



Vestjysk Bank Quarterly Report 2017

Contents

■ Summary	3
■ Management's Review	4
Financial Highlights	4
Financial Review	6
■ Management's Statement	13
■ Financial Statements	14
Statements of Income and Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	17
Notes to the financial statements	18

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The Vestjysk Bank Quarterly Report 2017 is a translation of the original report in Danish (Vestjysk Bank Kvartalsrapport 2017).
In case of discrepancies, the Danish version prevails.

Summary

Q1– Q3 2017 Highlights

Vestjysk Bank realised a profit after tax of DKK 150 million in Q1-Q3 2017. The Bank's core operations are still sound, and a profit before impairment charges of DKK 335 million for Q1-Q3 2017 is considered satisfactory. Impairment losses relating to the Bank's agricultural customers are at a lower level than they were for the corresponding period of 2016. This is the main reason the Bank's profit after tax for the Q1-Q3 2017 period is considered satisfactory under the given circumstances. The overall plan as mentioned in the Half-Year Report has been executed and the Bank has been restored as a well-capitalised bank.

- Profit after tax of DKK 150 million (Q1-Q3 2016: DKK 26 million).
- Core income of DKK 711 million (Q1-Q3 2016: DKK 725 million), including value adjustments of DKK 17 million (Q1-Q3 2016: DKK 41 million).
- Cost ratio of 52.9 per cent (Q1-Q3 2016: 51.2 per cent).
- Core earnings of DKK 335 million before impairment (Q1-Q3 2016: DKK 354 million).
- Impairment of loans and receivables, etc. of DKK 177 million (Q1-Q3 2016: DKK 326 million).
- With the execution of the overall plan the Bank's equity has been increased from DKK 1,596 million at 30 June 2017 to DKK 2,508 million at 30 September 2017.
- The minimum requirements for continued banking operations are 8.0 per cent (total capital ratio) and 4.5 per cent (common equity tier 1 capital ratio), respectively, of weighted risk exposures. At 30 September 2017, the Bank's surplus relative to these requirements was 10.7 percentage points, or DKK 1,644 million, and 10.3 percentage points, or DKK 1,582 million, respectively.
- The total capital ratio stood at 18.7 per cent and the individual solvency need at 10.6 per cent, corresponding to a surplus of 8.1 percentage points or DKK 1,251 million at 30 September 2017.
- Common equity tier 1 capital ratio of 14.8 at 30 September 2017, compared with a requirement of 7.9. That means a surplus of 6.9 of a percentage point, or DKK 1,059 million at 30 September 2017
- At 30 September 2017 the Bank's LCR was 250 per cent, compared with a requirement of 80 per cent (263.6 per cent at 30 September 2016).

Outlook for 2017 maintained

Given unchanged market conditions, 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 unchanged economic conditions, Management expects that impairment losses can be absorbed by the Bank's core earnings, resulting in a significant improvement of the result in 2017 compared to last year.

Management's Review

Financial highlights

Key Figures	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	FY 2016
Statement of Income (DKKm)								
Net interest income	422	442	144	148	130	153	147	595
Net fee income	263	227	72	101	90	85	79	312
Dividends on shares, etc.	4	3	0	4	0	0	0	3
Value adjustments	17	41	-18	11	24	24	17	65
Other operating income	5	12	1	3	1	17	5	29
Core Income	711	725	199	267	245	279	248	1,004
Staff costs and administrative expenses	359	361	123	115	121	128	118	489
Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and tangible assets	17	10	-2	15	4	6	3	16
Operating expenses and operating depreciation and amortisation	376	371	121	130	125	134	121	505
Core earnings before impairment	335	354	78	137	120	145	127	499
Impairment of loans and receivables, etc.	177	326	35	81	61	90	110	416
Profit before tax	158	28	43	56	59	55	17	83
Tax	8	2	0	3	4	1	1	3
Profit after tax	150	26	43	53	55	54	16	80
Statement of financial position (DKKm)								
Assets, total	21,981	19,878	21,981	22,486	19,544	19,895	19,878	19,895
Loans	12,140	12,920	12,140	12,273	12,404	12,529	12,920	12,529
Deposits, including pooled schemes	18,299	16,939	18,299	18,584	16,574	16,971	16,939	16,971
Contingent liabilities	3,411	3,175	3,411	3,431	3,319	3,358	3,175	3,358
Business volume	33,850	33,034	33,850	34,288	32,297	32,858	33,034	32,858
Equity	2,508	1,424	2,508	1,596	1,542	1,487	1,424	1,487

Financial ratios ¹	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	FY 2016
Solvency								
Total capital ratio	18.7%	12.7%	18.7%	13.9%	13.6%	13.0%	12.7%	13.0%
Tier 1 capital ratio	16.3%	10.8%	16.3%	12.2%	11.8%	11.2%	10.8%	11.2%
Common equity tier 1 capital ratio	14.8%	8.4%	14.8%	9.7%	9.3%	8.7%	8.4%	8.7%
Earnings								
Return on equity before tax, annually	10.6%	2.6%	8.3%	14.3%	15.9%	15.0%	4.7%	5.7%
Return on equity after tax, annually	10.1%	2.4%	8.2%	13.5%	14.7%	14.8%	4.3%	5.5%
Income-cost ratio	1.29	1.04	1.28	1.26	1.32	1.25	1.07	1.09
Cost ratio ²	52.9%	51.2%	60.7%	48.7%	51.1%	47.9%	48.9%	50.3%
Return on assets	0.7%	0.1%	0.2%	0.3%	0.3%	0.3%	0.1%	0.4%
Employees converted to full-time (average)	426.6	462.3	417.0	425.0	437.8	447.7	457.7	458.6
Market Risk								
Interest rate risk	-1.5%	-3.7%	-1.5%	-1.9%	-2.4%	-3.0%	-3.7%	-3.0%
Foreign exchange position	0.5%	0.8%	0.5%	0.4%	0.5%	0.3%	0.8%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	250.0%	263.6%	250.0%	239.9%	327.1%	318.1%	263.6%	318.1%
Credit Risk								
Loans plus impairment on loans relative to deposits	82.9%	94.1%	82.9%	82.3%	92.8%	91.7%	94.1%	91.7%
Loans relative to equity	4.8	9.1	4.8	7.7	8.0	8.4	9.1	8.4
Growth in loans	-3.1%	-3.4%	-1.1%	-1.1%	-1.0%	-3.0%	-1.3%	-6.4%
Sum of large exposures	11.8%	37.8%	11.8%	28.7%	32.2%	36.9%	37.8%	36.9%
Accumulated impairment ratio	16.4%	15.9%	16.4%	16.2%	16.0%	16.1%	15.9%	16.1%
Impairment ratio	0.9%	1.7%	0.2%	0.4%	0.3%	0.5%	0.6%	2.2%
Vestjysk Bank Share								
Earnings per share	0.3	0.2	0.1	0.3	0.4	0.4	0.1	0.5
Book value per share ³	2.5	8.9	2.5	10.1	9.7	9.4	8.9	9.4
Price of Vestjysk Bank shares, end of the period	4.1	9.2	4.1	9.1	13.3	13.0	9.2	13.0
Share price/book value per share ³	1.6	1.0	1.6	0.9	1.4	1.4	1.0	1.4

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 additional tier 1 capital is a liability.

Management's Review

Financial Review

Income statement

Profit after tax

For Q1-Q3 2017, the Bank's profit after tax was DKK 150 million, compared with DKK 26 million for Q1-Q3 2016.

Impairment of loans and receivables, etc. amounted to DKK 177 million in Q1-Q3 2017. Despite a strong downward trend, this is still a high level. The impairment ratio for Q1-Q3 2017 was 0.9 per cent, against 1.7 per cent in Q1-Q3 2016.

Core income

In Q1-Q3 2017, Vestjysk Bank realised core income of DKK 711 million, down DKK 14 million compared with Q1-Q3 2016. The core income decrease was due to lower net interest income and value adjustments, partly offset by higher income from fees and commissions.

Net interest income totalled DKK 422 million in Q1-Q3 2017, against DKK 442 million in Q1-Q3 2016. The DKK 20 million decline was due to a DKK 78 million drop in interest income due to a lower lending volume and increased price pressure. The Bank's interest expenses fell by DKK 57 million due to lower rates of deposit and cancelled interest payments on additional tier 1 capital resulting from the shortfall in common equity tier 1 capital.

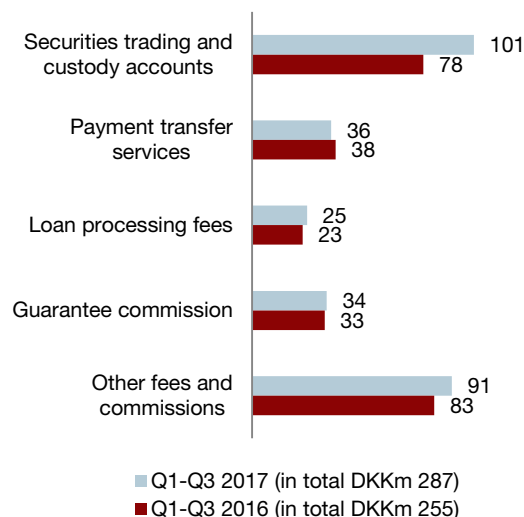
Positive value adjustments represented DKK 17 million, compared with DKK 41 million in Q1-Q3 2016. In connection with new own funds requirements applying to banks, the Danish FSA is challenging the compensation payable to data centres where a bank withdraws from ownership because it no longer complies with its capital requirement and resolution measures are to be initiated. Given the increased uncertainty regarding expected future inflows of income, BEC has made a preliminary assessment of the valuation of its existing development assets. For Vestjysk Bank, this entails a write-down of Vestjysk Bank's ownership interest in BEC by a total amount of DKK 29 million, as announced in a company announcement of 31 October 2017.

Net fee and commission income rose 16.0 per cent from DKK 227 million in Q1-Q3 2016 to DKK 263 million in Q1-Q3 2017. 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. The distribution is shown in the following figure.

In an effort to further strengthen the Bank's investment concepts while also aiming to optimise returns in accordance with the MiFID II regulation, the Bank has actively worked on transferring customers' pensions from its own Værdipleje product to Sparinvest's Lokal Puljeinvest.

Income from fees and commissions (DKKm)



Other operating income amounted to DKK 5 million in Q1-Q3 2017, against DKK 12 million in Q1-Q3 2016.

Operating expenses, depreciation and amortisation

Total operating expenses, depreciation and amortisation amounted to DKK 376 million in Q1-Q3 2017, against DKK 371 million in Q1-Q3 2016. The increase in operating expenses seen in the Q1-Q3 2017 period was driven by expenses incurred to legal advisers and consultants in the preparation of the Bank's capital plan. Moreover, the Bank executed a new strategy plan in Q3 2017, which involved recognition of expenses of DKK 8 million relating to severance costs in connection with an organisational change. When adjusted for these expenses, the Bank managed to reduce its costs for the reporting period. In Q1-Q3 2017, the Bank reduced the average number of employees by just over 35 FTEs compared with the year-earlier period.

The Bank will continue its committed efforts to reduce the level of expenses and to maintain an expense ratio of around 50. For Q1-Q3 2017 the cost ratio was 52.9 per cent.

Core earnings before impairment

For Q1-Q3 2017, the Bank's core earnings before impairment stood at DKK 335 million, compared with DKK 354 million in Q1-Q3 2016.

Impairment charges on loans, advances, guarantees etc.

Impairment charges amounted to DKK 177 million, net in Q1-Q3 2017, compared with DKK 326 million in Q1-Q3 2016. The impairment ratio for Q1-Q3 2017 was 0.9 per cent, against 1.7 per cent in Q1-Q3 2016. The level is within Managements expectation, but is still at a high level and higher than the sector average.

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 33 per cent of total net lending, compared with about 36 per cent a year ago.

Milk and pork prices have both improved in 2017. Recently, pork settlement prices have seen a downward trend, however. The level and stability on milk prices currently represents the greatest risk of the Banks agricultural exposures. The Bank is consistently working to identify lasting solutions for those of its agricultural customers facing an unsustainable financial situation. 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 market conditions that the sector has experienced in recent years, agriculture also accounts for the largest share of the Bank's accumulated impairment writedowns: 46 per cent or DKK

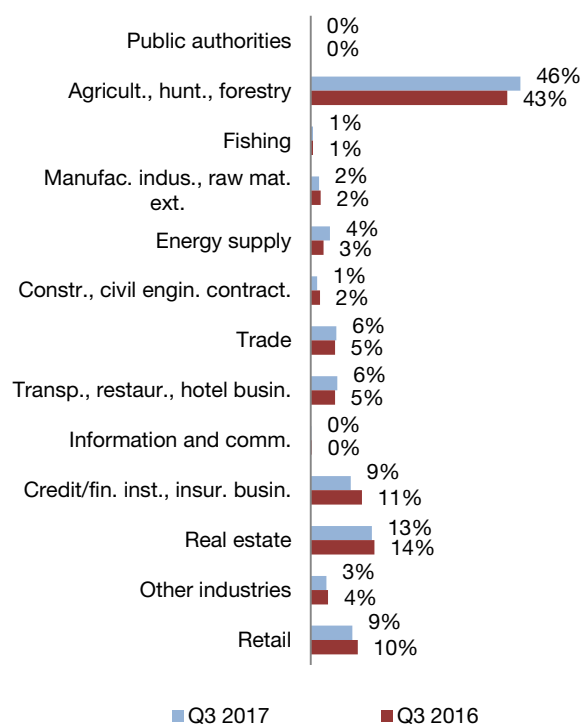
1.4 billion. The Bank has thus written down approximately 34 per cent of its gross lending to the agricultural sector.

The process of adjusting the Bank's involvement in the real estate sector continues, as the Bank focuses on weeding out unprofitable real estate exposures. For some of these property commitments, we are seeing a favourable trend with operating profits and sufficient liquidity to service debt. As a result, the Bank has reduced its exposure to this sector, and the Bank's customers have sold assets at acceptable prices.

The Bank continues to implement further measures to improve the process of managing and monitoring the Bank's loans and guarantees and to develop the skills of account managers.

The Bank's accumulated impairment ratio at 30 September 2017 stood at 16.4 per cent, compared with 15.9 per cent at 30 September 2016.

Accumulated impairments and provisions by industry segment at 30 September 2017



Management's Review

Financial Review

Statement of financial position

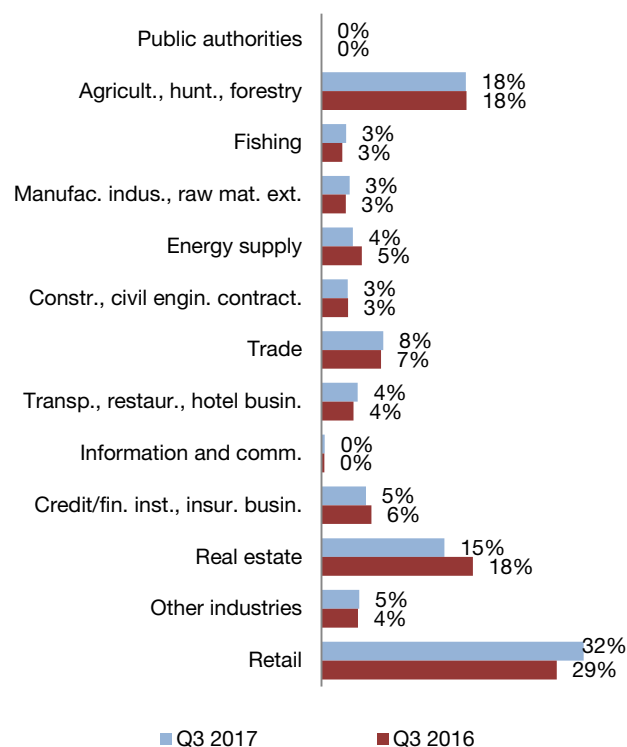
Vestjysk Bank's balance sheet amounted to DKK 22.0 billion at 30 September 2017, against DKK 19.9 billion at 30 September 2016. The Bank has seen its balance sheet grow due to an increase in assets related to pooled schemes. Based on its liquidity and funding situation, the Bank will now aim to maintain the current business volume.

Loans

At 30 September 2017, Vestjysk Bank's net lending amounted to DKK 12.1 billion, against DKK 12.9 billion at 30 September 2016, a DKK 0.8 billion reduction. Relative to 31 December 2016, this represents a decline of DKK 0.4 billion.

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

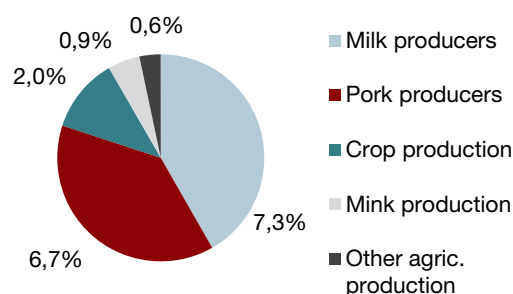
Loans and guarantees by industry segment at 30 September 2017



It is a positive development that loans to retail customers continue to rise, accounting for 32 per cent of the Bank's net loans and guarantees at 30 September 2017. 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 30 September 2017 the Bank's exposure to agriculture accounted for 17.5 per cent of its total loans and guarantees and was distributed across the various production branches as shown in the figure below.

Agricultural commitments' share of loans and guarantees by production branches at 30 September 2017



Large exposures

The sum of large exposures, constituting 10 per cent or more of total capital, amounted to 11.8 per cent of total capital at 30 September 2017, composed of one exposure. The aim is lower concentration and greater diversification of the Bank's portfolio.

Deposits

Vestjysk Bank's deposits including pooled schemes amounted to DKK 18.3 billion at 30 September 2017, against DKK 16.9 billion at 30 September 2016. Deposits excluding pooled schemes amounted to DKK 13.6 billion at 30 September 2017, against DKK 14.7 billion at 30 September 2016.

In preparation for the MiFID II regulations, the Bank has begun to transfer a large proportion of customer pension funds to Lokal Puljeinvest. As a result of such pension funds being transferred to Lokal Puljeinvest, the Bank's total deposits grew during the H1 2017 period. A total

amount of DKK 2.4 billion has been transferred from Værdipleje schemes in off-balance sheet customer custody accounts to pooled schemes, which are included in the Bank's balance sheet. Deducting pooled schemes from deposits reveals a decline in deposits, which is consistent with a deliberate strategy by the Bank driven by a declining need for additional net liquidity. The adjustment is being accomplished by way of the interest rates offered on certain deposit products.

Business volume

Vestjysk Bank's business volume – total deposits, loans and contingent liabilities – amounted to DKK 33.9 billion at 30 September 2017, against DKK 33.0 billion at 30 September 2016. The change in business volume was due to the above-mentioned increase in assets related to pooled schemes, which was partly offset by a fall in the Bank's deposits and lending.

Capital and liquidity

Equity

Vestjysk Bank's equity stood at DKK 2,508 million at 30 September 2017, against DKK 1,424 million at 30 September 2016. The increase was related to the implementation of the overall plan. The development in equity since 1 January 2016 is detailed in the statement of changes in equity.

Subordinated debt

The Bank's subordinated debt stood at DKK 522 million at 30 September 2017, of which DKK 369 million is eligible for inclusion in own funds.

Solvency

Solvency-related total capital amounted to DKK 2,872 million at 30 September 2017 which, relative to the total risk exposure of DKK 15,340 million, gives a total capital ratio of 18.7 per cent. At 30 September 2016, the Bank's total capital ratio was 12.7 per cent.

The minimum total capital ratio requirement for continued banking operations is 8.0 per cent, which for Vestjysk Bank equals DKK 1,227 million at 30 September 2017. Based on the Bank's current financial position, this requirement is met with a surplus of 10.7 percentage points, or DKK 1,644 million.

Solvency-related adequate total capital amounted to DKK 1,620 million at 30 September 2017 which, relative to the total risk exposure of DKK 15,340 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 2,872 million total capital, the surplus solvency was 8.1 percentage points or DKK 1,251 million at 30 September 2017.

Common equity tier 1 capital

The Bank's common equity tier 1 capital totalled DKK 2,272 million at 30 September 2017 which, relative to the total risk exposure of DKK 15,340 million, gives a common equity tier 1 capital ratio of 14.8 per cent, against 8.4 per cent at 30 September 2016. The Bank's tier 1 capital ratio was 16.3 per cent at 30 September 2017, compared to 10.8 per cent at 30 September 2016.

The minimum common equity tier 1 capital ratio requirement for continued banking operations is 4.5 per cent, which for Vestjysk Bank equals DKK 690 million at 30 September 2017. Based on the Bank's current financial position, this requirement is met with a surplus of 10.3 percentage points, or DKK 1,582 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 proportion of the solvency need add-on that may be fulfilled by common equity tier 1 capital, is 7.9 per cent, or DKK 1,213 million, compared to the Bank's common equity tier 1 capital of DKK 2,272 million. The difference between these two amounts constitutes the Bank's common equity tier 1 capital coverage of 6.9 of a percentage point, or DKK 1,059 million at 30 September 2017. At the end of 2016, the Bank had excess common equity tier 1 capital coverage of DKK 287 million.

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

MREL requirements

On 30 October 2017, the Danish FSA published its final principles on the winding up of and minimum requirements for eligible liabilities (MREL requirements) for small and medium-sized banks. The MREL add-on will be between

Management's Review

Financial Review

3.5 per cent and 6 per cent of the total risk exposure and will be phased in over a five-year period.

The Bank expects to be at the upper end of this interval and expects to be able to meet the requirement through ordinary earnings during the phase-in period. When fully phased in in 2023, the effect of the requirement is expected to be in the region of DKK 900 million.

IFRS 9 – Expected accounting effects

At 30 September 2017, Vestjysk Bank estimated how the new impairment rules following from IFRS 9 will affect the Bank's impairment of loans, etc. when the rules come into force at 1 January 2018. The estimated effect is in the range of 5-7 per cent of equity. The equity effect on total capital will be phased in over a five-year period.

Liquidity

Vestjysk Bank's liquidity position remains good. At 30 September 2017, the Bank's Liquidity Coverage Ratio (LCR) stood at 250 per cent, relative to the LCR requirement of 80 per cent.

In accordance with the LCR regulation, the LCR requirement is being gradually phased in, with 80 per cent at 1 January 2017 and 100 per cent at 1 January 2018.

Share capital at 30 September 2017

After the completion of the overall plan, Vestjysk Bank's share capital totaled DKK 896 million at 30 September 2017. The share capital consists of 895,981,517 shares with a nominal value of DKK 1 each.

Vestjysk Bank has some 37,000 registered shareholders. The Bank's major shareholders are:

Foreningen AP Pension f.m.b.a.	16.74%
Nykredit Realkredit A/S	13.97%
Aktieselskabet Arbejdernes Landsbank	11.16%
Novo Nordisk Fonden	8.37%

The Bank's shares are listed as a component of the Nasdaq OMX Nordics Mid Cap index. At 24 October 2017, the share was removed from the observation list, where it had been since 1 March 2013.

The Financial Supervisory Authority's Supervisory Diamond

Vestjysk Bank's objective is to remain within the threshold values for the five indicators set out in the FSA's Supervisory Diamond, which all banks should generally comply with. Vestjysk Bank meets this objective.

Vestjysk Bank's values relative to each of these threshold values are set out in the following table.

Realised values at 30 September 2017

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures (< 125%)	11.8 pct.
Growth in loans (< 20%)	-6.0 pct.
Real estate exposure (< 25%)	15.1 pct.
Funding ratio (< 1)	0.57
Liquidity surplus (> 50%)	84.4 pct.

Other matters

Related parties on 30 September 2017

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.

Action plan 2017

In the annual report for 2016, the Bank launched a new action plan for 2017 and the following years, comprising the following points:

- Investigating the possibility 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 new good retail customers and solid business customers in the SME segment
- Reducing the Bank's total agricultural and real estate exposures

- Continuing working actively with the Bank's weak and impaired customers to reduce the Bank's overall impairment 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 deposit

The most important issue in the Bank's action plan has been to strengthen its capital resources. On 12 June 2017, the Bank announced that a group of long-term investors had made a voluntary offer to buy all shares in Vestjysk Bank A/S. The Ministry of Finance accepted the offer on behalf of the Danish State. The agreement to buy the Danish State's shareholding interest in the Bank was part of an overall solution ensuring a future for Vestjysk Bank as a strong regional bank.

The key elements of the overall plan were:

- The investor group has submitted a voluntary offer to the shareholders of Vestjysk Bank and will buy shares from those of Vestjysk Bank's shareholders who accepted the voluntary offer, including the stake held by the Danish State.
- The investor group effected a share issue raising a gross amount of DKK 745 million in fresh equity to Vestjysk Bank and ensuring that the shareholders who declined the investor group's offer would be able to participate in the overall solution on an equal footing with the investor group.
- Also, Vestjysk Bank issued new subordinated debt in the form of additional tier 1 capital in the amount of DKK 155 million and tier 2 capital in the amount of DKK 225 million.
- DKK 516 million of existing subordinated capital was redeemed, including approximately DKK 287.6 million in state-funded capital, which according to the loan terms were redeemed at a price of 110, equal to approximately DKK 316 million.

The overall plan has been accomplished, with the exception of the redemption of DKK 150 million additional tier 1 capital, which will take place in November 2017.

The share issue provided the Bank with net equity in the amount of DKK 718 million.

With the completion of the long-term overall solution, the Bank has been restored as a well-capitalised bank.

The EU Commission

When the EU Commission temporarily approved the state aid in parts of the capital plan for the merger with Aarhus Lokalbanc 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 state aid 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.

As announced in a company announcement of 18 July 2017, the Commission has approved the state aid subject to certain conditions, which include the implementation of the overall solution announced by the Bank in a company announcement of 12 June 2017 and the Bank complying with certain conditions:

- The Bank must have a capital base corresponding to the higher of (i) 2% of the total risk exposure and (ii) DKK 325 million in addition to the solvency requirement and the combined capital buffer requirement under applicable law.
- The Bank must maintain an LCR of at least 100%, surplus liquidity coverage of at least 50% and a funding ratio of maximum 1; all measured in compliance with applicable rules.
- The Bank's 2017 balance sheet cannot be higher than for 2016 and cannot exceed DKK 20,300 million in 2018 and DKK 21,000 million in 2019 (if applicable).
- The Bank must re-balance its lending with specific caps to lending in respect of real estate (25% of total lending) and agriculture, hunting, forestry and fishery (a total of 20% of all lending).
- The Bank cannot provide new lending outside the region of Jutland, unless the customer self-finances a specific minimum part at a level to be fixed in the interval between 35-45% and the loan is collateralised. The Bank shall not provide new lending outside Denmark.
- The Bank cannot assume exposure with new customers constituting on its own more than 10% of the Bank's total capital.
- The Bank will, with certain limited exceptions, be subject to an acquisition ban and restrictions on advertising.

Management's Review

Financial Review

- The Bank must restructure its risk management and in relation to pricing comply with certain requirements for average gross income and return on equity pre-tax (at a fixed level in the interval between 8-12% for business customers) for new loans in 2018 and for all customer relationships in 2019 (if applicable).
- The Bank will be subject to certain restrictions in relation to the size of the Bank's cost base with the effect that ongoing operating costs cannot exceed certain fixed levels in the intervals between DKK 435-475 million in 2017, DKK 420-460 million in 2018 and DKK 405-445 million in 2019 (if applicable).
- The Bank must redeem its state hybrids within 6 months following the European Commission's decision.

The restructuring period ends on 31 December 2019. If the Bank generates a return on equity after tax in 2018 in the 7-11 per cent interval, the restructuring period will end on 31 December 2018. The European Commission will regularly monitor the terms and the development of the restructuring plan through an independent monitoring trustee to be approved by the Commission.

The Bank is pleased that a decision has been made in the matter and finds the terms of the decision to be in line with the Bank's present action plan. As a result, the decision,

including the terms, does not give rise to revising the Bank's strategy or profit guidance for 2017.

Outlook for 2017

Given unchanged market conditions, 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 unchanged economic conditions, Management expects that impairment losses can be absorbed by the Bank's core earnings, resulting in a significant improvement of the result in 2017 compared to last year.

2018 Financial Calendar

- 5. February Deadline for receipt of shareholders' request for items to be included on the agenda for the Annual General Meeting
- 22. February Annual Report 2017
- 20. March Annual General Meeting
- 16. May Quarterly Report, Q1 2018
- 22. August Half Year Report, H1 2018
- 21. November Quarterly report for Q1-Q3

Management's Statement

The Bank's Board of Directors and Executive Board have today considered and approved the Quarterly Report for the period from 1 January to 30 September 2017 of Vestjysk Bank A/S.

The Quarterly Report is presented in accordance with the Danish Financial Business Act and in accordance with the supplementary Danish disclosure requirements relating to interim reporting for listed financial enterprises.

In our opinion, the accounting policies applied are appropriate and the financial statements present a true and fair

view of the Company's assets and liabilities and financial position as at 30 September 2017, and of the results of the Bank's activities for the reporting period from 1 January to 30 September 2017.

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 present Quarterly Report has not been audited or reviewed.

Lemvig, Denmark, 22 November 2017

Executive Board

.....
Jan Ulsø Madsen
Chief Executive Officer

.....
Michael Nelander Petersen
Managing Director

Board of Directors

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

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

.....
Anders Bech

.....
Bent Simonsen

.....
Karina Boldsen

.....
Jacob Møllgaard

.....
Martin Sand Thomsen

.....
Palle Hoffmann

Financial Statements

Statements of Income and Comprehensive Income

Note	Q1-Q3 2017 DKK'000	Q1-Q3 2016 DKK'000	Q3 2017 DKK'000	Q3 2016 DKK'000	FY 2016 DKK'000	
Statement of income						
2	Interest income	510,959	588,563	170,070	192,655	779,739
3	Interest expenses	89,312	146,223	26,575	45,446	185,198
	Net interest income	421,647	442,340	143,495	147,209	594,541
	Dividends on shares etc.	3,965	3,330	69	87	3,384
4	Income from fees and commissions	287,476	254,826	79,952	89,180	346,704
	Fees and commissions paid	24,344	27,981	8,040	9,922	35,212
	Net interest and fee income	688,744	672,515	215,476	226,554	909,417
5	Value adjustments	17,147	41,068	-17,527	17,571	64,951
6	Other operating income	4,894	11,893	555	4,775	29,151
7	Staff costs and administrative expenses	358,550	360,933	122,841	117,993	488,736
	Depreciation, amortisation and impairment losses; on tangible and intangible assets	7,138	7,689	2,369	2,527	10,158
8	Other operating expenses	10,185	2,764	-4,711	1,164	5,793
9	Impairment of loans and receivables, etc.	176,739	326,262	35,099	110,372	416,154
	Profit before tax	158,173	27,828	42,906	16,844	82,678
	Tax	7,739	1,953	252	1,346	2,830
	Profit after tax	150,434	25,875	42,654	15,498	79,848
Statement of comprehensive income						
	Profit after tax	150,434	25,875	42,654	15,498	79,848
	Other comprehensive income:					
	Change in the value of owner-occupied properties	0	0	0	0	9,372
	Changes in the value of pension obligations	1,500	0	0	0	1,110
	Other comprehensive income after tax	1,500	0	0	0	10,482
	Total comprehensive income	151,934	25,875	42,654	15,498	90,330

Financial Statements

Statement of Financial Position

Note	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
Assets			
	392,851	406,928	398,307
	619,345	170,935	524,743
	12,140,483	12,919,987	12,528,922
	3,153,752	3,293,073	3,128,881
	269,255	173,654	254,704
	4,721,445	2,266,283	2,411,815
10	2,927	3,608	3,780
	320,673	318,754	324,915
11	7,386	0	7,386
12	313,287	318,754	317,529
	3,804	2,184	2,133
	0	3,659	0
	0	1,695	595
13	339,275	299,055	299,067
	17,080	18,555	16,778
Assets total	21,980,890	19,878,370	19,894,640

Financial Statements

Statement of Financial Position

Note	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
Equity and liabilities			
Debts			
	49,582	25,017	16,066
	13,578,042	14,672,579	14,559,276
	4,721,445	2,266,283	2,411,815
	9,543	0	2,655
14	552,738	641,174	564,469
	18	11	26
	18,911,368	17,605,064	17,554,307
Provisions			
	16,546	20,553	18,981
	20,069	11,621	17,621
	2,712	1,999	2,681
	39,327	34,173	39,283
15	521,738	814,908	814,178
Equity			
16	895,982	151,008	151,008
	61,122	52,543	61,122
	551,600	551,600	551,600
	769,753	594,074	648,142
	2,278,457	1,349,225	1,411,872
	230,000	75,000	75,000
	2,508,457	1,424,225	1,486,872
	21,980,890	19,878,370	19,894,640
Items not recognised in the statement of financial position			
17	610,921	646,432	635,178
18	3,410,575	3,174,977	3,357,927
19	33,432	48,288	41,334

Financial Statements

Statement of Changes in Equity

DKK'000	Share capital	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Retained earnings	Shareholders equity	Additional tier 1 capital holders*)	Equity total
Equity, 1 January 2017	151,008	61,122	551,600	648,142	1,411,872	75,000	1,486,872
Profit after tax for the period				147,339	147,339	3,095	150,434
Other comprehensive income after tax				1,500	1,500		1,500
Total comprehensive income	0	0	0	148,839	148,839	3,095	151,934
Issue of shares	744,974			-27,466	717,508		717,508
Issue of additional tier 1 capital				-2,325	-2,325	155,000	152,675
Tax on issue of additional tier 1 capital				111	111		111
Interest on additional tier 1 capital					0	-3,095	-3,095
Tax on interest on additional tier 1 capital				148	148		148
Additions relating to sale of own shares				106,247	106,247		106,247
Disposals relating to purchase of own shares				-103,943	-103,943		-103,943
Equity, 30 September 2017	895,982	61,122	551,600	769,753	2,278,457	230,000	2,508,457
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				20,492	20,492	5,383	25,875
Total comprehensive income	0	0	0	20,492	20,492	5,383	25,875
Interest on additional tier 1 capital					0	-5,383	-5,383
Additions relating to sale of own shares				11,464	11,464		11,464
Disposals relating to purchase of own shares				-11,465	-11,465		-11,465
Equity, 30 June 2016	151,008	52,543	551,600	594,074	1,349,225	75,000	1,424,225
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		0
Equity, 31 December 2016	151,008	61,122	551,600	648,142	1,411,872	75,000	1,486,872

*)

Holders of additional tier 1 capital

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. The additional tier 1 capital meets the conditions under CRR/CRD IV.

Additional tier 1 capital DKK 75 million

There is an option of early redemption, subject to approval by the Danish Financial Supervisory Authority, on 1 September 2019. The capital accrues interest at 9.561%. If Vestjysk Bank's common equity tier 1 capital ratio falls below 5.125%, the loan will be written down.

Additional tier 1 capital DKK 155 million

There is an option of early redemption, subject to approval by the Danish Financial Supervisory Authority, on 16/08/2022. The capital accrues interest at 8.50% until 16/08/2022, after which it accrues interest at a floating rate of CIBOR6 plus a credit spread. If Vestjysk Bank's common equity tier 1 capital ratio falls below 5.125%, the loan will be written down.

Financial Statements

Notes

Overview of notes to the financial statements

- 1 Accounting policies
- 2 Interest income
- 3 Interest expenses
- 4 Income from fees and commissions
- 5 Value adjustments
- 6 Other operating income
- 7 Staff costs and administrative expenses
- 8 Other operating expenses
- 9 Impairment of loans and provisions for guarantees, etc.
- 10 Intangible assets
- 11 Investment property
- 12 Owner-occupied property
- 13 Other assets
- 14 Other liabilities
- 15 Subordinated debt
- 16 Share capital
- 17 Contingent assets
- 18 Contingent liabilities
- 19 Other commitments
- 20 Capital requirements
- 21 Security pledged
- 22 Pending litigation
- 23 Financial highlights

Note

1 Accounting policies

Vestjysk Bank's Half-Year report for 1 January - 30 September 2017 is presented in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive order on financial reporting for credit institutions and investment companies, et al. as well as the disclosure requirements for listed companies issued by NASDAQ OMX Copenhagen A/S.

The accounting policies applied in this report remain unchanged from the 2016 Annual Report, which contains a full description of those policies.

Measuring certain assets and liabilities require Management to make an estimate of how future events will affect the value of such assets and liabilities. Estimates considered material in presenting the accounts are, among other things, made by stating impairments of impaired loans, the fair values of unlisted financial instruments as well as provisions, cf. the more detailed discussion in the 2016 Annual Report. The applied estimates are based on assumptions deemed sound by Management but which by their nature are uncertain. These estimates are more detailed described in the 2016 Annual Report.

	Q1-Q3 2017 DKK'000	Q1-Q3 2016 DKK'000	FY 2016 DKK'000
2 Interest income			
Receivables from credit institutions and central banks	-1,965	-1,214	-1,384
Loans and other receivables	511,621	578,294	769,019
Bonds	3,954	6,636	8,466
Other interest income	0	1	66
Derivative financial instruments	-2,651	4,846	3,572
Total	510,959	588,563	779,739
There is no interest income originating from reverse repo transactions.			
3 Interest expenses			
Credit institutions and central banks	263	227	302
Deposits and other debt	58,405	96,680	119,402
Subordinated debt	30,609	49,265	65,443
Other interest expenses	35	51	51
Total	89,312	146,223	185,198
There is no interest expense originating from repo transactions.			

Financial Statements

Notes

Note	Q1-Q3 2017 DKK'000	Q1-Q3 2016 DKK'000	FY 2016 DKK'000
4 Income from fees and commissions			
Securities trading and custody services	101,348	78,227	108,908
Payment services	35,621	37,363	50,338
Loan processing fees	24,834	23,073	31,515
Guarantee commission	34,582	32,809	44,215
Other fees and commissions	91,091	83,354	111,728
Total	287,476	254,826	346,704
5 Value adjustments			
Bonds	15,599	35,749	42,590
Shares, etc.	-16,410	-2,237	6,237
Investment property	0	0	-2,075
Foreign currency	10,970	9,730	13,659
Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	3,385	-12,797	-7,249
Assets related to pooled schemes	144,941	33,957	82,506
Deposits with pooled schemes	-144,941	-33,957	-82,506
Other assets	-2,775	105	-248
Other liabilities	6,378	10,518	12,037
Total	17,147	41,068	64,951
6 Other operating income			
Gains on sale of property, plant and equipment	159	681	743
Other income	4,735	11,212	28,408
Total	4,894	11,893	29,151
7 Staff costs and administrative expenses			
Salaries and remuneration of the Board of Directors and Executive Board			
Board of Directors, Fixed remuneration	1,238	1,238	1,650
Executive Board			
Contractual remuneration	4,317	4,425	5,867
Pension	217	211	283
Executive Board	4,534	4,636	6,150
Total	5,772	5,874	7,800
Staff costs			
Wages and salaries	175,462	176,502	238,223
Pensions	21,054	21,500	28,870
Expenses relating to social security contributions, payroll tax etc.	29,693	28,806	36,544
Total	226,209	226,808	303,637
Other administrative expenses	126,569	128,251	177,299
Total	352,778	355,059	480,936

Note	Q1-Q3 2017 DKK'000	Q1-Q3 2016 DKK'000	FY 2016 DKK'000
7 Staff costs and administrative expenses (continued)			
Value of benefits	144	161	217
With reference to the terms and conditions for participation as set out in the Act on State-Funded Capital Injections into Credit Institutions (Bankpakke II), please note that the calculation of taxable income payments to the Executive Board deducted for tax purposes until 15/08/2017 totalled	2,080	2,399	3,184
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.			
Average number of fulltime employees (FTE)	426,6	462,3	458,6
8 Other operating expenses			
Contributions to the Resolution Fund	956	1,143	1,525
Other expenses	9,229	1,621	4,268
Total	10,185	2,764	5,793
9 Impairment of loans and provisions for guarantees, etc.			
Individual impairment of loans			
Individual impairment of loans and other receivables, beginning of the reporting period	2,923,237	2,997,232	2,997,232
Impairment charges for the period	407,175	406,192	507,901
Reversal of impairment charges in prior financial years	-218,391	-103,675	-119,967
Other movements	57,390	59,430	72,289
Previously individually impaired, now written off	-235,085	-439,421	-534,218
Individual impairment of loans and other receivables, end of the reporting period	2,934,326	2,919,758	2,923,237
Impact on financial income statement	188,784	302,517	387,934
Collective impairment of loans			
Collective impairment of loans and other receivables, beginning of the reporting period	104,872	93,712	93,712
Impairment charges for the period	20,691	30,169	39,289
Reversal of impairment charges in prior financial years	-32,540	-20,516	-32,180
Other movements	3,099	3,305	4,051
Impairment of loans and other receivables in groups, end of the reporting period	96,122	106,670	104,872
Impact on financial income statement	-11,849	9,653	7,109
Impairment of loans, total			
Impairment of loans and other receivables, beginning of the reporting period	3,028,109	3,090,944	3,090,944
Impairment charges for the period	427,866	436,361	547,190
Reversal of impairment charges in prior financial years	-250,931	-124,191	-152,147
Other movements	60,489	62,735	76,340
Previously individually impaired, now written off	-235,085	-439,421	-534,218
Impairment of loans and other receivables, end of the reporting period	3,030,448	3,026,428	3,028,109
Impact on financial income statement	176,935	312,170	395,043

Financial Statements

Notes

Note	Q1-Q3 2017 DKK'000	Q1-Q3 2016 DKK'000	FY 2016 DKK'000
9 Impairment of loans and provisions for guarantees, etc. (continued)			
Provisions for losses on guarantees and unused credit commitments			
Provisions for losses on guarantees and unused credit commitments, beginning of the reporting period	20,301	17,155	17,155
Impairments for the period	10,084	7,182	15,131
Reversal of provisions in prior financial years	-7,604	-10,717	-11,985
Provisions for losses on guarantees and unused credit commitments, end of the reporting period	22,781	13,620	20,301
Impact on financial income statement	2,480	-3,535	3,146
Accumulated impairment ratio	16.4%	15.9%	16.1%
Impact on operations, total	179,415	308,635	398,189
Loans with no prior individual impairment/provisions, written off	5,696	23,842	27,157
Recovered on previously written-off debts	-8,372	-6,215	-9,192
Impairment of loans and guarantee debtors, etc., total	176,739	326,262	416,154
Interest income on impaired loans is offset against impairment in the amount of	60,489	62,735	76,340
Receivables for which accrual of interest has been discontinued, end of the reporting period	1,485,947	1,434,511	1,491,621
Total impairment charge thereon	1,235,163	1,134,383	1,170,546
Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	9.8%	9.0%	9.6%
	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
10 Intangible assets			
Customer relationships			
Total acquisition cost, beginning of the reporting period	14,964	14,964	14,964
Total acquisition cost, end of the reporting period	14,964	14,964	14,964
Depreciation and impairment, beginning of the reporting period	11,971	10,475	10,475
Depreciation and impairment for the period	1,122	1,122	1,496
Depreciation and impairment, end of the reporting period	13,093	11,597	11,971
Recognised holding, end of the reporting period	1,871	3,367	2,993
Other intangible assets			
Total acquisition cost, beginning of the reporting period	810	0	0
Additions	606	241	810
Total acquisition cost, end of the reporting period	1,416	241	810
Depreciation and impairment, beginning of the reporting period	23	0	0
Depreciation and impairment for the period	337	0	23
Depreciation and impairment, end of the reporting period	360	0	23
Recognised holding, end of the reporting period	1,056	241	787
Total	2,927	3,608	3,780

Note	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
11 Investment property			
Fair value, beginning of the reporting period	7,386	29,900	29,900
Transferred from owner-occupied property	0	0	9,461
Disposals	0	29,900	29,900
Fair value adjustment for the reporting period	0	0	-2,075
Fair value at the end of the reporting period	7,386	0	7,386
12 Owner-occupied property			
Revalued amount, beginning of the period	317,529	322,531	322,531
Additions	0	473	472
Disposals	0	0	9,461
Depreciations	4,242	4,250	5,667
Changes in value recognised in other comprehensive income	0	0	9,372
Changes in value recognised in the statement of income	0	0	282
Revalued amount, end of the period	313,287	318,754	317,529
External valuation experts have been involved in measuring the most important owner-occupied properties.			
13 Other assets			
Positive market value of derivative financial instruments	27,098	42,111	35,242
Interest and commission receivable	65,884	54,797	65,423
Investments in BEC	201,267	179,081	179,081
Other assets	45,026	23,066	19,321
Total	339,275	299,055	299,067
The comparative figure for 30 Sept 2016 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 Other liabilities			
Negative market value of derivative financial instruments	34,584	56,334	52,278
Various creditors	443,877	478,972	480,807
Interest and commission payable	40,300	86,244	7,900
Other liabilities	33,977	19,624	23,484
Total	552,738	641,174	564,469
The comparative figure for 30 Sept 2016 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".			

Financial Statements

Notes

Note	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
15 Subordinated debt			
Tier 2 capital	371,738	352,791	351,697
A nominal DKK 225 million will fall due on 16/08/2027 with an option for early redemption on 16/08/2022 subject to the Financial Supervisory Authority's approval. The capital accrues interest at a fixed 6.50% until 16/08/2022, after which it accrues interest at a floating rate of CIBOR6 plus a credit spread. The capital meets the tier 2 capital requirements under CRR/CRD 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 a floating rate 7.203% with no step-up clause. The capital meets the requirements under CRR/CRD IV.			
Total	371,738	352,791	351,697
Additional tier 1 capital			
Additional tier 1 capital of DKK 100 million.	100,000	100,000	100,000
The capital accrues interest at a floating rate 2.245%. Kapitalen opfylder ikke betingelserne i CRR/CRD IV. The loan was redeemed on 15 November 2017. See company announcement dated 25/08/2017			
Additional tier 1 capital of DKK 50 million.	50,000	50,000	50,000
The capital accrues interest at a floating rate 2.573% Kapitalen opfylder ikke betingelserne i CRR/CRD IV. The loan was redeemed on 01/11/2017. See company announcement dated 25/08/2017			
Additional tier 1 capital of DKK 287.6 million.	0	312,117	312,481
Total	150,000	462,117	462,481
Subordinated debt, total	521,738	814,908	814,178
Charged as an expense under interest expenses/subordinated debt:			
Interest expenses	22,329	47,287	62,676
Costs related to incurrence and repayment	1,002	212	283
Value adjustments, etc.	7,278	1,766	2,484
Total	30,609	49,265	65,443
Subordinated debt that can be included in the total capital	369,356	613,849	603,238

Note	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
16 Share capital			
Share capital, beginning of the period	151,008	151,008	151,008
Capital increase through issue of shares	744,974	0	0
Total	895,982	151,008	151,008
Number of shares (units)	895,981,517 of DKK 1	151,008,121 of DKK 1	151,008,121 of DKK 1
Number of own shares, beginning of the period			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	173
Percentage of the share capital	0.1%	0.1%	0.1%
Additions			
Purchase of own shares (thousands)	24,115	1,355	1,834
Nominal value DKK'000	24,115	1,355	1,834
Percentage of the share capital	2.7%	0.9%	1.2%
Total purchase price DKK'000	103,943	11,465	16,554
Disposals			
Sold own shares (thousands)	24,115	1,355	1,834
Nominal value DKK'000	24,115	1,355	1,834
Percentage of the share capital	2.7%	0.9%	1.2%
Total selling price DKK'000	106,247	11,464	16,553
Number of own shares, end of reporting period			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	173
Percentage of the share capital	0.0%	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.			
*) including buying and selling of subscription rights in connection with the September 2017 share issue			
17 Contingent assets			
Deferred tax asset at a tax rate of 22 per cent	609,675	646,432	635,178
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			

Financial Statements

Notes

Note	30 Sept 2017 DKK'000	30 Sept 2016 DKK'000	31 Dec 2016 DKK'000
18 Contingent liabilities			
Financial guarantees	540,366	441,993	511,417
Loss guarantees on mortgage loans	2,015,649	1,882,926	1,933,799
Other contingent liabilities	854,560	850,058	912,711
Total	3,410,575	3,174,977	3,357,927
'Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of indemnity in relation to the Guarantee Fund.			
19 Other commitments			
Irreversible credit commitments	11,393	24,837	18,428
Other liabilities	22,039	23,451	22,906
Total	33,432	48,288	41,334
20 Capital requirements			
Shareholders equity	2,278,457	1,349,225	1,411,872
Intangible assets	-2,927	-3,608	-3,780
Prudent valuation	-3,238	-3,413	-3,234
Common equity tier 1 capital	2,272,292	1,342,204	1,404,858
Additional tier 1 capital	230,000	387,117	387,481
Tier 1 capital	2,502,292	1,729,321	1,792,339
Tier 2 capital	369,355	301,732	290,757
Total capital	2,871,647	2,031,053	2,083,096
Total risk exposure	15,340,442	15,965,279	16,066,451
Common equity tier 1 capital ratio	14.8%	8.4%	8.7%
Tier 1 capital ratio	16.3%	10.8%	11.2%
Total capital ratio	18.7%	12.7%	13.0%
21 Security pledged			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	31,219	43,194	31,995
Deposited in the Danish Growth Fund	455	455	455
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	1,090,883	1,042,692	1,129,959
Total market value	1,100,927	1,045,374	1,132,233
22 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.			

Note	Q1-Q3 2017 DKK'000	Q1-Q3 2016 DKK'000	FY 2016 DKK'000	
23	Financial highlights			
	Key figures			
	Statement of income (DKKm)			
	Net interest income	422	442	595
	Net fee income	263	227	312
	Dividends on shares etc.	4	3	3
	Value adjustments	17	41	65
	Other operating income	5	12	29
	Core income	711	725	1,004
	Staff costs and administrative expenses	359	361	489
	Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and intangible assets	17	10	16
	Operating expenses and operating depreciation and amortisation	376	371	505
	Core earnings before impairment	335	354	499
	Impairment of loans and receivables, etc.	177	326	416
	Profit before tax	158	28	83
	Tax	8	2	3
	Profit after tax	150	26	80
		30 Sept 2017	30 Sept 2016	31 Dec 2016
	Statement of financial position (DKKm)			
	Assets, total	21,981	19,878	19,895
	Loans	12,140	12,920	12,529
	Deposits, including pooled schemes	18,299	16,939	16,971
	Contingent liabilities	3,411	3,175	3,358
	Business volume	33,850	33,034	32,858
	Equity	2,508	1,424	1,487

Financial Statements

Notes

Note	30 Sept 2017	30 Sept 2016	31 Dec 2016
23	Financial highlights (continued)		
	Financial ratios ¹		
	Solvency		
Total capital ratio	18.7%	12.7%	13.0%
Tier 1 capital ratio	16.3%	10.8%	11.2%
Common equity tier 1 capital ratio	14.8%	8.4%	8.7%
	Earnings		
Return on equity before tax, annually	10.6%	2.6%	5.7%
Return on equity after tax, annually	10.1%	2.4%	5.5%
Income/cost ratio	1.29	1.04	1.09
Cost Ratio ²	52.9%	51.2%	50.3%
Return on assets	0.7%	0.1%	0.4%
Employees converted to full-time (average)	426.6	462.3	458.6
	Market risk		
Interest rate risk	-1.5%	-3.7%	-3.0%
Foreign exchange position	0.5%	0.8%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%
LCR	250.0%	263.6%	318.1%
	Credit risk		
Loans plus impairment of loans relative to deposits	82.9%	94.1%	91.7%
Loans relative to equity	4.8	9.1	8.4
Growth in loans	-3.1%	-3.4%	-6.4%
Sum of large exposures	11.8%	37.8%	36.9%
Accumulated impairment ratio	16.4%	15.9%	16.1%
Impairment ratio	0.9%	1.7%	2.2%
	Vestjysk Bank share		
Earnings per share	0.3	0.2	0.5
Book value per share ³	2.5	8.9	9.4
Price of Vestjysk Bank shares, end of the period	4.1	9.2	13.0
Share price/book value per share ³	1.6	1.0	1.4

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 additional tier 1 capital was a liability.



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