



## **Q1 2018 Quarterly Report**

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Read or download this report at [vestjyskbank.dk](http://vestjyskbank.dk).  
The Vestjysk Bank Quarterly Report 2018 is a translation of the original report in Danish (Vestjysk Bank 1. Kvartalsrapport 2018).

# Summary

## Q1 2018 Highlights

Vestjysk Bank realised a profit after tax of DKK 71 million in Q1 2018. The Bank's core operations are sound and core earnings of DKK 114 million before impairment are considered satisfactory. Impairment losses, and not least impairment losses relating to the Bank's agricultural customers are at a lower level than they were in Q1 2017. However, the overall level of impairment losses is still relatively high. The Bank's profit after tax in Q1 2018 is considered satisfactory under the given circumstances.

- Profit after tax of DKK 71 million (Q1 2017: DKK 55 million), equaling a return on equity after tax of 11.8 per cent.
- Core income of DKK 232 million kroner (DKK 245 million in Q1 2017).
- Cost ratio of 50.6 (Q1 2017: 51.1).
- Core earnings before impairment of DKK 114 million (Q1 2017: DKK 120 million).
- Impairment of loans and receivables, etc. of DKK 41 million (Q1 2017: DKK 61 million).
- The total capital ratio stood at 17.7 per cent and the aggregate capital requirement at 12.0 per cent, corresponding to excess coverage of 5.7 percentage points or DKK 840 million. The Bank's individual solvency need was 10.1 per cent, and at 1 January 2018 the capital conservation buffer was increased by 0.625 of a percentage point to a total of 1.875 percentage point, resulting in a combined capital requirement of 12.0 per cent.
- At 31 March 2018 the Bank's LCR was 210 per cent, compared with a requirement of 100 per cent.
- Implementation of the new IFRS 9 rules at 1 January 2018 has resulted in additional impairment losses of DKK 225 million. The impact net of tax is recognised directly in the Bank's equity at 1 January 2018, which is thus reduced by DKK 207 million, equal to 9.0 percent of shareholders' equity.
- The Bank has decided not to apply the European Commission's transitional arrangement for partial recognition of the IFRS 9 impairment rules in total capital. The DKK 207 million adverse effect of the impairment rules under IFRS 9 will thus have full effect on the Bank's capital ratios at 1 January 2018.

## Outlook for 2018

Given an unchanged economic climate and an overall decrease in impairment losses, the Bank's total business volume is expected to have the capacity to generate a profit after tax of around DKK 175-250 million. This expectation is based on an assumption of an unchanged economic climate. If the downward trend in settlement prices of pork and milk continues to be prolonged or becomes further aggravated, the Bank's significant exposure to agriculture may entail an increase in impairment losses relative to Management's current estimates for 2018.

# Management's Review

## Financial Highlights

Key Figures	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2017
<b>Statement of Income (DKKm)</b>						
Net interest income	130	151	144	148	130	573
Net fee income	74	75	72	101	90	338
Dividends on shares, etc.	0	0	0	4	0	4
Value adjustments	26	6	-18	11	24	23
Other operating income	2	2	1	3	1	7
<b>Core Income</b>	<b>232</b>	<b>234</b>	<b>199</b>	<b>267</b>	<b>245</b>	<b>945</b>
Staff costs and administrative expenses	115	123	123	115	121	482
Other operating expenses as well as depreciation, amortisation and impairment losses; on intangible and tangible assets	3	5	-2	15	4	22
Operating expenses and operating depreciation and amortisation	118	128	121	130	125	504
<b>Core Earnings Before Impairment</b>	<b>114</b>	<b>106</b>	<b>78</b>	<b>137</b>	<b>120</b>	<b>441</b>
Impairment of loans and receivables, etc.	41	93	35	81	61	270
<b>Profit/loss Before Tax</b>	<b>73</b>	<b>13</b>	<b>43</b>	<b>56</b>	<b>59</b>	<b>171</b>
Tax	2	1	0	3	4	8
<b>Profit/loss After Tax</b>	<b>71</b>	<b>12</b>	<b>43</b>	<b>53</b>	<b>55</b>	<b>163</b>
<b>Statement of financial position (DKKm)</b>						
Assets, total	21,173	21,902	21,981	22,486	19,544	21,902
Loans	11,429	11,629	12,140	12,273	12,404	11,629
Deposits, including pooled schemes	17,842	18,396	18,299	18,584	16,574	18,396
Guarantees etc.	3,323	3,608	3,411	3,431	3,319	3,608
Custody services	8,161	8,713	8,631	8,460	10,177	8,713
Business volume	32,594	33,633	33,850	34,288	32,297	33,633
Business volume including custody services	40,755	42,346	42,481	42,748	42,474	42,346
Equity	2,375	2,515	2,508	1,596	1,542	2,515

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 at 1 January 2018.

<b>Financial ratios</b>	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2017
<b>Solvency</b>						
Total capital ratio	17.7%	19.2%	18.7%	13.9%	13.6%	19.2%
Tier 1 capital ratio	15.3%	16.8%	16.3%	12.2%	11.8%	16.8%
Common equity tier 1 capital ratio	13.7%	15.2%	14.8%	9.7%	9.3%	15.2%
<b>Earnings</b>						
Return on equity before tax, annually	12.2%	2.0%	8.3%	14.3%	15.9%	8.5%
Return on equity after tax, annually	11.8%	2.0%	8.2%	13.5%	14.7%	8.2%
Income-cost ratio	1.46	1.06	1.28	1.26	1.32	1.22
Cost ratio <sup>1</sup>	50.6%	54.7%	60.7%	48.7%	51.1%	53.3%
Return on assets	0.3%	0.1%	0.2%	0.3%	0.3%	0.8%
Employees converted to full-time (average)	401.7	407.9	417.0	425.0	437.8	421.9
<b>Market Risk</b>						
Interest rate risk	-1.0%	-1.2%	-1.5%	-1.9%	-2.4%	-1.2%
Foreign exchange position	0.3%	0.2%	0.5%	0.4%	0.5%	0.2%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	209.8%	255.4%	250.0%	239.9%	327.1%	255.4%
<b>Credit Risk</b>						
Loans plus impairment on loans relative to deposits	81.7%	79.4%	82.9%	82.3%	92.8%	79.4%
Loans relative to equity	4.8	4.6	4.8	7.7	8.0	4.6
Growth in loans	-1.7%	-4.2%	-1.1%	-1.1%	-1.0%	-7.2%
Sum of large exposures	13.6%	11.9%	11.8%	28.7%	32.2%	11.9%
Accumulated impairment ratio	17.7%	16.5%	16.4%	16.2%	16.0%	16.5%
Impairment ratio	0.2%	0.5%	0.2%	0.4%	0.3%	1.5%
<b>Vestjysk Bank Share</b>						
Earnings per share for the period	0.1	0.0	0.1	0.3	0.4	0.3
Book value per share <sup>2</sup>	2.4	2.6	2.5	10.1	9.7	2.6
Price of Vestjysk Bank shares, end of the period	2.7	2.7	4.1	9.1	13.3	2.7
Share price/book value per share	1.1	1.1	1.6	0.9	1.4	1.1

<sup>1</sup> Operating expenses and operating depreciation and amortisation/core income

<sup>2</sup> The ratio "Book value per share" is adjusted for the portion of equity (additional tier 1 capital), that is not part of the shareholders' share of equity.

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 at 1 January 2018.

# Management's Review

## Financial Review

### Income statement

#### Profit after tax

For Q1 2018, the Bank's profit after tax was DKK 71 million, compared with DKK 55 million for Q1 2017.

Impairment of loans and receivables, etc. amounted to DKK 41 million in Q1 2018. The impairment ratio in Q1 2018 was 0.2 per cent, against 0.3 per cent in Q1 2017. The level is still above the sector average.

#### Core income

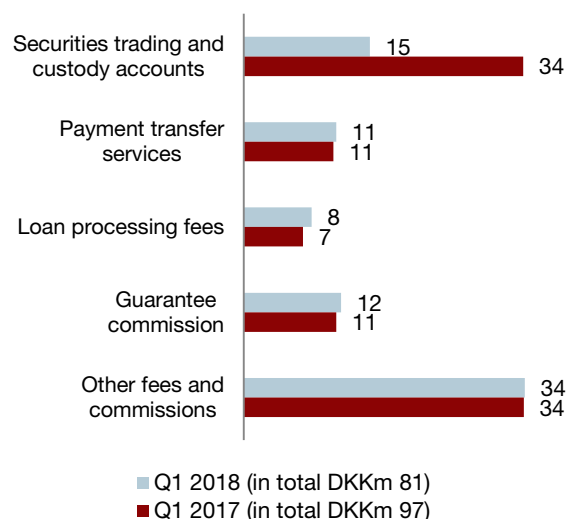
In Q1 2018, Vestjysk Bank realised core income of DKK 232 million, down DKK 13 million compared with Q1 2017. The core income decrease was due to lower net fee income, partly offset by higher value adjustments and other operating income.

Net interest income totaled DKK 130 million in Q1 2018, which was on a par with Q1 2017. The unchanged level of net interest income was due to a DKK 21 million drop in interest income due to a lower lending volume and increased price pressure. The Bank's interest expenses were in 2017 reduced by DKK 21 million, mainly due to lower deposit rates, and lower interest payments on subordinated debt.

Positive value adjustments represented DKK 26 million, compared with DKK 24 million in Q1 2017. Vestjysk Bank recognised a positive market value adjustment of DKK 12 million in connection with the introduction of a new valuation model for BI Holding A/S (Bankinvest).

Net fee and commission income is reduced 18 per cent from DKK 90 million in Q1 2017 to DKK 74 million in Q1 2018. As expected, the implementation of the MiFID II regulations at 30 June 2017 resulted in a decline in fee income. This caused a decline in fee income from securities trading, which is expected to be only partially matched by increased market value adjustments and dividends on shares in sector companies. The figure on the right hand side presents a break-down of the Bank's fee income into sub-groups.

### Income from Fees and Commissions (DKK m)



Other operating income amounted to DKK 2 million in Q1 2018, against DKK 1 million in Q1 2017.

### Operating expenses, depreciation and amortisation

Total operating expenses, depreciation and amortisation is reduced 6 per cent and amounted to DKK 118 million in Q1 2018, against DKK 125 million in Q1 2017. The decline is the result of the Banks continued focus on adjusting the number of employees and reducing the level of expenses. In Q1 2018, the Bank reduced the average number of employees by 36 FTEs compared with Q1 2017. The expense ratio for Q1 2018 was 50.6, and the Bank will continue its committed efforts to reduce the level of expenses and maintain an expense ratio of around 50. The distribution of operating expenses and operating depreciation and amortisation is shown in the figure below.

#### Operating expenses and operating depreciation and amortisation

(DKK m)	Q1 2018	Q1 2017
Staff costs	73	77
IT costs	24	25
Other administrative expenses	18	19
Operating depreciation and amortisation	3	2
Other operating expenses	0	2
<b>Total</b>	<b>118</b>	<b>125</b>

### Core earnings before impairment

For Q1 2018, the Bank's core earnings before impairment stood at DKK 114 million, compared with DKK 120 million for Q1 2017.

### Impairment charges on loans, advances, guarantees etc.

Impairment charges amounted to DKK 41 million, net in Q1 2018, compared with DKK 61 million in Q1 2017. The impairment ratio for Q1 2018 was 0.2 per cent, against 0.3 per cent in Q1 2017. The level of impairment is higher than the sector average.

Impairment losses in Q1 2018 were in the real estate sector and other business (such as trading enterprises), whereas the agricultural sector represented a net reversal of impairment losses due to solid operating profits based on high settlement prices in 2017.

In Q1 2018 milk and pork prices has declined to a low level. 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. The Bank still expects to recognise net impairment losses for the agricultural sector in 2018.

At 43 per cent, or DKK 1.4 billion, the agricultural sector represents the largest part of the Bank's accumulated

impairment losses. The Bank has thus written down approximately 36 per cent of its gross lending to the agricultural sector.

The Bank's lending portfolio is mainly concentrated within the agricultural and real estate sectors, with agriculture accounting for 17 per cent and real estate 14 per cent. The Bank's overall exposure to these sectors thus accounts for approximately 31% of total net loans and guarantees.

The property commitments are showing 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 does, however, have a pre-existing real estate portfolio abroad, on which it chose to further cover its exposure by increasing impairment charges.

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 distribution of loans and guarantees to retail customers, other business, the real estate sector and agriculture by sub-sector is illustrated in the table below.

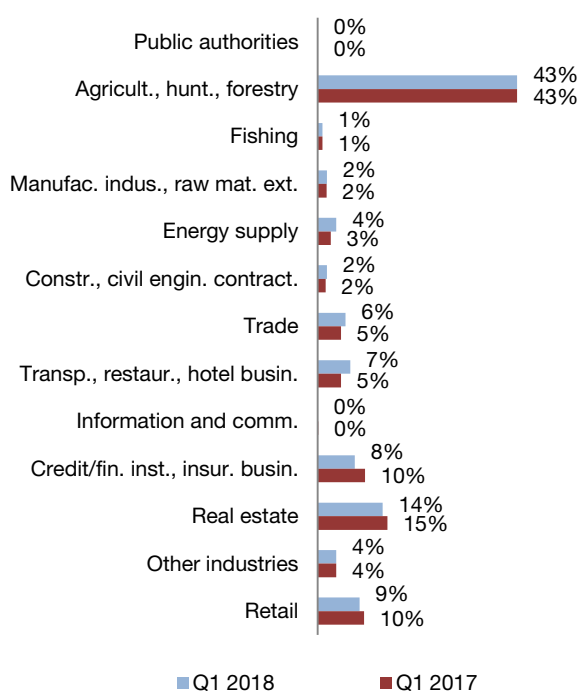
Distribution of loans and guarantees at 31 March 2018 (DKKm)	Loans and guarantees before impairment	Acc. impairment	Loans and guarantees after impairment	Impairment for the period
Dairy farmers	1,809	839	970	43
Pig breeders	1,342	381	961	-6
Other agriculture	684	147	537	-8
<b>Agriculture, total</b>	<b>3,835</b>	<b>1,367</b>	<b>2,468</b>	<b>29</b>
Real estate	2,515	444	2,071	-27
Other business	6,314	1,075	5,239	-46
<b>Business, total</b>	<b>12,664</b>	<b>2,886</b>	<b>9,778</b>	<b>-44</b>
Personal	5,270	295	4,975	3
<b>Total</b>	<b>17,934</b>	<b>3,181</b>	<b>14,753</b>	<b>-41</b>

# Management's Review

## Financial Review

The Bank's accumulated impairment ratio at 31 March 2018 stood at 17.7 per cent, compared with 16.0 per cent at 31 March 2017. The increase in the accumulated impairment ratio was due to the transition to the new impairment rules under IFRS 9, which became effective at 1 January 2018, resulting in a DKK 225 million increase in accumulated impairment losses in the Bank's opening balance sheet at 1 January 2018.

### Accumulated Impairments and Provisions by Industry Segment at 31 March 2017



### Balance Sheet

Vestjysk Bank's total assets amounted to DKK 21.2 billion at 31 March 2018, against DKK 21.9 billion at 31 December 2017, due to a reduction of deposits and the effects of implementing IFRS 9. Based on its liquidity and funding situation, the Bank will now aim to maintain the current business volume.

### Loans

At 31 March 2018, Vestjysk Bank's net lending amounted to DKK 11.4 billion, against DKK 11.6 billion at 31 December 2017, equal to a reduction of DKK 0.2 billion due to additional loan impairment charges following the implementation of IFRS 9.

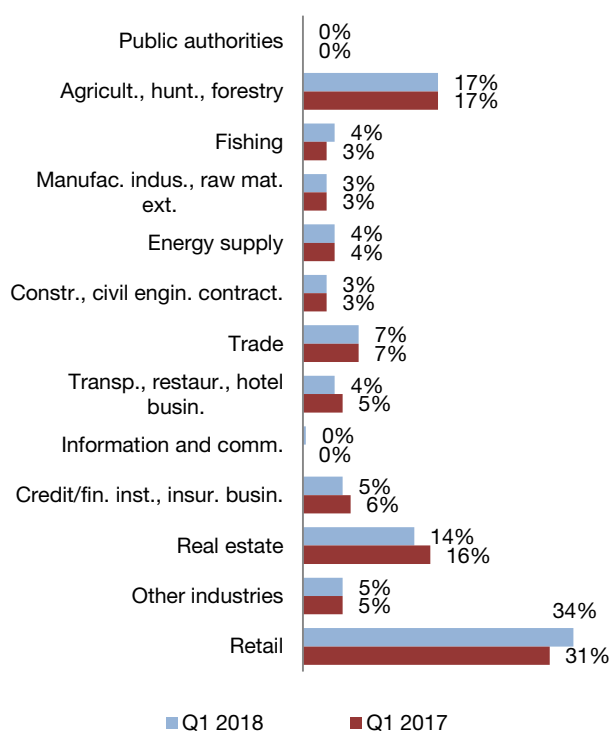
The credit quality of the Bank's total loans and guarantees improved from 31 March 2017 to 31 March 2018. In Q1 2018, 62 per cent of the Bank's customers were of normal credit quality or showed some signs of weakness, against 57 per cent at the same time last year, as illustrated in the table below. This is a satisfactory development, and the efforts to improve our credit quality will continue as an important item of the Bank's business plan for 2018 and the coming years.

Loans and guarantees by credit quality	31 March 2018		31 March 2017	
	DKKm	%	DKKm	%
Normal credit quality	4,735	27%	4,355	23%
Some signs of weakness	6,343	35%	6,355	34%
Significant signs of weakness without impairment	1,653	9%	2,335	12%
Impaired loans	5,204	29%	5,670	31%
<b>Total loans and guarantees</b>	<b>17,935</b>	<b>100%</b>	<b>18,715</b>	<b>100%</b>



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

#### Loans and guarantees by Industry segment at 31 March 2018



The share of loans to retail customers continue to rise, accounting for 34 per cent of the Bank's net loans and guarantees at 31 March 2018. The Bank has thus fulfilled the ambition of strengthening the retail segment to achieve a 30/70 distribution between retail and business customers.

#### Large exposures

The sum of large exposures, constituting 10 per cent or more of total capital, amounted to 13.6 per cent of total capital at 31 March 2018, distributed on one exposure. The aim is that no exposures should amount to more than 10 per cent and to have a greater diversification of the Bank's portfolio.

#### Business volume including custody services

Vestjysk Bank's business volume – total deposits, loans, guarantees and custody accounts – amounted to DKK 40.8 billion at 31 March 2018, against DKK 42.3 billion at 31 December 2017.

#### Capital and liquidity

##### Equity

Vestjysk Bank's equity stood at DKK 2,375 million at 31 March 2018, against DKK 2,515 million at 31 December 2017. The development in equity since 31 December 2017 was negatively affected by the implementation of IFRS 9, being reduced by DKK 207 million, and positively affected by the Bank's profit for Q1 2018. The development in equity since 1 January 2017 is detailed in the statement of changes in equity.

##### Subordinated debt

The Bank's subordinated debt stood at DKK 372 million at 31 March 2018, of which DKK 355 million was eligible for inclusion in total capital.

##### Total capital

Overall, total capital amounted to DKK 2,579 million at 31 March 2018. With the total risk exposure of DKK 14,536 million, this gives a total capital ratio of 17.7 per cent. At 31 March 2018, the Bank's total capital ratio was 19.2 per cent.

# Management's Review

## Financial Review

### Capital Requirement

Adequate total capital amounted to DKK 1,467 million at 31 March 2018 which, relative to the total risk exposure of DKK 14,536 million, gives an individual solvency need of 10.1 per cent. At 31 March 2018, the capital conservation buffer had been phased in at 1.875 percentage points, resulting in a combined capital requirement of 12.0 per cent corresponding to DKK 1,739 million.

There by Vestjysk Bank has excess cover relative to the individual solvency need of 7.6 percentage points or DKK 1,113 million while its excess cover relative to the combined capital requirement is 5.7 percentage points or DKK 840 million.

### Capital situation

DKKm	Q1 2018	Q4 2017
Equity	2,375	2,515
- corr. for profit not recognised in total capital	-66	0
Deduction:		
- Intangible assets	-2	-3
- Prudent valuation	-3	-3
- Holdings in financial sector entities	-79	0
Subordinated debt	355	362
<b>Total capital</b>	<b>2,579</b>	<b>2,871</b>
<b>Total risk exposures</b>	<b>14,536</b>	<b>14,969</b>
Common equity tier 1 capital ratio	13.7%	15.2%
Tier 1 capital ratio	15.3%	16.8%
Total capital ratio	17.7%	19.2%

At 1 January 2018, the Bank's equity was reduced by DKK 207 million after tax as a result of the implementation of IFRS 9. The Bank has not recognised the profit for the period in total capital for Q1 2018. Total capital is further negatively impacted by contractually committed investments in shares in sector companies. Accordingly, from 31 December 2017 to 31 March 2018 total capital has been reduced by a total of DKK 292 million.

### Liquidity

Vestjysk Bank's liquidity position remains good. At 31 March 2018, the Bank's Liquidity Coverage Ratio (LCR) stood at 210 per cent, relative to the LCR requirement of 100 per cent.

### Share capital

Vestjysk Bank's share capital totalled DKK 896 million at 31 March 2018. 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	6.47%

The Bank's shares are listed as a component of the Nasdaq OMX Nordics Mid Cap index.

### 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 March 2018

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures (< 175 pct.)	124.2 pct.
Growth in loans (< 20 pct.)	-7.9 pct.
Real estate exposure (< 25%)	14.4 pct.
Funding ratio (< 1)	0.56
Liquidity coverage ratio (> 50%)	71.5 pct.

Effective from 1 January 2018, the large exposures indicator has been changed and will in future be calculated as the sum of the Bank's 20 large exposures relative to the Bank's common equity tier 1 capital with a threshold value of 175 per cent.

The liquidity indicator will be changed effective at 30 June 2018 to the effect that the liquidity coverage ratio in the future will be based on the Bank's ability to withstand a three-month liquidity stress. The threshold value will be that

the ratio must be above 100 per cent. The Bank expects to easily meet this requirement.

## **Other matters**

### **Business plan 2018**

The Bank's business plan was described in the 2017 annual report. The principal target for 2018 is therefore for Vestjysk Bank to remain strong and further develop our footprint in the regional and local banking sector. The business plan for 2018 builds on recent years' action plans, remaining focused on earnings through continued business transactions with existing and new customers within the Bank's natural market segment and strict cost management to improve the Bank's competitiveness.

Based on Vestjysk Bank's satisfactory performance for Q1 2018 and Management's focus on following the business plan, the Bank's development is on track according to all items of the business plan.

### **EU Commission**

As described in the 2017 annual report the Commission has approved the state aid subject to certain conditions.

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.

### **Outlook for 2018**

Given an unchanged economic climate and an overall decrease in impairment losses, the Bank's total business volume is expected to have the capacity to generate a profit after tax of around DKK 175-250 million. This expectation is based on an assumption of an unchanged economic climate, including specifically the current uncertainty relating to settlement prices for agricultural products. Any further decline in these could impact the Bank's impairment losses.

If the downward trend in settlement prices of pork and milk continues to be prolonged or becomes further aggravated, the Bank's significant exposure to agriculture may entail an increase in impairment losses relative to Management's current estimates for 2018. This might also be the case if the general economic climate worsens. The impact of a deterioration in the economic climate for the agricultural sector and/or other sectors will thus hamper the Bank's ability to realise the expected results in 2018.

# Management's Review

## Financial Review

### Alternative performance measures

The Bank applies a number of alternative performance measures. These measures are applied where they provide greater informational value about, e.g. the Bank's earnings, or a common denomination for several items. The Bank is aware of the need for calculations to be applied consistently and with comparative figures.

The applied performance measures are defined below.

### 2018 Financial Calendar

- 22 August Half-year report
- 21 November Quarterly report for Q1-Q3

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### Definitions

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Core income	The sum of Net interest and fee income, Dividends on shares, etc., Value adjustments and Other operating income.
Operating expenses and operating depreciation and amortisation	The sum of Staff costs and administrative expenses, Depreciation, amortisation and impairment losses on intangible and tangible assets and Other operating expenses.
Core earnings before impairment	Profit/loss before tax less Impairment of loans and receivables, etc.
Business volume including custody services	The sum of Loans, Guarantees, Deposits, including pooled funds and Customer custody accounts.

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# 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 March 2018 of Vestjysk Bank A/S.

The annual report is presented in accordance with the Danish Financial Business Act.

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 March 2018, and of the results of the

Bank's activities for the reporting period 1 January – 31 March 2018.

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, 16 May 2018

## 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*

.....  
Bent Simonsen

.....  
Bolette van Ingen Bro

.....  
Claus Okholm

.....  
Karina Boldsen

.....  
Jacob Møllgaard

.....  
Martin Sand Thomsen

.....  
Palle Hoffmann

# Financial Statements

## Statements of Income and Comprehensive Income

Note	Q1 2018 DKK'000	Q1 2017 DKK'000	FY 2017 DKK'000	
<b>Statement of Income</b>				
2	Interest income	148,352	169,420	682,554
3	Interest expenses	18,581	39,547	109,544
	Net interest income	129,771	129,873	573,010
	Dividends on shares etc.	251	260	4,043
4	Income from fees and commissions	80,697	97,265	371,100
	Fees and commissions paid	6,854	7,275	32,773
	Net interest and fee income	203,865	220,123	915,380
5	Value adjustments	25,977	24,255	23,223
	Other operating income	2,369	1,185	6,536
6	Staff costs and administrative expenses	114,454	120,878	482,332
	Depreciation, amortisation and impairment losses; on tangible and intangible assets	2,601	2,375	9,684
	Other operating expenses	363	2,248	12,068
7	Impairment of loans and receivables, etc.	41,139	60,654	270,433
	Profit before tax	73,654	59,408	170,622
	Tax	2,313	4,381	7,466
	Profit after tax	71,341	55,027	163,156
<b>Statement of Comprehensive Income</b>				
	Profit after tax	71,341	55,027	163,156
	Other comprehensive income:			
	Change in the value of owner-occupied properties	0	0	-517
	Changes in the value of pension obligations	0	0	2,585
	Other comprehensive income after tax	0	0	2,068
	Total comprehensive income	71,341	55,027	165,224

# Financial Statements

## Statement of Financial Position

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>Assets</b>			
	390,341	389,713	400,292
	321,212	493,417	724,257
8,9	11,429,430	12,403,592	11,628,839
	3,029,136	2,803,243	3,292,780
	430,139	265,725	274,227
	4,875,946	2,545,690	4,890,171
10	1,943	3,911	2,435
	315,869	323,576	317,205
11	5,850	7,386	5,850
12	310,019	316,190	311,355
	7,494	1,663	6,029
	17,630	0	1,686
	0	500	0
13	337,474	295,754	348,502
	16,700	17,174	15,977
<b>Assets total</b>	<b>21,173,314</b>	<b>19,543,958</b>	<b>21,902,400</b>

# Financial Statements

## Statement of Financial Position

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>Equity and liabilities</b>			
<b>Debts</b>			
	32,925	26,736	30,776
	12,966,162	14,028,775	13,505,603
	4,875,946	2,545,690	4,890,171
	0	6,990	0
14	464,166	537,774	540,724
	41	10	28
	18,339,240	17,145,975	18,967,302
<b>Provisions</b>			
	14,960	18,593	15,155
	29,262	19,146	27,802
	42,651	3,967	4,903
	86,873	41,706	47,860
15	372,075	814,378	371,906
<b>Equity</b>			
16	895,982	151,008	895,982
	60,605	61,122	60,605
	551,600	551,600	551,600
	636,939	703,169	777,145
	2,145,126	1,466,899	2,285,332
	230,000	75,000	230,000
	2,375,126	1,541,899	2,515,332
	21,173,314	19,543,958	21,902,400
<b>Items not recognised in the statement of financial position</b>			
17	605,194	626,326	608,197
18	3,323,339	3,318,917	3,608,489
18	57,864	37,647	81,135



# Financial Statements

## Statement of Changes in Equity

DKK'000	Share capital	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Overført overskud	Shareholder equity, total	Additional tier 1 capital holders *)	Equity, total
<b>Equity, 31 December 2017</b>	895,982	60,605	551,600	777,145	2,285,332	230,000	2,515,332
Changed accounting policy on impairment pursuant to IFRS 9				-224,661	-224,661		-224,661
Tax on changed accounting policy				17,973	17,973		17,973
<b>Equity, 1 January 2018</b>	895,982	60,605	551,600	570,457	2,078,644	230,000	2,308,644
Profit after tax for the period				66,324	66,324	5,017	71,341
Total comprehensive income	0	0	0	66,324	66,324	5,017	71,341
Interest on additional tier 1 capital					0	-5,017	-5,017
Tax on interest on additional tier 1 capital				158	158		158
Additions relating to sale of own shares				9,461	9,461		9,461
Disposals relating to purchase of own shares				-9,461	-9,461		-9,461
<b>Equity, 31 March 2018</b>	895,982	60,605	551,600	636,939	2,145,126	230,000	2,375,126
<b>Equity, 1 January 2017</b>	151,008	61,122	551,600	648,142	1,411,872	75,000	1,486,872
Profit after tax for the period				55,027	55,027	0	55,027
Total comprehensive income	0	0	0	55,027	55,027	0	55,027
Interest on additional tier 1 capital					0	0	0
Additions relating to sale of own shares				20,474	20,474		20,474
Disposals relating to purchase of own shares				-20,474	-20,474		-20,474
<b>Equity, 31 March 2017</b>	151,008	61,122	551,600	703,169	1,466,899	75,000	1,541,899
<b>Equity, 1 January 2017</b>	151,008	61,122	551,600	648,142	1,411,872	75,000	1,486,872
Profit after tax for the period				154,933	154,933	8,223	163,156
Other comprehensive income after tax		-517		2,585	2,068		2,068
Total comprehensive income	0	-517	0	157,518	157,001	8,223	165,224
Issue of shares	744,974			-28,942	716,032		716,032
Issue of additional tier 1 capital				-2,325	-2,325	155,000	152,675
Tax on issue of additional tier 1 capital				99	99		99
Interest on additional tier 1 capital					0	-8,223	-8,223
Tax on interest on additional tier 1 capital				349	349		349
Additions relating to sale of own shares				130,946	130,946		130,946
Disposals relating to purchase of own shares				-128,642	-128,642		-128,642
<b>Equity, 31 December 2017</b>	895,982	60,605	551,600	777,145	2,285,332	230,000	2,515,332

\*) on the next page

# Financial Statements

## Statement of Changes in Equity

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\*)

**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 August 2022. The capital accrues interest at 8.50% until 16 August 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 on the financial statements

- 1 Accounting policies
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# Financial Statements

## Notes

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Note

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### 1 Accounting policies

Vestjysk Bank's Quarterly report for 1 January - 31 March 2018 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 mentioned in the annual report for 2017, the impairment rules under IFRS 9 have been incorporated in the Danish Executive Order on Financial Reporting at 1 January 2018. The effects of the impairment rules under IFRS 9 on the impairment account amount to DKK 225 million and are fully recognised in the opening balance sheet. The below table shows the effect of IFRS 9 on the opening balance sheet, showing all affected items.

In accordance with the transitional arrangement in the Danish Executive Order on Financial Reporting, comparative figures will not be restated, as retrospective application of the impairment requirements is not practicably possible without the use of hindsight.

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<b>DKK'000</b>	<b>31 Dec 2017 before change</b>	<b>1 January 2018 after change</b>	<b>Effect</b>
Loans	11,628,839	11,438,714	-190,125
Current tax assets	0	17,973	17,973
<b>Assets total</b>	<b>21,902,400</b>	<b>21,730,248</b>	<b>-172,152</b>
Provisions for losses on guarantees	27,802	35,811	-8,009
Other provisions	4,902	31,430	-26,527
<b>Equity</b>	<b>2,515,332</b>	<b>2,308,644</b>	<b>-206,688</b>
<b>Liabilities total</b>	<b>21,902,400</b>	<b>21,730,248</b>	<b>-172,152</b>
Other commitments	3,608,489	3,600,480	8,009

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In addition to the above, the accounting policies applied in this report remain unchanged from the 2017 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 2017 Annual Report. The applied estimates are based on assumptions deemed sound by Management but which by their nature are uncertain.

The Bank's significant risks and external conditions that may affect the Bank are described in greater detail in the 2017 Annual Report.

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Note	Q1 2018 DKK'000	Q1 2017 DKK'000	FY 2017 DKK'000
<b>2 Interest income</b>			
Receivables from credit institutions and central banks	-319	-523	-2,504
Loans and other receivables	148,669	169,403	683,534
Bonds	207	1,544	4,842
Other interest income	0	0	0
Derivative financial instruments	-205	-1,004	-3,318
<b>Total</b>	<b>148,352</b>	<b>169,420</b>	<b>682,554</b>
There is no interest income originating from reverse repo transactions.			
<b>3 Interest expenses</b>			
Credit institutions and central banks	115	92	349
Deposits and other debt	11,969	21,519	71,486
Subordinated debt	6,473	17,923	37,599
Other interest expenses	24	13	110
<b>Total</b>	<b>18,581</b>	<b>39,547</b>	<b>109,544</b>
There is no interest expense originating from repo transactions.			
<b>4 Income from fees and commissions</b>			
Securities trading and custody services	15,295	33,954	121,244
Payment services	11,217	10,887	48,998
Loan processing fees	8,222	7,168	36,358
Guarantee commission	11,813	11,238	45,766
Other fees and commissions	34,150	34,018	118,734
<b>Total</b>	<b>80,697</b>	<b>97,265</b>	<b>371,100</b>
<b>5 Value adjustments</b>			
Bonds	-3,939	10,167	11,252
Shares, etc.	27,023	6,249	-9,590
Investment property	0	0	-1,536
Foreign currency	2,781	4,553	14,979
Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	456	1,654	5,131
Assets related to pooled schemes	-101,540	65,215	221,008
Deposits with pooled schemes	101,540	-65,215	-221,008
Other assets	-344	-872	-3,391
Other liabilities	0	2,504	6,378
<b>Total</b>	<b>25,977</b>	<b>24,255</b>	<b>23,223</b>

# Financial Statements

## Notes

Note	Q1 2018 DKK'000	Q1 2017 DKK'000	FY 2017 DKK'000
<b>6 Staff costs and administrative expenses</b>			
Salaries and remuneration of the Board of Directors and Executive Board			
Board of Directors, Fixed remuneration	375	412	1,612
Executive Board			
Contractual remuneration	1,519	1,440	5,758
Pension	75	72	289
Executive Board	1,594	1,512	6,047
<b>Total</b>	<b>1,969</b>	<b>1,924</b>	<b>7,659</b>
Staff costs			
Wages and salaries	54,472	57,515	232,821
Pensions	6,894	7,131	27,940
Payroll tax	8,915	9,189	36,746
Expenses relating to social security contributions etc.	325	804	2,263
<b>Total</b>	<b>70,606</b>	<b>74,639</b>	<b>299,770</b>
Other administrative expenses	41,879	44,315	174,903
<b>Total</b>	<b>114,454</b>	<b>120,878</b>	<b>482,332</b>
Average number of employees (FTE)	401,7	437,8	421,9
Value of benefits of the Board of Directors	60	49	195
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.			
<b>7 Impairment of loans and receivables, etc.</b>			
New impairment charges	229,476	206,396	509,723
Reversed impairment charges	-192,645	-146,933	-248,678
Lost, where impairment/provisions have not been made	1,460	762	7,376
Amounts received on previously written-off debts	-1,824	-2,382	-10,391
<b>Total</b>	<b>36,467</b>	<b>57,843</b>	<b>258,030</b>
Provisions for losses on guarantees and unused credit commitments recognised in the income statement			
New impairment charges	43,280	4,572	20,835
Reversed impairment charges	-38,608	-1,761	-8,432
<b>Total</b>	<b>4,672</b>	<b>2,811</b>	<b>12,403</b>
<b>Impairment of loans and other receivables, etc. total</b>	<b>41,139</b>	<b>60,654</b>	<b>270,433</b>
Interest income on impaired loans is offset against impairment in the amount of	20,623	22,838	69,901

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>8 Impairment of loans and provisions for losses on guarantees and unused credit commitments</b>			
<b>Individual impairment of loans</b>			
Individual impairment of loans and other receivables, beginning of the reporting period	2,893,255	2,923,237	2,923,237
Changed accounting policy on impairment pursuant to IFRS 9	-2,893,255		
Impairment charges for the period	-	191,896	495,061
Reversal of impairment charges in prior financial years	-	-126,259	-205,362
Other movements	-	21,710	66,528
Previously individually impaired, now written off	-	-137,212	-386,209
Individual impairment of loans and other receivables, end of the reporting period	-	2,873,372	2,893,255
<b>Collective impairment of loans</b>			
Collective impairment of loans and other receivables, beginning of the reporting period	79,591	104,872	104,872
Changed accounting policy on impairment pursuant to IFRS 9	-79,591		
Impairment charges for the period	-	14,500	14,662
Reversal of impairment charges in prior financial years	-	-20,674	-43,316
Other movements	-	1,128	3,373
Collective impairment of loans and other receivables, end of the reporting period	-	99,826	79,591
<b>Impairment of loans, total</b>			
Impairment of loans and other receivables, beginning of the reporting period	2,972,846	3,028,109	3,028,109
Changed accounting policy on impairment pursuant to IFRS 9	-2,972,846		
Impairment charges for the period	-	206,396	509,723
Reversal of impairment charges in prior financial years	-	-146,933	-248,678
Other movements	-	22,838	69,901
Previously individually impaired, now written off	-	-137,212	-386,209
Impairment of loans and other receivables, end of the reporting period	-	2,973,198	2,972,846
<b>Provisions for losses on guarantees and unused credit commitments</b>			
Provisions for losses on guarantees and unused credit commitments, beginning of the reporting period	32,704	20,301	20,301
Changed accounting policy on impairment pursuant to IFRS 9	-32,704		
Provisions for the period	-	4,572	20,835
Reversal of provisions	-	-1,761	-8,432
Provisions for losses on guarantees and unused credit commitments, end of the reporting period	-	23,112	32,704

# Financial Statements

## Notes

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>8 Impairment of loans and receivables, etc.</b>			
<b>Stage 1</b>			
Impairment at 1 January	0	-	-
Changed accounting policy on impairment pursuant to IFRS 9	32,529	-	-
New impairment charges	16,162	-	-
Reversed impairment charges	-15,291	-	-
Other movements	1	-	-
Impairment at 31 March	33,401	-	-
<b>Stage 2</b>			
Impairment at 1 January	0	-	-
Changed accounting policy on impairment pursuant to IFRS 9	124,158	-	-
New impairment charges	46,345	-	-
Reversed impairment charges	-47,929	-	-
Other movements	14	-	-
Impairment at 31 March	122,588	-	-
<b>Stage 3</b>			
Impairment at 1 January	0	-	-
Changed accounting policy on impairment pursuant to IFRS 9	3,006,284	-	-
New impairment charges	321,489	-	-
Reversed impairment charges	-283,945	-	-
Previously impaired, now written off	-68,168	-	-
Other movements	20,623	-	-
Impairment at 31 March	2,996,283	0	0
<b>Provisions for losses on guarantees</b>			
Provisions at 1 January	0	-	-
Changed accounting policy on impairment pursuant to IFRS 9	31,430	-	-
New provisions	10,688	-	-
Reversal of provisions	-12,856	-	-
Provisions at 31 March	29,262	-	-
Overall accumulated impairment of loans and receivables and provisions for losses on guarantees	3,181,534	2,992,344	3,000,648
Accumulated impairment ratio	17.7%	16.0%	16.5%
<b>Provisions losses on unused credit commitments</b>			
Provisions at 1 January	0	-	-
Changed accounting policy on impairment pursuant to IFRS 9	35,811	-	-
New provisions	32,592	-	-
Reversal of provisions	-25,752	-	-
Provisions at 31 March	42,651	-	-



Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>9 Receivables for which accrual of interest has been discontinued</b>			
Receivables for which accrual of interest has been discontinued, end of the reporting period	1,493,140	1,479,511	1,399,514
Total impairment charge thereon	1,294,494	1,178,330	1,197,471
Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	10.2%	9.6%	9.6%
<b>10 Intangible assets</b>			
<b>Customer relationships</b>			
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	13,467	11,971	11,971
Depreciation and impairment for the period	374	374	1,496
Depreciation and impairment, end of the reporting period	13,841	12,345	13,467
Recognised holding, end of the reporting period	1,123	2,619	1,497
<b>Other Intangible assets</b>			
Total acquisition cost, beginning of the reporting period	1,416	810	810
Additions	0	606	606
Total acquisition cost, end of the reporting period	1,416	1,416	1,416
Depreciation and impairment, beginning of the reporting period	478	23	23
Depreciation and impairment for the period	118	101	455
Depreciation and impairment, end of the reporting period	596	124	478
Recognised holding, end of the reporting period	820	1,292	938
Total	1,943	3,911	2,435
<b>11 Investment property</b>			
Fair value, beginning of the reporting period	5,850	7,386	7,386
Fair value adjustment for the reporting period	0	0	-1,536
Fair value at the end of the reporting period	5,850	7,386	5,850
<b>12 Owner-occupied property</b>			
Revalued amount, beginning of the period	311,355	317,529	317,529
Additions	0	75	0
Disposals	0	0	0
Depreciations	1,336	1,414	5,657
Changes in value recognised in other comprehensive income	0	0	-517
Revalued amount, end of the period	310,019	316,190	311,355
External valuation experts have been involved in measuring the most important owner-occupied and investment properties.			

# Financial Statements

## Notes

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>13 Other assets</b>			
Positive market value of derivative financial instruments	27,240	29,548	26,741
Interest and commission receivable	73,896	69,283	80,279
Investments in BEC	201,267	179,081	201,267
Other assets	35,071	17,842	40,215
<b>Total</b>	<b>337,474</b>	<b>295,754</b>	<b>348,502</b>
<b>14 Other liabilities</b>			
Negative market value of derivative financial instruments	30,012	39,318	30,944
Various creditors	378,341	439,251	465,797
Interest and commission payable	27,290	36,526	13,379
Other liabilities	28,523	22,679	30,604
<b>Total</b>	<b>464,166</b>	<b>537,774</b>	<b>540,724</b>
<b>15 Subordinated debt</b>			
<b>Tier 2 capital</b>	<b>372,075</b>	<b>350,604</b>	<b>371,906</b>
A nominal DKK 225 million will fall due on 16 August 2027 with an option for early redemption on 16 August 2022 subject to the Financial Supervisory Authority's approval. The capital accrues interest at a fixed 6.50% until 16 August 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 7.198% with no step-up clause. The capital meets the requirements under CRR/CDR IV.			
<b>Total</b>	<b>372,075</b>	<b>350,604</b>	<b>371,906</b>
<b>Additional tier 1 capital</b>			
Additional tier 1 capital of DKK 100 million.	0	100,000	0
Additional tier 1 capital of DKK 50 million.	0	50,000	0
Additional tier 1 capital of DKK 287.6 million.	0	313,774	0
<b>Total</b>	<b>0</b>	<b>463,774</b>	<b>0</b>
<b>Subordinated debt, total</b>	<b>372,075</b>	<b>814,378</b>	<b>371,906</b>
Charged as an expense under interest expenses/subordinated debt:			
Interest expenses	6,304	15,611	29,150
Costs related to incurrence and repayment	169	147	1,171
Value adjustments, etc.	0	2,165	7,278
<b>Total</b>	<b>6,473</b>	<b>17,923</b>	<b>37,599</b>
<b>Subordinated debt that can be included in the total capital</b>	<b>354,742</b>	<b>593,887</b>	<b>361,966</b>

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>16 Share capital</b>			
Share capital, beginning of the period	895,982	151,008	151,008
Capital increase through issue of shares	0	0	744,974
<b>Total</b>	<b>895,982</b>	<b>151,008</b>	<b>895,982</b>
Number of shares (units)	895,981,517 of DKK 1	151,008,121 of DKK 1	895,981,517 of DKK 1
<b>Number of own shares, beginning of the period</b>			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	0
Percentage of the share capital	0.1%	0.1%	0.0%
<b>Additions</b>			
Purchase of own shares (thousands)	3,401	1,306	32,252
Nominal value DKK'000	3,401	1,306	32,252
Percentage of the share capital	0.4%	0.9%	3.6%
Total purchase price DKK'000	9,461	20,474	128,642
<b>Disposals</b>			
Sold own shares (thousands)	3,401	1,306	32,252
Nominal value DKK'000	3,401	1,306	32,252
Percentage of the share capital	0.4%	0.9%	3.6%
Total selling price DKK'000 *)	9,461	20,474	130,946
<b>Number of own shares, end of reporting period</b>			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	173
Percentage of the share capital	0.0%	0.1%	0.0%
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			

# Financial Statements

## Notes

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>17 Contingent assets</b>			
Deferred tax asset at a tax rate of 22% The deferred tax asset is primarily related to carry forward taxable deficits.	605,194	626,326	608,197
The Bank assesses that there is presently no basis for full or partial capitalisation of the tax asset. Accordingly, the deferred tax asset is accounted for as a contingent asset and is not recognised in the Bank's balance sheet. This assessment is based on uncertainty as to whether the contingent asset can be utilised within a few years, as increased impairment charges on implementation of IFRS 9 at the beginning of 2018 reduces the possibility of setting off the contingent asset against taxable income. Also, the amount and timing of future impairment charges is subject to uncertainty as, going forward, impairment is not solely based on incurred losses but on expected losses, as well. The Bank moreover assesses that, in view of the uncertainty related to future earnings in the agricultural sector, its considerable exposure to the agricultural sector contributes to the doubt as to the Bank's ability to utilise the contingent asset. Against this background, the Bank does not believe that sufficiently persuasive evidence can be produced to support the utilisation of the deferred tax asset within a few years.			
<b>18 Items not recognised in the statement of financial position</b>			
<b>Guarantees</b>			
Financial guarantees	440,141	486,391	565,696
Loss guarantees on mortgage loans	2,034,164	1,949,228	2,059,818
Other contingent liabilities	849,034	883,298	982,975
<b>Total</b>	<b>3,323,339</b>	<b>3,318,917</b>	<b>3,608,489</b>
'Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of indemnity in relation to the Guarantee Fund.			
<b>Other commitments</b>			
Irreversible credit commitments	16,501	15,289	39,196
Other liabilities	41,363	22,358	41,939
<b>Total</b>	<b>57,864</b>	<b>37,647</b>	<b>81,135</b>

Note	31 March 2018 DKK'000	31 March 2017 DKK'000	31 Dec 2017 DKK'000
<b>19 Capital requirements</b>			
Shareholders Equity	2,145,126	1,466,899	2,285,332
Profit not recognised in total capital	-66,324	-	-
Intangible assets	-1,943	-3,911	-2,435
Prudent valuation	-3,111	-2,892	-3,372
Holdings in financial sector entities	-79,113	0	0
Common equity tier 1 capital	1,994,635	1,460,096	2,279,525
Additional tier 1 capital	230,000	388,774	230,000
Tier 1 capital	2,224,635	1,848,870	2,509,525
Tier 2 capital	354,742	280,113	361,966
Total capital	2,579,377	2,128,983	2,871,491
Total risk exposure	14,536,108	15,688,998	14,968,573
Common equity tier 1 capital ratio	13.7%	9.3%	15.2%
Tier 1 capital ratio	15.3%	11.8%	16.8%
Total capital ratio	17.7%	13.6%	19.2%
<b>20 Security pledged</b>			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	27,082	30,970	28,978
Deposited in the Danish Growth Fund	455	455	455
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	973,183	1,113,394	1,081,580
Total market value	980,960	1,123,301	1,089,707
<b>21 Pending litigation</b>			
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	31 March 2018	31 March 2017	31 Dec 2017
22	<b>Financial highlights (continued)</b>		
	<b>Financial ratios<sup>1</sup></b>		
	<b>Solvency</b>		
Total capital ratio	17.7%	13.6%	19.2%
Tier 1 capital ratio	15.3%	11.8%	16.8%
Common equity tier 1 capital ratio	13.7%	9.3%	15.2%
	<b>Earnings</b>		
Return on equity before tax, annually	12.2%	15.9%	2.0%
Return on equity after tax, annually	11.8%	14.7%	2.0%
Income/cost ratio	1.46	1.32	1.06
Cost Ratio <sup>2</sup>	50.6%	51.1%	54.7%
Return on assets	0.3%	0.3%	0.1%
Employees converted to full-time (average)	401.7	437.8	407.9
	<b>Market risk</b>		
Interest rate risk	-1.0%	-2.4%	-1.2%
Foreign exchange position	0.3%	0.5%	0.2%
Foreign exchange risk	0.0%	0.0%	0.0%
LCR	209.8%	327.1%	255.4%
	<b>Credit risk</b>		
Loans plus impairment of loans relative to deposits	81.7%	92.8%	79.4%
Loans relative to equity	4.8	8.0	4.6
Growth in loans for the period	-1.7%	-1.0%	-4.2%
Sum of large exposures	13.6%	32.2%	11.9%
Accumulated impairment ratio	17.7%	16.0%	16.5%
Impairment ratio for the period	0.2%	0.3%	0.5%
	<b>Vestjysk Bank share</b>		
Earnings per share for the period	0.1	0.4	0.0
Book value per share <sup>3</sup>	2.4	9.7	2.6
Price of Vestjysk Bank shares, end of the period	2.7	13.3	2.7
Share price/book value per share <sup>3</sup>	1.1	1.4	1.1

1 Operating expenses and operating depreciation and amortisation/core income

2 The ratio "Book value per share" is adjusted for the portion of equity (additional tier 1 capital), that is not part of the shareholders' share of equity.

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 at 1 January 2018.

