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Vestjysk Bank's Q1 2017 Quarterly Report

Vestjysk Bank realised a profit after tax of DKK 55 million in Q1 2017. The Bank's core operations are sound and core earnings of DKK 120 million before impairment are considered very satisfactory. The impairment charges in relation to the Bank's agricultural customers are at a lower level than Q1 2016. This is the main reason for the Bank's profit after tax in Q1 2017 being in line with expectations at the beginning of the year and is under the circumstances considered satisfactory.

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

The Bank is investigating the possibility of a capital increase in the form of a share issue. For the time being this cannot be further elaborated.

Summary of Vestjysk Bank's results in Q1 2017:

- Profit after tax of DKK 55 million (Q1 2016: DKK 12 million).
- Core income of DKK 245 million (Q1 2016: DKK 231 million), including value adjustments of DKK 24 million (Q1 2016: DKK 7 million).
- Cost ratio of 51.1 (Q1 2016: 54.6), corresponding to a decrease of 3.5 percentage points.
- Core earnings before impairment of DKK 120 million (Q1 2016: DKK 105 million).
- Impairment of loans and receivables, etc. of DKK 61 million (Q1 2016: DKK 93 million).
- The minimum requirements for continued banking operations are 8.0 per cent (total capital ratio) and 4.5 per cent (common equity tier 1 capital ratio), respectively, of weighted risk exposures. At 31 March 2017, the Bank's surplus relative to these requirements was 5.6 percentage points, or DKK 874 million, and 4.8 percentage points, or DKK 754 million, respectively.
- The total capital ratio stood at 13.6 per cent and the individual solvency need at 12.9 per cent, corresponding to a surplus of 0.7 percentage points or DKK 112 million at 31 March 2017, which is how far the Bank is from the need to prepare a recovery plan.
- Common equity tier 1 capital ratio of 9.3 at 31 March 2017, compared with a requirement of 9.8. That means a shortfall of 0.5 of a percentage point, or DKK 84 million (DKK 116 million at 1 January 2017). This is in line with Vestjysk Bank's guidance, and the Bank remains confident that it will be able to eliminate the shortfall by way of ordinary operating income cf. the capital conservation plan which has been assessed and approved by the Danish FSA.
- Deposit surplus of DKK 4.2 billion at 31 March 2017, compared with a deposit surplus of DKK 4.0 billion at 31 March 2016. At 31 March the Bank's LCR was 327 per cent (187 per cent at 31 March 2016).

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

Outlook for 2017 maintained
Given an unchanged economic climate, the Bank's total business volume is still 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 compared to last year.

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

Vestjysk Bank A/S

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