysk Bank bases its liquidity risk management on the LCR requirement and has an objective of maintaining an LCR of at least 100 per cent on a day-to-day basis.

The liquidity buffer is determined on the basis of the Bank's objective of maintaining an LCR of 125 per cent month by month under a chosen 12-month stress scenario.

The Bank's liquidity risk and liquidity buffer are detailed in note 47 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 2016 its total capital amounted to DKK 2,083 million. The weighted risk exposures stood at DKK 16,066 million, which meant that the Bank's total capital ratio was 13.0 per cent.

The solvency need at 31 December 2016 stood at 10.6 per cent, which meant that the surplus solvency was 2.4 percentage points, or approx. DKK 388 million. The common equity tier 1 capital ratio at 31 December 2016 stood at 8.7 per cent, which meant that the surplus common equity tier 1 capital was 1.7 of a percentage point, or DKK 287 million, over the capital requirement of 7.0 per cent.

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 13-15. The outlook for 2017 and the Bank's action plan are described in the management's review, page 16-17.

Assuming unchanged economic conditions, Management expects that impairment charges can be absorbed by the Bank's core earnings, resulting in a significant improvement of consolidation over 2016. Management expects to realise core earnings before impairment at around DKK 400-500 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 2016

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 2016". 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 wish to have exposures that exceed 10 per cent of its total capital. Approved exposures greater than the 10 per cent must be accompanied by an action plan for when and how the amount can be reduced to less than 10 per cent. 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 36.9 per cent of total capital at 31 December 2016, 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 2016, 70 per cent were to business customers and 30 per cent 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.

Management's Review

Financial Review

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 per cent 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 2016 was DKK 13.0, against a closing price at 31 December 2015 of 7.75, a 67.7 per cent increase. The share price/book value ratio is 1.4. The transaction volume for 2016 was just over 7.3 million shares at a total market value of DKK 68.4 million.

Share capital

Vestjysk Bank's share capital totalled DKK 151 million at 31 December 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, Finansiel Stabilitet, 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.

The banks shares are listed in Nasdaq OMX Mid Cap index, where it has been on the observation list since 1 March 2013.

After the Danish State, the ten largest shareholders hold 3.31 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 per cent of the share capital until 26 March 2018. At year end 2016, Vestjysk Bank held 173,000 own shares, which corresponds to 0.1 per cent 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.

Management's review

Investor relations

Annual general meeting and shareholder meetings

Vestjysk Bank's annual general meeting is held on Monday, 20 March 2017 at 15:00 at Lemvig Idræts- og Kulturcenter, Christinelystvej 8, DK-7620 Lemvig, Denmark.

A shareholder meeting will be held in Aarhus on Tuesday, 21 March 2017 at 18:00 at Ceres Park & Arena, Stadion Allé 70, DK-8000 Aarhus C, Denmark.

A shareholder meeting will be held in Holstebro on Wednesday, 22 March 2017 at 18:00 at Musikteatret, Den Røde Plads 16, DK-7500 Holstebro, Denmark.

A shareholder meeting will be held in Ringkøbing on Thursday, 23 March 2017 at 18:00 at the ROFI Centre, Kirkevej 26, DK-6950 Ringkøbing, Denmark.

2017 Financial Calendar

23 February	2016 Annual report
20 March	Annual general meeting
17 May	Quarterly report for Q1
23 August	Half-year report
22 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 2016

During 2016, Vestjysk Bank published the following company announcements:

30 December	Capital situation
23 November	Vestjysk Bank's Quarterly Report for Q1-Q3 2016 with upward adjustment of core earnings forecast for full year 2016
24 August	Vestjysk Bank's Half-Year Report 2016
8 June	Delivery of verdict in case on alleged market manipulation in former Aarhus Lokalbank A/S in the period from 1 Sept. 2009 to 5 Feb. 2010
23 May	Vestjysk Bank redeems subordinated loan capital at maturity
12 May	Vestjysk Bank's Q1 2016 Quarterly Report
30 March	Resolutions at Vestjysk Bank A/S' Annual General Meeting on 30 March 2016
3 March	Notice of Annual General Meeting from the Supervisory Board of Vestjysk Bank A/S
25 February	Vestjysk Bank realises a profit in 2015
22 February	Vestjysk Bank redeems subordinated loan capital at maturity

Management's Review
Management

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.Redegørelse

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 at the general meeting. The chairman and deputy chairman of the Board are also elected at 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.

- Gender: male
- 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: 2017.
- 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 2016: 19,637
- Changes to shareholdings for the year: None

Lars Holst (born 1952), Deputy Chairman

- Gender: male
- 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: 2017.
- 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 2016: 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.

- Gender: male
- 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: 2017.
- 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 2016: 64,870
- Changes to shareholdings for the year: None

Bent Simonsen (born 1961)

- Gender: male
- First elected to Vestjysk Bank's Board of Directors in 2013.
- Expiry of current term: 2017.
- Other directorships or organisational duties: Executive Vice President of Det danske Hedeselskab and Dalgasgroup A/S and CEO of Enricom A/S (shell company), board member of HedeDanmark A/S, Orbicon A/S and one subsidiary, Enricom A/S, DDH Forest Baltic A/S and one subsidiary, A/S Jydsk Landvinding (shell company), Enricom Sp. zo.o. (Polen), JCCJS Rindibel (Hviderusland), Plantningsselskabet Steen Blicher A/S, A/S Plantningsselskabet Sønderjylland, Blå Biomasse A/S and Servostyring IVS.
- 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 2016: None
- Changes to shareholdings for the year: None

Karina Boldsen (born 1968)

- Gender: female
- First elected to Vestjysk Bank's Board of Directors in 2015.
- Expiry of current term: 2017
- Other directorships or organisational duties: Chief Commercial Officer of Solitwork, founder/partner of the consultancy firm of Boldsen & Lindhardt Board Advice, chairman of the board of Aarhus Business College, Arne Elkjær Rådgivende Ingeniører A/S, BOAS Specialister ApS and RS Industri, board member of WAD Landskabsarkitekter A/S and Erhverv Aarhus.
- Committee appointments: None
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2016: None
- Changes to shareholdings for the year: None

Jens Erik Christensen (born 1950)

- Gender: male
- First elected to Vestjysk Bank's Board of Directors in 2016
- Expiry of current term: 2017
- Other directorships or organisational duties: CEO of Sapere Aude ApS, chairman of the board of Dansk Merchant Capital A/S and one subsidiary, Nordic Corporate Investments A/S, Ecsact A/S, Alpha Holding A/S and board member of two subsidiaries, Mediaxes A/S, Behandlingsvejviseren A/S, Skandia Link Livsforsikring A/S, TIP ApS, Skandia A/S and Skandia Asset Management Fondsmæglerselskab A/S, Deputy Chairman of Prime Office A/S and Hugin Expert A/S, board member of Andersen og Martini A/S and one subsidiary, Helsemin A/S, P/F NordikLiv Livstryggingarfelag og P/F Trygd.
- Committee appointments: None
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2016: None
- Changes to shareholdings for the year: None

Jacob Møllgaard, Development employee (born 1976)

- Gender: male
- 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 2016: 328
- Changes to shareholdings for the year: None

Malene Rønø, Business Account Manager (born 1971)

- Gender: female
- 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 2016: 672
- Changes to shareholdings for the year: None

Palle Hoffmann, Director of Agricultural Centre (born 1972)

- Gender: male
- 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 2016: 5,910
- Changes to shareholdings for the year: None

The Bank's Executive Board

Jan Ulsø Madsen, Chief Executive Officer (born 1960)

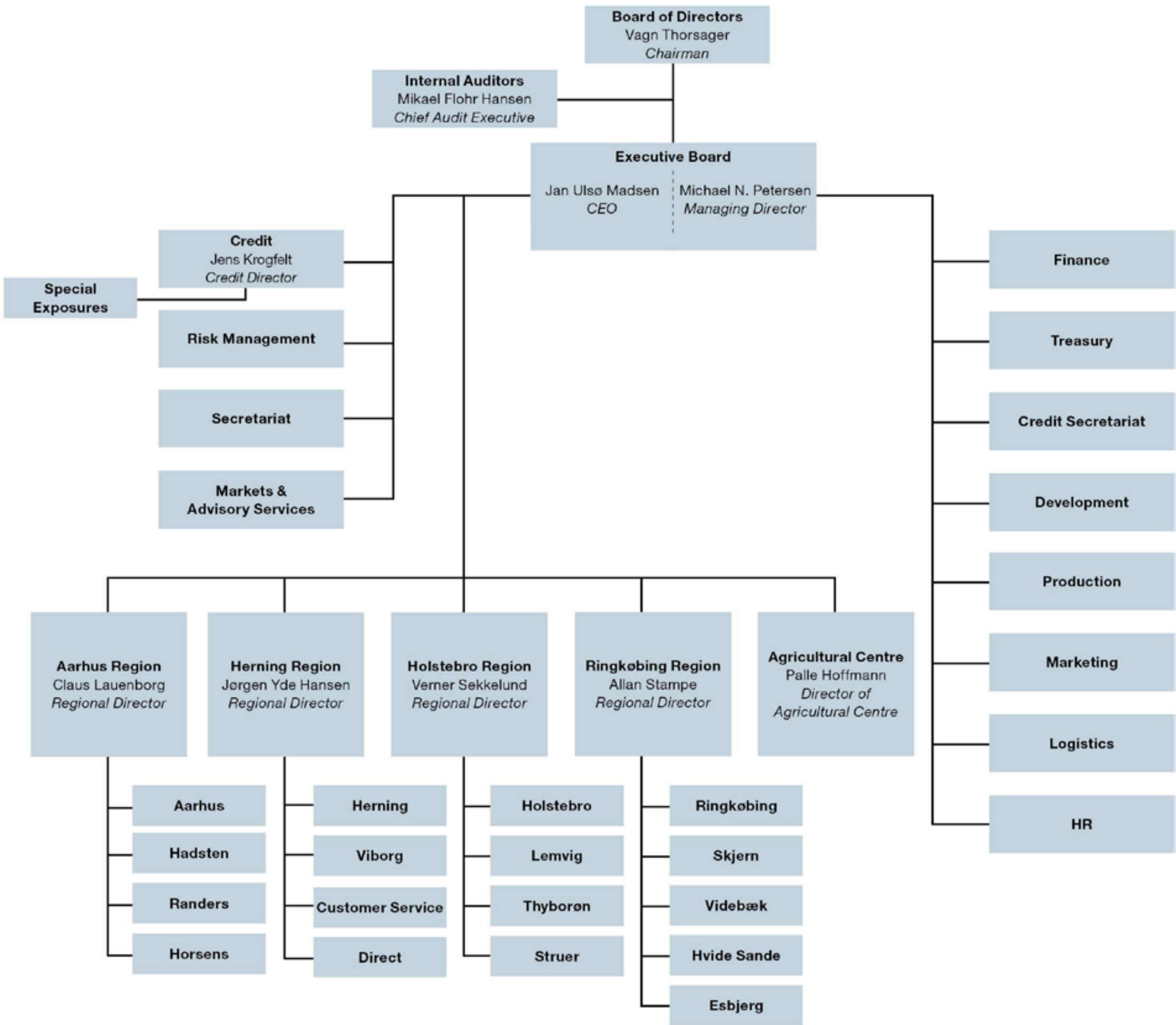
Appointed Chief Executive Officer 1 February 2015.

- Other directorships or organisational duties: None.
- Number of shares in Vestjysk Bank at 31 December 2016: 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.

- Other directorships or organisational duties: Board member of BEC (Bankernes EDB Central).
- Number of shares in Vestjysk Bank at 31 December 2016: 10,000
- Changes to shareholdings for the year: None



Board of Directors
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
Treasury
Credit Secretariat
Development
Production
Marketing
Logistics
HR
Aarhus Region
Claus Lauenborg
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
Horsens
Herning
Viborg
Customer Service
Direct
Holstebro
Lemvig
Thyborøn
Struer
Ringkøbing
Skjern
Videbæk
Hvide Sande
Esbjerg

Management's Review
Organisation

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 selected 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, 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 48.6 and 15.7 years, respectively. The average number of employees converted to full time in 2016 was 459, which is 41 fewer than in 2015.

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 2016 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 2016, and of the results of the Bank's activities for the reporting period 1 January–31 December 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 sections "Risks relating to going concern” and “Outlook for 2017” 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 2017 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, 23 February 2017

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*	
…………………………………………	…………………………………………	…………………………………………
Bent Simonsen	Jens Erik Christensen	Karina Boldsen
…………………………………………	…………………………………………	…………………………………………
Jacob Møllgaard	Malene Rønø	Palle Hoffmann

Auditors' Statement

Internal Auditors' report

To the Shareholders of Vestjysk Bank A/S

Opinion
In our opinion, the Financial Statements of Vestjysk Bank A/S give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of its operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Material Uncertainty Related to Going Concern
Without modifying our conclusion, we draw attention to the existing material uncertainty related to Management's expectations for loan impairment charges, including especially loan impairment charges related to the agricultural sector. In combination with the Bank's tenuous capital structure, this results in material uncertainty that may raise doubts about the Bank's ability to continue as a going concern. We refer to Management's assessment of the financial basis of the Bank's operations in the coming year, see note 2 "Uncertainty, capital structure and going concern". Management assesses that total capital adequately ensures the Bank's continued operations based on the expectations for core earnings and loan impairment charges for 2017.

As described in note 2, the regulatory requirements in respect of the Bank's total capital are being tightened. The Bank did not comply with one of these requirements at 1 January 2017 and has therefore prepared a capital conservation plan, which has been considered and approved by the Danish Financial Supervisory Authority. Management expects compliance with the requirement through the Bank's own earnings.

Basis for opinion
We have audited the Financial Statements of Vestjysk Bank A/S for the financial year 1 January – 31 December 2016, which comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes to the Financial Statements, including summary of significant accounting policies ("the Financial Statements").

The Financial Statements are prepared in accordance with the Danish Financial Business Act. We 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 with International Standards on Auditing concerning planning and performing of audits.

We planned and performed the audit to obtain reasonable assurance that the Financial Statements are free from material misstatement. We participated in the audit of all material areas and risk areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management Commentary
Management is responsible for the Management Commentary.

Our opinion on the Financial Statements does not cover the Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management Commentary and, in doing so, consider whether the Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management Commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management Commentary.

Lemvig, 23 February 2017

Mikael Flohr Hansen
Chief Audit Executive

Independent Auditor's Report

To the Shareholders of Vestjysk Bank A/S

Our Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Bank at 31 December 2016 and of the results of the Bank operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Business Act.

What we have audited

Vestjysk Bank A/S' Financial Statements for the financial year 1 January to 31 December 2016 comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes to the Financial Statements, including summary of significant accounting policies ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

Material Uncertainty Related to Going Concern
Without modifying our conclusion, we draw attention to the existing material uncertainty related to Management's expectations for loan impairment charges, including especially loan impairment charges related to the agricultural sector. In combination with the Bank's tenuous capital structure, this results in material uncertainty that may raise doubts about the Bank's ability to continue as a going concern. We refer to Management's assessment of the financial basis of the Bank's operations in the coming year, see note 2 "Uncertainty, capital structure and going concern". Management assesses that total capital adequately ensures the Bank's continued operations based on the expectations for core earnings and loan impairment charges for 2017.
As described in note 2, the regulatory requirements in respect of the Bank's total capital are being tightened. The Bank did not comply with one of these requirements at 1 January 2017 and has therefore prepared a capital conservation plan, which has been considered and approved by the Danish Financial Supervisory Authority. Management expects compliance with the requirement through the Bank's own earnings.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2016. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters included in the section in this Report on "Material Uncertainty Related to Going Concern" in this Report, we have determined that the matters described below are key audit matters to be communicated in our Report.

Auditors' Statement

Key Audit Matters	*How our audit addressed the Key Audit Matters*
Loan impairment charges Loans are measured at amortised cost less impairment charges. Loan impairment charges are Management's best estimate of the losses expected to be incurred on loans at the balance sheet date based on events that have taken place. The Bank has a relatively large proportion of customers exhibiting signs of weakness and customers subject to impairment charges. Consequently, loan impairment charges are subject to considerable uncertainty. The Bank has a relatively large proportion of loans in the agricultural segment, and a material part of the Bank's loan impairment charges are related to these loans. The uncertainty in relation to the situation in the Danish agricultural sector caused by very low settlement prices results in a special uncertainty in respect of the statement of the indication of impairment related to loans granted to the agricultural sector. The Bank's loan impairment charges are assessed both individually and collectively. Individual or collective impairment is recognised when an objective indication of impairment is noted based on events that have taken place, and it is assessed that it will affect the size of the amounts expected paid. The collective assessment is made by way of a segmentation model developed by the Association of Local Banks, Savings Banks and Cooperative Savings Banks in Denmark. We focused on loan impairment charges because Management makes complex and subjective estimates of both the time and the required loan impairment charges. Our audit focused on the following impairments: • The Bank's credit policy and procedures to ensure appropriate credit treatment and the completeness of loans with objective indications of impairment which are included in the calculation of impairment charges to assess and determine any evidence of impairment on a timely basis. • Most significant assumptions and estimates applied by Management in the calculations of impairment, including principles of the assessment of collateral values of eg farm land, stables and other properties included in the calculations of impairment. • The Bank's statement of collective impairment charges, including procedures for identification and assessment of the effect of earlier events in relation to customers who may have faced financial difficulties at the balance sheet date which have not yet materialised in outstanding payments or in any other objective indications of impairment. This includes Management's assessment of the effect of current market conditions at the balance sheet date, including the current settlement prices to agricultural customers primarily in respect of milk and pigmeat.	We have reviewed and assessed the credit policy and procedures arranged by the Bank, including the involvement of the credit department established to ensure that loans with objective indications of impairment are identified on a timely basis and are calculated in accordance with the accounting provisions. We moreover assessed and tested the principles applied by the Bank at the measurement of collateral values of eg farm land, stables and other properties included in the calculations of impairment of loans with objective indications of impairment. Based on a sample of loans with objective indications of impairment, we tested the calculation and the data used to underlying documentation. This included more samples of large loans as well as loans relating to segments with generally increased exposure, including especially the agricultural segment. Based on a sample of loans classified with no indications of impairment, we made our own assessment of whether the credit classification was appropriate. This included more samples of large loans as well as loans relating to segments with generally increased exposure, including especially the agricultural segment. We examined the Bank's statement of collective impairment charges, including whether Management's assessment of the effect of earlier events, in all material respects, allows for the matters of which, according to our knowledge, the Bank has become aware. In this connection, we draw attention to the uncertainty described in note 2 to the Financial Statements, "Uncertainty, capital structure and going concern". We assessed whether, overall, the disclosure made in note 2 covered the uncertainty related to impairment.

We refer to note 2 to the Financial Statements, "Uncertainty, capital structure and going concern", for a description of matters that may affect loan impairment charges. Reference is moreover made to note 33 "Risk and risk management" and the credit notes 35-41.	

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.
Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities 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.

In preparing the Financial Statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

Auditors' Statement

- Evaluate the appropriateness of accounting policies used by Management and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Herning, 23 February 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Jesper Edelbo
State Authorised Public Accountant

Carsten Jensen
State Authorised Public Accountant

Financial Statements

Statements of Income and Comprehensive Income

Note		2016 DKK'000	2015 DKK'000
	Statement of Income		
3	Interest income	779,739	888,693
4	Interest expenses	185,198	244,558
	Net interest income	594,541	644,135
	Dividends on shares etc.	3,384	2,397
5	Income from fees and commissions	346,704	339,645
	Fees and commissions paid	35,212	34,955
	Net interest and fee income	909,417	951,222
6	Value adjustments	64,951	16,617
7	Other operating income	29,151	21,012
8	Staff costs and administrative expenses	488,736	513,185
	Depreciation, amortisation and impairment losses; on tangible and intangible assets	10,158	12,979
10	Other operating expenses	5,793	42,681
11	Impairment of loans and receivables, etc.	416,154	370,062
	Profit before tax	82,678	49,944
12	Tax	2,830	521
	Profit after tax	79,848	49,423
	Statement of Comprehensive Income		
	Profit after tax	79,848	49,423
	Other comprehensive income:		
	Change in the value of owner-occupied properties	9,372	-409
	Changes in the value of pension obligations	1,110	-248
	Other comprehensive income after tax	10,482	-657
	Total comprehensive income	90,330	48,766
	Proposed distribution of net profit		
	Additional tier 1 capital holders	7,191	7,171
	Retained earnings	83,139	41,595
	Total	90,330	48,766

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Statement of Financial Position

Note		2016 DKK'000	2015 DKK'000
	Assets		
	Cash in hand and demand deposits with central banks	398,307	393,127
13	Receivables from credit institutions and central banks	524,743	322,176
14-15	Loans and other receivables at amortised cost	12,528,922	13,379,021
	Bonds at fair value	3,128,881	4,014,258
	Shares, etc.	254,704	179,255
16	Assets related to pooled schemes	2,411,815	2,108,604
17	Intangible assets	3,780	4,489
	Land and buildings, total	324,915	352,431
18	Investment property	7,386	29,900
19	Owner-occupied property	317,529	322,531
20	Other property, plant and equipment	2,133	4,378
	Current tax assets	0	5,482
	Assets held for sale	595	3,635
21	Other assets	299,067	328,933
	Prepayments	16,778	18,267
	Assets total	19,894,640	21,114,056

Note		2016 DKK'000	2015 DKK'000
	Equity and liabilities		
	Debts		
22	Debts to credit institutions and central banks	16,066	13,577
23	Deposits and other debt	14,559,276	15,981,237
	Deposits with pooled schemes	2,411,815	2,108,604
	Current tax liabilities	2,655	0
24	Other liabilities	564,469	653,284
	Prepayments	26	25
	Debts, total	17,554,307	18,756,727
	Provisions		
	Provision for pensions and similar liabilities	18,981	21,520
	Provisions for losses on guarantees	17,621	9,936
	Other provisions	2,681	7,219
	Provisions, total	39,283	38,675
25	**Subordinated debt**	814,178	914,920
	Equity		
26	Share capital	151,008	151,008
	Revaluation reserves	61,122	52,543
	Reserves provided for in the Bank's Articles of Association	551,600	551,600
	Retained earnings	648,142	573,583
	Shareholder equity, total	1,411,872	1,328,734
	Additional tier 1 capital holders	75,000	75,000
	Equity, total	1,486,872	1,403,734
	Equity and liabilities, total	19,894,640	21,114,056
28	**Items not recognised in the statement of financial position**		
	Contingent liabilities	3,357,927	3,212,734
	Other commitments	41,334	51,235
	Items not recognised in the statement of financial position, total	3,399,261	3,263,969

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Statement of Changes in Equity

DKK'000	Share capital	Revalua-tion 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
Profit after tax for the period				72,657	72,657	7,191	79,848
Other comprehensive income after tax		9,372		1,110	10,482		10,482
Total comprehensive income	0	9,372	0	73,767	83,139	7,191	90,330
Interest on additional tier 1 capital					0	-7,191	-7,191
Additions relating to sale of own shares				16,553	16,553		16,553
Disposals relating to purchase of own shares				-16,554	-16,554		-16,554
Transferred to retained earnings		-793		793			0
Equity, 31 December 2016	151,008	61,122	551,600	648,142	1,411,872	75,000	1,486,872
Equity, 1 January 2015	151,008	57,526	551,600	527,008	1,287,142	75,000	1,362,142
Profit after tax for the period				42,252	42,252	7,171	49,423
Other comprehensive income after tax		-409		-248	-657		-657
Total comprehensive income	0	-409	0	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/CRD IV.

Overview of notes on the financial statements

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 2015 Annual Report.

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.

At initial recognition, assets and liabilities are measured at fair value. However, property, plant and equipment are measured at cost upon initial recognition. Measurement after initial recognition occurs as specified for each individual accounting item.

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.

Note

1 **Accounting policies (continued)**

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.

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.

Note

1 **Accounting policies (continued)**

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.

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 32.

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 using 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 an integral part of 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. 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 assets, as well as 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 and the Resolution Fund.

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.

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.

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.

An assessment of the carrying amounts is obtained from external experts periodically.

Intangible assets
Intangible assets concern the value of customer relationships acquired in connection with the acquisition of Bonusbanken, as well as IT systems and software.

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.

IT systems and software are measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the expected useful life, which is 3 years.

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Notes

Note

1 **Regnskabspraksis (fortsat)**

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

1 **Accounting policies (continued)**

Future financial reporting regulation

At the date of publication of this annual report, a number of changes are underway to the provisions of the Danish IFRS-compatible Executive Order on Financial Reporting. The changes are due to the issuance of International Financial Reporting Standard IFRS 9, Financial Instruments, which is mandatory for companies reporting under IFRS from 1 January 2018.

The general provisions of IFRS 9 will be incorporated in the Danish Executive Order on Financial Reporting and supplemented by the special Danish provisions on impairment in Annex 10 of the Danish Executive Order on Financial Reporting which meet the overall principles of IFRS 9.

IFRS 9 materially changes the existing rules on classification and measurement of financial assets and the existing rules on impairment.

The amended Danish Executive Oder on Financial Reporting is expected to become effective for financial years starting on 1 January 2018.

The IFRS 9 provisions on financial instruments being incorporated in the Danish Executive Order on Financial Reporting provide the following on classification and measurement and impairment of financial assets:

IFRS 9 – classification and measurement:

Under IFRS 9, classification and measurement of financial assets is based on the business model for the financial assets and the characteristics of the contractual cash flows related to the financial assets.

Financial assets held with the objective of collecting contractual cash flows, and where the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost. Examples of assets in this measurement category are loans and bonds in an investment portfolio.

Financial assets held within a combined business model where some financial assets are held with the objective of collecting contractual cash flows and other financial assets are sold, and where the contractual cash flows from the financial assets in the combined business model are solely payments of principal and interest on the principal amount outstanding, are initially measured at fair value through other comprehensive income. An example of assets in this measurement category is a bond portfolio that is part of the day-to-day liquidity management.

Financial assets that do not meet the mentioned business model conditions, or where the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through profit or loss. Examples of assets in this measurement category are financial assets in a trading portfolio.

The use of the IFRS 9 measurement categories for financial assets on the basis of the business model and on the basis of characteristics of the contractual cash flows is expected to lead to insignificant changes in measurement principles compared with those applied in the Bank's existing financial reporting.

For presentation purposes, however, the use of a combined business model for bonds used in the day-to-day liquidity management means that fair value adjustment will in future be through other comprehensive income rather than through profit or loss, as is the case under the existing accounting policies. The presentation effect with depend on the size of the bond portfolio and the related value adjustment of the portfolio.

Note

1 **Accounting policies (continued)**

IFRS 9 – impairment:

With IFRS 9, the existing impairment model based on incurred losses is replaced by an expected loss model. Under the new expected credit loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk after initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). If the asset is considered to be impaired (stage 3), a loss allowance will also be recognised in an amount equivalent to the lifetime expected credit losses of the asset, but based on an increased probability of loss.

Development efforts are ongoing in the Bank's data centre, BEC, with the participation of the affiliated member institutions and the Association of Local Banks in Denmark with a view to developing an impairment model which is compatible with IFRS 9.

The model which is under development is particularly intended to be applied to stage 1 customers/facilities and a part of stage 2 customers/facilities. For weak stage 2 customers/facilities and stage 3 customers/facilities, the calculation of impairment allowance is expected to be made using a manual, individual assessment of the financial assets rather than a model-based calculation.

At present, it is not possible to provide a reasonable estimate of the financial effect of the first-time adoption of the impairment rules in IFRS 9. However, the general expectation is that the new impairment rules for banks overall will lead to increased impairment charges and thus larger impairment allowance accounts, as under the new rules a loss allowance will be made for all loans and guarantees at an amount equal to 12-month expected credit losses or, in the event of a significant increase in credit risk, lifetime expected credit losses.

Collective impairment charges under the existing rules will not apply under the new rules, and this will to some extent reduce the effect of IFRS 9. Moreover, the provisions on impairment in Annex 10 of the Danish Executive Order on Financial Reporting accelerate impairment losses, thus partially factoring in the effects of the new IFRS 9 impairment rules.

An adverse effect on the financial statements of the new expected credit loss rules of IFRS 9 is generally expected to have a similar effect on the total capital. In order to prevent an unintended effect on total capital and thus on banks' ability to support credit-granting, the European Commission, as an element of the reform package presented by the Commission on 23 October 2016 (the capital requirements package), has proposed a five-year transition period so that an adverse effect of the new IFRS 9 impairment rules will not have full effect on total capital until after five years.

The overall effect of IFRS 9 on the Bank's excess capital coverage is assessed to be insignificant on implementation of the standard in 2018, while its effect on excess capital coverage going forward will be slightly negative as the effects of the transitional provisions are phased out.

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.

Milk and pork prices were historically low in the first half of 2016. During the second half, milk and pork settlement prices both improved. 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. Despite the higher settlement prices for the Danish agricultural sector, the Bank also expects to see net impairment losses on agricultural exposures in 2017.

Uncertainties relating to recognition and measurements

The total capital, is also deemed tenuous after 2017, 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 and the upcoming MREL 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 2016, 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 2016 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.

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 2,083 million at 31 December 2016 which, relative to the total risk exposure of DKK 16,066 million, gives a total capital ratio of 13,0 per cent. At 31 December 2015, the Bank's total capital ratio was 12.5 per cent.

The minimum total capital ratio requirement for continued banking operations is 8.0 per cent, which for Vestjysk Bank equals DKK 1,285 million at 31 December 2016. Based on the Bank's current financial position, this requirement is met with a surplus of 5.0 percentage points, or DKK 798 million.

Note

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

Solvency-related adequate total capital amounted to DKK 1,696 million at 31 December 2016 which, relative to the total risk exposure of DKK 16,066 million, gives an individual solvency need of 10.6 per cent, corresponding to a solvency need supplement of 2.6 percentage points in addition to the minimum requirement. Relative to the DKK 2,083 million total capital, the surplus solvency was 2.4 percentage points or DKK 388 million at 31 December 2016.

The Bank's common equity tier 1 capital totalled DKK 1,405 million at 31 December 2016 which, relative to the total risk exposure of DKK 16,066 million, gives a common equity tier 1 capital ratio of 8.7 per cent, against 7.9 per cent at 31 December 2015. The Bank's tier 1 capital ratio was 11.2 per cent at 31 December 2016, compared to 10.5 per cent at 31 December 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 723 million at 31 December 2016. Based on the Bank's current financial position, this requirement is met with a surplus of 4.2 percentage points, or DKK 682 million.

In relation to the Bank's common equity tier 1 capital, the aggregate capital requirement is 7.0 per cent, or DKK 1,118 million, compared to the Bank's common equity tier 1 capital of DKK 1,405 million. The difference constitutes the Bank’s surplus common equity tier 1 capital of 1.7 percentage point, or DKK 287 million at 31 December 2016. At the end of 2015, the surplus common equity tier 1 capital amounted to DKK 121 million. At 1 January 2016, the general capital conservation buffer started to be phased in at 0.625 per cent. All other things being equal, this had a negative effect on the Bank’s excess coverage of around DKK 104 million. As of 1 January 2017, 2018 and 2019 the capital conservation buffer will increase with 0.625 per cent each year until it reach 2.500 per cent by 1 January 2019.

Management continually focuses on possible measures to strengthen the Bank’s common equity tier 1 capital. The excess coverage was improved by some DKK 270 million during 2016.

At 1 January 2017, in accordance with the FSA’s guidelines on the calculation of solvency need, the Bank has recognised state-funded additional tier 1 capital of DKK 312 million in the Bank’s individual solvency need, in addition to a 0.625 per cent increase in the general capital conservation buffer. Accordingly, the common equity tier 1 capital requirement has risen to 9.5 per cent. At 1 January, the common equity tier 1 capital ratio was calculated at 8.8 per cent – i.e. 0.7 of a percentage point, or DKK 116 million, short of the requirement. Due to the shortfall, the Bank has, in compliance with section 125 of the Danish Financial Business Act, prepared a capital conservation plan, which has been assessed and approved by the Danish FSA. The Bank is expected to be able to recover the shortfall through earnings from ordinary operations.

Note

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

The ongoing phasing of the capital conservation buffer and the future NEP-requirements is a part of the considerations and efforts by the management to timely strengthen the total capital.

Outlook for 2017

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 400-450 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 significant improvement of its consolidation in 2017. This will ensure a continuing bank with an appropriate business platform and the possibility of achieving a more adequate capital structure.

If the improvement of pork and milk settlement prices seen in the second half of 2016 are not sustained in 2017, the Bank's significant exposure to agriculture could cause increased impairment losses relative to the Management’s current estimates for 2017. 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 2017.

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.

Financial Statements

Notes

Note		2016 DKK'000	2015 DKK'000
3	**Interest income**		
	Receivables from credit institutions and central banks	-1,384	-935
	Loans and other receivables	769,019	865,005
	Bonds	8,466	14,997
	Other interest income	66	6
	Derivative financial instruments	3,572	9,620
	Total	779,739	888,693
	There is no interest income originating from reverse repo transactions.		
4	**Interest expenses**		
	Credit institutions and central banks	302	807
	Deposits and other debt	119,402	173,137
	Subordinated debt	65,443	70,554
	Other interest expenses	51	60
	Total	185,198	244,558
	There is no interest expense originating from repo transactions.		
5	**Income from fees and commissions**		
	Securities trading and custody services	108,908	101,194
	Payment services	50,338	45,618
	Loan processing fees	31,515	45,014
	Guarantee commission	44,215	48,747
	Other fees and commissions	111,728	99,072
	Total	346,704	339,645
6	**Value adjustments**		
	Bonds	42,590	-8,490
	Shares, etc.	6,237	8,051
	Investment property	-2,075	6,313
	Foreign currency	13,659	6,786
	Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	-7,249	-2,891
	Assets related to pooled schemes	82,506	160,750
	Deposits with pooled schemes	-82,506	-160,750
	Other assets	-248	-3,933
	Other liabilities	12,037	10,781
	Total	64,951	16,617
7	**Other operating income**		
	Gains on sale of property, plant and equipment	743	2,237
	Other income	28,408	18,775
	Total	29,151	21,012

Note		2016 DKK'000	2015 DKK'000
8	**Staff costs and administrative expenses**		
	Salaries and remuneration for the Board of Directors and Executive Board	7,800	7,239
	Staff costs	303,637	329,247
	Other administrative expenses	177,299	176,699
	Total	488,736	513,185
	Salaries and remuneration of the Board of Directors and Executive Board and major risk takers		
	Board of Directors		
	Vagn Thorsager, Chairman	300	300
	Lars Holst, Deputy Chairman	250	250
	Anders Bech	150	150
	Bent Simonsen, Chairman of the audit committee	200	200
	Jens Erik Christensen joined 1 April 2016	112	0
	Karina Boldsen joined 1 April 2015	150	112
	Jacob Mølgaard	150	150
	Malene Rønø	150	150
	Palle Hoffmann	150	150
	Poul Hjulmand resigned 31 March 2016	38	150
	Kirsten Lundgaard-Karlshøj resigned 31 March 2015	0	38
	Total	1,650	1,650
	The Board of Directors receive a fixed fee and have no variable remuneration elements.		
	Executive Board		
	Jan Ulsøe Madsen, Chief Executive Officer (appointed CEO 1 February 2015)		
	Contractual remuneration	3,435	2,883
	Pension	2	2
	Total	3,437	2,885
	Michael N. Petersen, Managing Director		
	Contractual remuneration	2,432	2,416
	Pension	281	288
	Total	2,713	2,704
	Executive Board, total		
	Contractual remuneration	5,867	5,299
	Pension	283	290
	Total	6,150	5,589

Note		2016 DKK'000	2015 DKK'000
8	**Staff costs and administrative expenses (continued)**		
	Value of benefits	217	230
	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	3,184	2,910
	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	13,374	13,016
	Pension	1,589	1,562
	Total	14,963	14,578
	Number of employees with material influence on the Bank's risk profile, end of the reporting period	14	16
	Pension plan		
	Defined contribution plan through pension fund as well as annuity pension.		
	Annual pension:		
	Vestjysk Bank contributes 12.25% of salary		
	Staff costs		
	Wages and salaries	238,223	260,758
	Pensions	28,870	30,757
	Social security costs, payroll tax, etc.	36,544	37,732
	Total	303,637	329,247
9	**Auditors' fees**		
	Fees for statutory audit of the financial statements	1,125	1,500
	Fees for other assurance engagements	112	116
	Fees for other services	423	755
	Total	1,660	2,371
10	**Other operating expenses**		
	Contributions to the Resolution Fund and the Guarantee Funds	1,525	42,294
	Other expenses	4,268	387
	Total	5,793	42,681

Note		2016 DKK'000	2015 DKK'000
11	**Impairment of loans and receivables, etc.**		
	Individual impairment of loans		
	Individual impairment of loans and other receivables, beginning of the reporting period	2,997,232	3,423,412
	Impairment charges for the period	507,901	501,758
	Reversal of impairment charges in prior financial years	-119,967	-143,534
	Other movements	72,289	81,415
	Previously individually impaired, now written off	-534,218	-865,819
	Individual impairment of loans and other receivables, end of the reporting period	2,923,237	2,997,232
	Impact on financial income statement	387,934	358,224
	Collective impairment of loans		
	Collective impairment of loans and other receivables, beginning of the reporting period	93,712	116,069
	Impairment charges for the period	39,289	42,766
	Reversal of impairment charges in prior financial years	-32,180	-68,700
	Other movements	4,051	3,577
	Impairment of loans and other receivables in groups, end of the reporting period	104,872	93,712
	Impact on financial income statement	7,109	-25,934
	Impairment of loans, total		
	Impairment of loans and other receivables, beginning of the reporting period	3,090,944	3,539,481
	Impairment charges for the period	547,190	544,524
	Reversal of impairment charges in prior financial years	-152,147	-212,234
	Other movements	76,340	84,992
	Previously individually impaired, now written off	-534,218	-865,819
	Impairment of loans and other receivables, end of the reporting period	3,028,109	3,090,944
	Impact on financial income statement	395,043	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
	Impairments for the period	15,131	11,034
	Reversal of provisions in prior financial years	-11,985	-18,782
	Provisions for losses on guarantees and unused credit commitments, end of the reporting period	20,301	17,155
	Impact on financial income statement	3,146	-7,748
	Accumulated impairment ratio	16.1%	15.8%

Note		2016 DKK'000	2015 DKK'000
11	**Impairment of loans and provisions for guarantees, etc. (continued)**		
	Impact on operations, total	398,189	324,542
	Loans with no prior individual impairment/provisions, written off	27,157	55,816
	Recovered on previously written-off debts	-9,192	-10,296
	Impairment of loans and guarantee debtors, etc., total	416,154	370,062
	Interest income on impaired loans is offset against impairment in the amount of	76,339	84,992
	Receivables for which accrual of interest has been discontinued, end of the reporting period	1,491,621	1,361,082
	Total impairment charge thereon	1,170,546	991,083
	Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	9.6%	8.3%
12	**Tax**		
	Current tax	2,785	0
	Tax related to prior years	45	521
	Total	2,830	521
	Applicable tax rate	22.0%	
	+/- non-deductible expenses and non-taxable income	2.7%	
	Prior-year unrecognised deferred tax asset utilised	-21.0%	
	Effective tax rate	3.7%	
13	**Receivables from credit institutions and central banks**		
	Receivables at notice from central banks	450,000	222,000
	Receivables from credit institutions	74,743	100,176
	Total	524,743	322,176
	Distributed by term to maturity		
	On demand	74,743	100,176
	Up to and including 3 months	450,000	222,000
	Total	524,743	322,176
	The comparative figure for 2015 has been restated to reflect that the classification of clearing accounts has been changed from "Receivables from credit institutions and central banks" to "Other assets".		
14	**Loans and other receivables, by term to maturity**		
	Distributed by term to maturity		
	On demand	2,711,424	3,205,794
	Up to and including 3 months	3,885,832	4,050,439
	3 months to 1 year	981,434	1,040,700
	1 year to 5 years	3,158,108	3,168,219
	More than 5 years	1,792,124	1,913,869
	Total	12,528,922	13,379,021

Note		2016 DKK'000	2015 DKK'000
15	**Carrying amount of loans and receivables for which there is objective indication of value impairment**		
	Loans and other receivables before impairments	14,486,429	16,024,044
	Impairment	1,957,507	2,645,023
	Carrying amount	12,528,922	13,379,021
	Only loans and receivables with a positive book value after impairment are included in the note.		
16	**Assets related to pooled schemes**		
	Cash deposits	92,921	141,913
	Bonds	941,070	730,870
	Shares, etc.	1,371,610	1,230,535
	Other assets	6,214	5,286
	Total	2,411,815	2,108,604
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	10,475	8,978
	Depreciation and impairment for the period	1,496	1,497
	Depreciation and impairment, end of the reporting period	11,971	10,475
	Recognised holding, end of the reporting period	2,993	4,489
	Other Intangible assets		
	Total acquisition cost, beginning of the reporting period	0	0
	Additions	810	0
	Total acquisition cost, end of the reporting period	810	0
	Depreciation and impairment, beginning of the reporting period	0	0
	Depreciation and impairment for the period	23	0
	Depreciation and impairment, end of the reporting period	23	0
	Recognised holding, end of the reporting period	787	0
	Total	3,780	4,489

Note		2016 DKK'000	2015 DKK'000
18	**Investment property**		
	Fair value, beginning of the reporting period	29,900	0
	Transferred from owner-occupied property	9,461	23,587
	Disposals	29,900	0
	Fair value adjustment for the reporting period	-2,075	6,313
	Fair value at the end of the reporting period	7,386	29,900
19	**Owner-occupied property**		
	Revalued amount, beginning of the period	322,531	369,721
	Additions	472	870
	Disposals	9,461	40,048
	Depreciations	5,667	6,080
	Changes in value recognised in other comprehensive income	9,372	-409
	Changes in value recognised in the statement of income	282	-1,523
	Revalued amount, end of the period	317,529	322,531
	External valuation experts have been involved in measuring the most important owner-occupied and investment properties.		
20	**Other property, plant and equipment**		
	Cost		
	Cost, beginning of the reporting period	16,699	17,563
	Additions	1,086	1,009
	Disposals	4,926	1,873
	Total cost, end of the reporting period	12,859	16,699
	Impairment and depreciation		
	Impairment and depreciation, beginning of the reporting period	12,321	10,292
	Depreciation for the reporting period	3,125	3,754
	Impairments and depreciation for the period on sold and scrapped assets	129	126
	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	4,849	1,851
	Impairment and depreciation, end of the reporting period	10,726	12,321
	Carrying amount, end of the reporting period	2,133	4,378
21	**Other assets**		
	Positive market value of derivative financial instruments	35,242	66,534
	Interest and commission receivable	65,423	51,397
	Investments in BEC	179,081	175,815
	Other assets	19,321	35,187
	Total	299,067	328,933
	The comparative figure for 2015 has been restated to reflect that the classification of clearing accounts has been changed from “Receivables from credit institutions and central banks” to “Other assets”.		

Note		2016 DKK'000	2015 DKK'000
22	**Debts to credit institutions and central banks, by term to maturity**		
	Distributed by term to maturity:		
	On demand	15,619	12,061
	3 months to 1 year	0	1,048
	More than 5 years	447	468
	Total	16,066	13,577
	The comparative figure for 2015 has been restated to reflect that the classification of clearing accounts has been changed from "Debts to credit institutions and central banks" to "Other liabilities".		
23	**Deposits and other debt**		
	On demand	8,863,551	7,826,572
	At notice	625,216	771,137
	Term deposits	2,917,920	4,911,394
	Special deposit forms	2,152,589	2,472,134
	Total	14,559,276	15,981,237
	Distributed by term to maturity:		
	On demand	10,157,597	9,504,304
	Up to and including 3 months	748,582	1,021,041
	3 months to 1 year	1,230,096	1,419,430
	1 year to 5 years	2,404,364	3,855,741
	More than 5 years	18,637	180,721
	Total	14,559,276	15,981,237
24	**Other liabilities**		
	Negative market value of derivative financial instruments	52,278	50,420
	Various creditors	480,807	556,773
	Interest and commission payable	7,900	10,389
	Other liabilities	23,484	35,702
	Total	564,469	653,284
	The comparative figure for 2015 has been restated to reflect that the classification of clearing accounts has been changed from "Debts to credit institutions and central banks" to "Other liabilities".		

Note		2016 DKK'000	2015 DKK'000
25	**Subordinated debt**		
	Tier 2 capital	351,697	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/CDR 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 7.320% with no step-up clause. The capital meets the conditions of CRR/CDR IV.		
	Total	351,697	453,893
	Additional tier 1 capital		
	Additional tier 1 capital of DKK 100 million.	100,000	100,000
	The capital accrues interest at a floating rate 2.315%.		
	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
	The capital accrues interest at a fixed 2.625%. 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.	312,481	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	462,481	461,027
	Subordinated debt, total	814,178	914,920
	Charged as an expense under interest expenses/subordinated debt:		
	Interest expenses	62,676	69,933
	Costs related to repayment and incurrence	283	283
	Value adjustments, etc.	2,484	338
	Total	65,443	70,554
	Subordinated debt that can be included in the total capital	603,238	696,118

Note		2016 DKK'000	2015 DKK'000
26	**Share capital**		
	Share capital, beginning of the period	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	173
	Nominal value DKK'000	173	173
	Percentage of the share capital	0.1%	0.1%
	Additions		
	Purchase of own shares (thousands)	1,834	2,355
	Nominal value DKK'000	1,834	2,355
	Percentage of the share capital	1.2%	1.6%
	Total purchase price DKK'000	16,554	21,919
	Disposals		
	Sold own shares (thousands)	1,834	2,355
	Nominal value DKK'000	1,834	2,355
	Percentage of the share capital	1.2%	1.6%
	Total selling price DKK'000	16,553	21,916
	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.		
27	**Contingent assets**		
	Deferred tax asset at a tax rate of 22%	635,178	656,236
	The deferred tax asset is primarily related to carry forward taxable deficits.		
	The Bank estimates that there's no evidence for partial or fully capitalization of the deferred tax asset		

Note		2016 DKK'000	2015 DKK'000
28	**Items not recognised in the statement of financial position**		
	Guarantees		
	Financial guarantees	511,417	441,403
	Loss guarantees on mortgage loans	1,933,799	1,868,648
	Other contingent liabilities	912,711	902,683
	Total	3,357,927	3,212,734
	'Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of indemnity in relation to the Guarantee Fund.		
	Other commitments		
	Irreversible credit commitments	18,428	25,760
	Other liabilities	22,906	25,475
	Total	41,334	51,235
29	**Capital requirements**		
	Shareholders Equity	1,411,872	1,328,734
	Intangible assets	-3,780	-4,489
	Prudent valuation	-3,234	-4,151
	Common equity tier 1 capital	1,404,858	1,320,094
	Additional tier 1 capital	387,481	436,027
	Tier 1 capital	1,792,339	1,756,121
	Tier 2 capital	290,757	335,091
	Total capital	2,083,096	2,091,212
	Total risk exposure	16,066,451	16,738,717
	Common equity tier 1 capital ratio	8.7%	7.9%
	Tier 1 capital ratio	11.2%	10.5%
	Total capital ratio	13.0%	12.5%
30	**Security pledged**		
	Credit institutions:		
	Margin accounts pledged as security in relation to financial derivatives	31,995	31,132
	Deposited in the Danish Growth Fund	455	457
	Other accounts pledged as security	0	10,000
	Bonds:		
	Pledged as security for credit facility with Danmarks Nationalbank		
	Total nominal value	1,129,959	1,387,194
	Total market value	1,132,233	1,379,272

Note		2016 DKK'000	2015 DKK'000
31	**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	58	110
	Share holdings of a minimum of 5% of the Bank's share capital (1,000 units):		
	The Danish State	121,737	121,737
	Finansiel Stabilitet (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	27,524	27,473
	Guarantee commission totalled	0	583
	Size of loans, pledges, sureties or guarantees made for members of the institution's		
	Executive Board	200	200
	Board of Directors	5,243	5,192
	In 2016, the Executive Board and the Board of Directors was granted a commitment increase of DKK'000 108		
	All commitments are provided on arm's-length terms		
	Interest rate:		
	Executive Board	0% *	0% *
	Board of Directors	2.0% - 4.25%	2.5% - 4.25%
	* MasterCard		
	Security pledges made for commitments issued to members of the institute's:		
	Executive Board	0	0
	Board of Directors	240	72
	Apart from what is considered normal management remuneration, no transactions have been carried out with related parties during the period.		

Note

32 **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 and the shares are included in level 2 (observable). 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 9.1 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, although the bank has not made impairments of receivables from credit institutions and central banks.

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.

Note

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

2016 (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	398,307	398,307	81,519	316,788	0
Receivables from credit institutions and central banks	524,743	524,743	0	524,743	0
Loans at amortised cost	12,528,922	12,572,803	0	0	12,572,803
Bonds at fair value	3,128,881	3,128,881	3,032,863	96,018	0
Shares, etc.	254,678	254,678	17,796	144,343	92,539
Assets related to pooled schemes	2,411,815	2,411,815	2,411,815	0	0
Derivative financial instruments	35,242	35,242	0	35,242	0
Total	19,282,588	19,326,469	5,543,993	1,117,134	12,665,342
Financial liabilities					
Debts to credit institutions and central banks	16,066	16,066	0	16,066	0
Deposits	14,559,276	14,560,891	0	0	14,560,891
Deposits in pooled schemes	2,411,815	2,411,815	0	0	2,411,815
Subordinated debt	814,178	800,125	0	0	800,125
Derivative financial instruments	52,278	52,278	0	52,278	0
Total	17,853,613	17,841,175	0	68,344	17,772,831
Shares measured at fair value based on non-observable inputs (level 3)					
Carrying amount, beginning of the period					92,021
Additions					0
Disposals					1,290
Value adjustment					1,808
Value, end of the period					92,539
Period's value adjustments relating to financial assets in the portfolio, total					5,744

Note

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

2015 tkr.	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	322,176	322,183	0	322,183	0
Loans at amortised cost	13,379,021	13,401,220	0	0	13,401,220
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	20,461,915	20,484,121	6,220,570	770,310	13,493,241
Financial liabilities					
Debts to credit institutions and central banks	13,577	13,577	0	13,577	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
Subordinated debt	914,920	893,761	0	0	893,761
Derivative financial instruments	50,420	50,420	0	50,420	0
Total	19,068,758	19,043,480	0	63,997	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
Value 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	**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. 20		
	Market Risk, p. 19		
	Interest Rate Risk, p. 19		
	Foreign Exchange Risk, p. 20		
	Share Risk, p. 20		
	Liquidity Risk, p. 20		

		2016 DKK'000	2015 DKK'000
34	**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	774,258	523,475
	Receivables from credit institutions	74,743	100,175
	Bonds	3,128,881	4,014,258
	Loans	15,557,031	16,469,964
	Items not recognised in the statement of financial position		
	Financial guarantees	2,458,212	2,315,632
	Credit commitments	4,850,359	4,880,465
	Total	26,843,484	28,303,969
	Of which recognised in the statement of financial position	19,534,913	21,107,872
	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+	30,924	36,911
	Credit institutions or their subsidiaries rated A or lower	35,162	41,040
	Unrated credit institutions or their subsidiaries	0	52,000
	Total	66,086	129,951

Note		2016 DKK'000	2015 DKK'000
34	**Credit exposure (continued)**		
	Bonds by rating categories		
	AAA	3,032,863	3,701,100
	A+ to A-	0	0
	BBB+ to BBB-	0	299,550
	BB+ and lower	0	0
	No rating	96,018	13,608
	Total	3,128,881	4,014,258
	Bonds by issuer		
	Mortgage-credit bonds	2,867,886	3,805,441
	Government bonds	0	51,290
	Other bonds	260,995	157,527
	Total	3,128,881	4,014,258
	Loans, financial guarantees and credit commitments by industry segments		
	Public authorities	0	0
	Business:		
	Agriculture, hunting, forestry and fishery	5,103,535	5,094,630
	Manufacturing industry and raw material extraction	729,380	758,895
	Energy supply	923,607	1,167,371
	Construction and civil engineering contractors	721,621	730,206
	Trade	1,765,812	1,818,150
	Transportation, hotels and restaurant businesses	946,940	992,570
	Information and communication	91,707	86,723
	Credit and financing institutes and insurance businesses	1,168,028	1,288,394
	Real estate	3,557,519	4,049,850
	Other business	1,097,896	1,223,062
	Business, total	16,106,045	17,209,851
	Retail	6,759,557	6,456,210
	Total	22,865,602	23,666,061

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.

A number of exposures are secured by collateral in excess of the amount of the exposure. The excess collateral is not included in the calculation below.

Collateral by type

2016 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
Public authorities	0	0	0	0	0	0	0
Business:							
Agriculture, hunting, forestry and fishery	2,516,512	101,145	536,355	68,546	8,556	143,625	3,374,739
Manufacturing industry and raw material extraction	80,170	25,696	250,249	2,827	340	8,628	367,910
Energy supply	454,068	83,541	11,153	91,819	1,685	3,634	645,900
Construction and civil engineering contractors	156,591	40,377	130,496	9,212	4,573	8,367	349,616
Trade	193,804	96,087	488,414	14,852	5,886	34,458	833,501
Transportation, hotels and restaurant businesses	197,892	191,260	153,609	12,870	999	13,397	570,027
Information and communication	27,422	9,527	11,610	362	1,297	211	50,429
Credit and financing institutes and insurance businesses	414,333	14,415	2,535	179,196	5,838	32,712	649,029
Real estate	2,324,016	431,244	4,146	158,982	60,873	38,864	3,018,125
Other business	210,100	98,279	110,872	29,059	22,321	5,875	476,506
Business, total	6,574,908	1,091,571	1,699,439	567,725	112,368	289,771	10,335,782
Retail	2,190,508	1,087,096	177,138	352,234	68,157	42,014	3,917,147
Total	8,765,416	2,178,667	1,876,577	919,959	180,525	331,785	14,252,929

Note

35 **Collateral (continued)**

Collateral by type (continued)

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
Public authorities	0	0	0	0	0	0	0
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	**Loans and guarantees, by industry segments**	2016	2015
	Business:		
	Agriculture, hunting, forestry and fishery	20%	19%
	Manufacturing industry and raw material extraction	3%	3%
	Energy supply	5%	6%
	Construction and civil engineering contractors	3%	3%
	Trade	7%	7%
	Transportation, hotels and restaurant businesses	4%	4%
	Information and communication	0%	0%
	Credit and financing institutes and insurance businesses	6%	6%
	Real estate	17%	19%
	Other business	5%	5%
	Business, total	70%	72%
	Retail	30%	28%
	Total	100%	100%

Note

37 **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.

2016 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	340,803	954,498	364,253	1,659,554
Manufacturing industry and raw material extraction	45,210	150,736	219,802	415,748
Energy supply	70,974	162,575	285,301	518,850
Construction and civil engineering contractors	62,188	191,681	146,292	400,161
Trade	101,069	561,857	286,747	949,673
Transportation, hotels and restaurant businesses	114,151	197,755	115,556	427,462
Information and communication	3,448	27,540	19,055	50,043
Credit and financing institutes and insurance businesses	300,025	156,322	320,940	777,287
Real estate	572,199	865,353	280,155	1,717,707
Other business	92,633	291,125	217,348	601,106
Business, total	1,702,700	3,559,442	2,255,449	7,517,591
Retail	414,568	2,289,513	1,899,696	4,603,777
Total	2,117,268	5,848,955	4,155,145	12,121,368

Note

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	333,135	663,953
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	2,172,284	7,742,289
Retail	500,513	2,085,055	1,684,085	4,269,653
Total	2,246,752	5,908,821	3,856,369	12,011,942

Note

38 **Amounts in arrears on loans that are not impaired, by industry segment**

2016	0-30 days DKK'000	31-60 days DKK'000	61-90 days DKK'000	> 90 days DKK'000	Total DKK'000
Business:					
Agriculture, hunting, forestry and fishery	10,178	1,848	1,074	11	13,111
Manufacturing industry and raw material extraction	1,907	1,144	0	0	3,051
Energy supply	703	87	0	0	790
Construction and civil engineering contractors	3,314	634	350	201	4,499
Trade	7,686	5,153	1,346	0	14,185
Transportation, hotels and restaurant businesses	5,038	645	82	0	5,765
Information and communication	292	71	0	0	363
Credit and financing institutes and insurance businesses	11,441	164	0	301	11,906
Real estate	8,250	578	91	14	8,933
Other business	9,441	126	518	777	10,862
Business, total	58,250	10,450	3,461	1,304	73,465
Retail	13,998	1,497	172	621	16,288
Amounts in arrears, total	72,248	11,947	3,633	1,925	89,753
Loans in arrears, total	794,135	39,552	25,395	12,274	871,356

2015	0-30 days DKK'000	31-60 days DKK'000	61-90 days DKK'000	> 90 days DKK'000	Total DKK'000
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

Note		2016 DKK'000	2015 DKK'000
39	**Gross loan and guarantee debtors, individually impaired, by cause**		.
	Reconstruction/bankruptcy	257,663	255,253
	Rescheduling of debts	14,815	12,879
	Debt collection	1,090,263	1,255,255
	Customer deceased	4,513	4,225
	Easing of terms	2,098,291	1,464,746
	Other causes	2,474,309	3,462,311
	Total	5,939,854	6,454,669

40 **Loan and guarantee debtors individually impaired, by industry**

2016 (DKK'000)	Gross	Loan value of collaterals	Unsecured component before im-pairments	Impair-ments/provisio ns	Unsecured component after impair-ments
Business:					
Agriculture, hunting, forestry and fishery	2,675,231	1,082,153	1,593,078	1,329,187	263,891
Manufacturing industry and raw material extraction	104,126	39,729	64,397	53,412	10,985
Energy supply	283,877	121,011	162,866	85,661	77,205
Construction and civil engineering contractors	102,272	51,679	50,593	45,270	5,323
Trade	256,545	106,837	149,708	145,564	4,144
Transportation, hotels and restau-rant businesses	323,005	103,648	219,357	167,410	51,947
Information and communication	3,966	252	3,714	3,493	221
Credit and financing institutes and insurance businesses	393,861	63,251	330,610	294,233	36,377
Real estate	1,240,661	801,653	439,008	428,958	10,050
Other business	143,563	27,415	116,148	99,323	16,825
Business, total	5,527,107	2,397,628	3,129,479	2,652,511	476,968
Retail	412,747	85,724	327,023	288,346	38,677
Total	5,939,854	2,483,352	3,456,502	2,940,857	515,645

Note

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

2015 (DKK'000)	Gross	Loan value of collaterals	Unsecured component before im-pairments	Impair-ments/provisions	Unsecured component after impair-ments
Business:					
Agriculture, hunting, forestry and fishery	2,548,588	998,469	1,550,119	1,231,429	318,690
Manufacturing industry and raw material extraction	145,253	71,484	73,769	60,516	13,253
Energy supply	262,223	131,002	131,221	91,001	40,220
Construction and civil engineering contractors	116,800	49,848	66,952	48,579	18,373
Trade	300,103	108,423	191,680	188,340	3,340
Transportation, hotels and restau-rant businesses	370,168	143,655	226,513	174,267	52,246
Information and communication	3,687	288	3,399	3,157	242
Credit and financing institutes and insurance businesses	650,577	191,886	458,691	371,888	86,803
Real estate	1,409,114	945,335	463,779	427,927	35,852
Other business	181,425	36,823	144,602	116,324	28,278
Business, total	5,987,938	2,677,213	3,310,725	2,713,428	597,297
Retail	466,732	131,862	334,870	300,959	33,911
Total	6,454,670	2,809,075	3,645,595	3,014,387	631,208

Note

41 **Collateral for loan and guarantee debtors, individually impaired, by types**

2016 tkr.	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	935,955	42,547	20,441	1,065	3,001	79,144	1,082,153
Manufacturing industry and raw material extraction	6,445	5,212	27,843	4	0	225	39,729
Energy supply	112,301	949	2,700	4,047	758	256	121,011
Construction and civil engineering contractors	36,992	2,357	12,085	196	0	49	51,679
Trade	21,221	21,241	47,119	0	0	17,256	106,837
Transportation, hotels and restaurant businesses	20,498	54,877	26,154	1,481	0	638	103,648
Information and communication	252	0	0	0	0	0	252
Credit and financing institutes and insurance businesses	45,365	1,754	0	13,166	25	2,941	63,251
Real estate	712,350	87,086	147	151	219	1,700	801,653
Other business	14,772	861	8,811	1,460	161	1,350	27,415
Business, total	1,906,151	216,884	145,300	21,570	4,164	103,559	2,397,628
Retail	61,661	16,774	3,231	1,625	60	2,373	85,724
Total	1,967,812	233,658	148,531	23,195	4,224	105,932	2,483,352
2015 tkr.							
Business:							
Agriculture, hunting, forestry and fishery	873,932	22,353	19,132	6,136	2,206	74,710	998,469
Manufacturing industry and raw material extraction	13,485	23,614	28,016	5,223	196	950	71,484
Energy supply	119,917	0	2,700	8,057	328	0	131,002
Construction and civil engineering contractors	34,363	2,757	12,538	0	141	49	49,848
Trade	25,288	17,028	49,830	0	0	16,277	108,423
Transportation, hotels and restaurant businesses	38,869	65,346	37,376	1,639	0	425	143,655
Information and communication	252	0	0	36	0	0	288
Credit and financing institutes and insurance businesses	137,460	1,703	1,500	46,973	47	4,203	191,886
Real estate	847,647	82,719	0	14,954	15	0	945,335
Other business	19,067	3,165	10,765	2,315	161	1,350	36,823
Business, total	2,110,280	218,685	161,857	85,333	3,094	97,964	2,677,213
Retail	92,874	15,356	2,910	17,119	109	3,494	131,862
Total	2,203,154	234,041	164,767	102,452	3,203	101,458	2,809,075

Note		2016 DKK'000	2015 DKK'000
42	**Hedge accounting**		
	To manage interest rate risk, the following are hedged (fair value hedge):		
	Bonds	345,015	250,245
	Hedged with interest rate swaps, maturity 2020-2025:		
	Notional principal	340,000	250,000
	Fair value	-7,716	-1,990
	Loans at amortised cost	131,538	159,638
	Hedged with interest rate swaps, maturity 2016-2022:		
	Notional principal	117,318	142,977
	Fair value	-8,647	-10,534
	Hedged with interest rate cap, maturity 2024:		
	Notional principal	5,583	6,148
	Fair value	10	20
	Deposits	0	1,955,907
	Hedged with interest rate swaps, maturity 2016:		
	Notional principal	0	1,950,000
	Fair value	0	5,907
	Total fair value adjustment of hedging instruments	-3,936	-95
	Total fair value adjustment of the hedged items	3,294	-879
	Ineffectiveness recognised in the statement of income	-642	-974

Note

43 **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.

2016 (DKK'000)	Nominal value	Net market value	Positive market value	Negative market value
Foreign exchange contracts				
Up to 3 months	1,528,698	-81	4,919	5,000
3 months to 1 year	237,559	770	5,237	4,467
1 year to 5 years	29,008	-1,816	9	1,825
More than 5 years	0	0	0	0
Average market value		8,414	17,535	9,121
Interest rate contracts				
Up to 3 months	283,498	588	1,535	947
3 months to 1 year	24,834	-43	257	300
1 year to 5 years	590,863	-8,689	14,510	23,199
More than 5 years	162,638	-6,993	8,544	15,537
Average market value		-16,042	29,821	45,863
Share contracts				
Up to 3 months	65,155	-412	231	643
3 months to 1 year	193	-360	0	360
1 year to 5 years	0	0	0	0
More than 5 years	0	0	0	0
Average market value		-913	548	1,461

2015 (DKK'000)				
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

Note

44 **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 loss before tax of DKK 6.9 million in 2016.

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.

	2016	2015
	DKK'000	DKK'000
Interest rate risk inside the Bank's trading book:		
Securities	23,130	21,076
Futures/forward contracts/forward rate agreements	37	-918
Swaps	-16,227	-15,362
Total	6,940	4,796
Interest rate risk outside the Bank's trading book:		
Receivables from credit institutions	4,996	6,931
Loans	0	-7
Deposits	-46,927	-78,301
Subordinated debt	-14,782	-20,268
Equity	-4,093	-2,600
Total	-60,806	-94,245
Total interest rate risk	-53,866	-89,449
Measured in relation to the tier 1 capital, the interest rate risk corresponds to	-3,0%	-5,1%
Interest rate risk, by modified duration		
Up to 1 year	-7,237	229
1 year to 2 years	-19,183	-25,130
2 year to 3.6 years	-31,234	-62,589
More than 3.6 years	3,786	-1,959
Total	-53,868	-89,449

Note			
45	**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).		
		2016	2015
		DKK'000	DKK'000
	Assets in foreign currency, total	1,977,457	2,086,384
	Liabilities in foreign currency, total	60,481	68,366
	Foreign exchange indicator 1	5,684	32,555
	Foreign exchange indicator 1 in percent of tier 1 capital	0.3%	1.9%
	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	-568	-2,125
46	**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	9,987	10,182
	Shares/unit trust certificates listed on other exchanges	7,809	9,482
	Unlisted shares recognised at fair value	236,882	158,531
	Unlisted shares, etc. recognised at cost	26	1,060
	Total	254,704	179,255
	Of which, sector shares	235,206	153,474
	Sensitivity		
	An increase in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	25,471	17,925
	of which sector shares	23,521	15,347
	of which other shares	1,950	2,578
	A decrease in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	-25,471	-17,925
	of which sector shares	-23,521	-15,347
	of which other shares	-1,950	-2,578

Note

47 **Likviditetsrisiko**

At 31 December 2016, the liquidity requirement of section 152 of the Danish Financial Business Act was phased out. However, the Danish FSA has stated that the Supervisory Diamond's liquidity benchmark will for a period continue to be based on the section 152 liquidity requirement.

Pursuant to Regulation (EU) No 575/2013 of 26 June 2013, the LCR requirement will be phased in with 80% at 1 January 2017 and 100% at 1 January 2018.

Vestjysk Bank bases its liquidity risk management on the LCR requirement and in 2017 has an objective of maintaining an LCR of at least 100% on a day-to-day basis.

The liquidity buffer is determined on the basis of the Bank's objective of maintaining an LCR of 125% month by month under a chosen 12-month stress scenario. The stress scenario is based on a standard LCR-based stress situation for the first 30 days and a specific Vestjysk Bank stress scenario for the remaining 11 months.

The liquidity buffer consists of liquid government and mortgage bonds categorised as level 1a, level 1b or level 2a assets and deposits held with the Danish central bank.

	2016 DKK'000	2015 DKK'000
Liquidity buffer		
Demand deposits with Danmarks Nationalbank as well as demand deposits with other credit institutions	890,600	682,795
Liquid securities	3,925,210	4,654,383
Total	4,815,810	5,337,178
Excess coverage in relation to the 10%-requirement set out in section 152 of the Danish Financial Business Act.	127.4%	140.1%
LCR values	3,642,258	3,975,227
LCR values after adjustment on level 1a assets	3,610,370	2,576,993
Net outflow	1,134,877	990,540
Liquidity Coverage Ratio - LCR	318.1%	260.2%

Note	
48	**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 a 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.

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.

49 **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.

50 **Events after the balance sheet date**

As previously described the bank has, due to the shortfall of common equity tier 1 on 1 January 2017, prepared a capital conservation plan, which at 30 January 2017 has been assessed and approved by the Danish FSA.

Note		2016	2015	2014	2013	2012
51	**Financial highlights**					
	Key figures					
	Statement of income (DKKm)					
	Net interest income	595	644	699	813	892
	Net fee income	312	305	290	262	279
	Dividends on shares etc.	3	2	6	13	5
	Value adjustments	65	17	56	126	94
	Other operating income	29	21	4	20	10
	Core income	1,004	989	1,055	1,234	1,280
	Staff costs and administrative expenses	489	513	509	539	656
	Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and intangible assets	16	56	51	64	49
	Operating expenses and operating depreciation and amortisation	505	569	560	603	705
	Core earnings before impairment	499	420	495	631	575
	Impairment of goodwill	0	0	0	0	208
	Impairment of loans and receivables, etc.	416	370	683	1073	1515
	Profit/loss before tax	83	50	-188	-442	-1,148
	Tax	3	1	0	0	299
	Profit/loss after tax	80	49	-188	-442	-1,447
	Statement of financial position (DKKm)					
	Assets, total	19,895	21,114	21,804	26,112	32,773
	Loans	12,529	13,379	14,756	17,402	20,739
	Deposits, including pooled schemes	16,971	18,090	18,768	17,877	18,058
	Contingent liabilities	3,358	3,213	3,036	2,958	5,154
	Business volume	32,858	34,682	36,560	38,237	43,951
	Equity	1,487	1,404	1,362	887	998

Note		2016	2015	2014	2013	2012
51	**Financial highlights (continued)**					
	Financial ratios[1]					
	Solvency					
	Total capital ratio	13.0%	12.5%	12.1%	11.3%	11.2%
	Tier 1 capital ratio	11.2%	10.5%	9.9%	5.9%	5.6%
	Common equity tier 1 capital ratio	8.7%	7.9%	7.1%	4.1%	3.6%
	Earnings					
	Return on equity before tax, annually	5.7%	3.6%	-16.7%	-46.9%	-84.5%
	Return on equity after tax, annually	5.5%	3.6%	-16.7%	-46.9%	-106.6%
	Income/cost ratio	1.09	1.05	0.85	0.74	0.53
	Cost Ratio[2]	50.3%	57.5%	53.1%	48.9%	55.1%
	Return on assets	0.4%	0.2%	-0.8%	-1.5%	-8.8%
	Employees converted to full-time (average)	458.6	500.1	523.1	562.9	621.3
	Market risk					
	Interest rate risk	-3.0%	-5.1%	-4.7%	-4.9%	-11.2%
	Foreign exchange position	0.3%	1.9%	1.4%	1.6%	1.6%
	Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
	Surplus liquidity in relation to statutory liquidity requirements	127.4%	140.1%	136.2%	162.2%	144.8%
	Credit risk					
	Loans plus impairment of loans relative to deposits	91.7%	91.0%	97.5%	118.5%	113.7%
	Loans relative to equity	8.4	9.5	10.8	19.6	20.8
	Growth in loans for the year	-6.4%	-9.3%	-15.2%	-16.1%	-4.5%
	Sum of large exposures	36.9%	35.1%	22.3%	33.5%	44.9%
	Accumulated impairment ratio	16.1%	15.8%	16.7%	15.7%	11.8%
	Impairment ratio for the year	2.2%	1.9%	3.2%	4.4%	5.2%
	Vestjysk Bank share					
	Earnings per share for the year	0.5	0.3	-1.6	-6.0	-39.4
	Book value per share [3]	9.4	8.8	8.5	10.3	16.3
	Price of Vestjysk Bank shares, end of the year	13.0	7.8	9.3	9.0	13.0
	Share price/earnings per share	24.6	23.7			
	Share price/book value per share[3]	1.4	0.9	1.1	0.9	0.8

1 The financial ratios are laid down in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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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