



## **Q1-Q3 2019 Quarterly Report**

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The Vestjysk Bank Q1-Q3 Quarterly Report 2019 is a translation  
of the original report in Danish (Vestjysk Bank 1. – 3. Kvartalsrap-  
port 2019).  
In case of discrepancies, the Danish version prevails

# Summary

## Q1-Q3 2019 Highlights

Vestjysk Bank realised a profit after tax of DKK 397 million in Q1-Q3 2019. The Bank's earnings before taxes for the period amounted to DKK 416 million. Impairment losses were generally at a significantly lower level than in the same period of 2018, and the Bank's overall profit after tax for Q1-Q3 2019 is considered very satisfactory.

- Profit after tax of DKK 397 million (Q1-Q3 2018: DKK 166 million), equalling a return on equity after tax of 19.4% p.a.
- Core income of DKK 827 million (DKK 685 million in Q1-Q3 2018).
- The proceeds from the sale of shares in Sparinvest Holding SE in Q3 2019 amounted to DKK 142 million.
- Total costs amounted to DKK 367 million in Q1-Q3 2019 compared with DKK 370 million in 2018, resulting in a cost ratio of 44.5% (Q1-Q3 2018: 54.0%).
- Core earnings before impairment of DKK 460 million (Q1-Q3 2018: DKK 315 million).
- Impairment of loans and receivables, etc. of DKK 44 million (Q1-Q3 2018: DKK 134 million). Impairment losses on agricultural exposures still accounted for the majority of the Bank's impairment losses, which also included impairment losses in connection with the Danish Financial Supervisory Authority's inspection in May-June of 2019.
- The Bank's capital requirement was 13.9%, consisting of an individual solvency need of 10.5%, a general capital conservation buffer of 2.5% and a countercyclical buffer of 1.0%.
- The Bank's total capital ratio was 17.8%, implying an excess cover of 3.9 percentage points or DKK 552 million. The Bank's profit for Q1-Q3 2019 has not been included in the calculation of the Bank's capital ratios.
- The Bank's MREL capital ratio was 17.8%. The MREL requirement was phased in at 0.625%, which is added to the capital requirement. The MREL requirement was 14.6%. The excess cover relative to the MREL capital requirement was 3.2%, or DKK 462 million.
- The Bank's LCR was 203.2%, compared with a requirement of 100%.

Without the proceeds of DKK 142 million from the sale of shares in Sparinvest Holdings SE, the Bank would have realised a profit after tax of DKK 255 million, a cost ratio of 53.6% and a return on equity of 12.5% p.a.

## Outlook for 2019

As stated in a company announcement of 8 October 2019, Vestjysk Bank upgraded the profit guidance for 2019 from an interval of DKK 360-410 million to an interval of DKK 420-460 million. The upgrade was driven by a number of factors raising the Bank's expectations, including a continued high home remortgaging level combined with the Bank's generally high level of activity. The continued very favourable pork settlement prices was another factor raising the Bank's expectations of lower impairment losses. Since its first profit guidance for full year 2019 in February, the guidance has been upgraded from an interval of DKK 225-275 million to the current interval of DKK 420-460 million. This includes the sale of shares in Sparinvest Holdings SE, which generated proceeds of DKK 142 million for Vestjysk Bank.

# Management's review

## Financial highlights

Key figures	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	FY 2018
<b>Statement of income (DKKm)</b>								
Net interest income	379	405	127	127	125	143	139	548
Net fee income	244	219	88	81	75	78	73	297
Dividends on shares, etc.	29	12	6	23	0	0	0	12
Value adjustments	173	32	153	0	20	3	11	35
Other operating income	2	17	0	1	1	0	4	17
<b>Core income</b>	<b>827</b>	<b>685</b>	<b>374</b>	<b>232</b>	<b>221</b>	<b>224</b>	<b>227</b>	<b>909</b>
Staff costs and administrative expenses	355	360	119	116	120	110	132	470
Other operating expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	10	7	2	3	1	4	11
Operating expenses and operating depreciation and amortisation	367	370	126	118	123	111	136	481
<b>Core earnings before impairments</b>	<b>460</b>	<b>315</b>	<b>248</b>	<b>114</b>	<b>98</b>	<b>113</b>	<b>91</b>	<b>428</b>
Impairment of loans and receivables, etc.	44	134	7	15	22	52	39	186
<b>Profit before tax</b>	<b>416</b>	<b>181</b>	<b>241</b>	<b>99</b>	<b>76</b>	<b>61</b>	<b>52</b>	<b>242</b>
Tax	19	15	7	8	4	-69	5	-54
<b>Profit after tax</b>	<b>397</b>	<b>166</b>	<b>234</b>	<b>91</b>	<b>72</b>	<b>130</b>	<b>47</b>	<b>296</b>
<b>Statement of financial position (DKKm)</b>								
Total assets	22,019	21,535	22,019	21,592	21,266	21,198	21,535	21,198
Loans	10,756	11,144	10,756	10,613	10,947	10,797	11,144	10,797
Deposits, including pooled schemes	18,043	17,980	18,043	17,800	17,590	17,583	17,980	17,583
Contingent liabilities	3,974	3,522	3,974	3,606	3,326	3,487	3,522	3,487
Custody services	8,332	8,230	8,332	8,338	8,235	7,585	8,230	7,585
Business volume	32,773	32,646	32,773	32,019	31,863	31,867	32,646	31,867
Business volume including custody services	41,105	40,876	41,105	40,357	40,098	39,452	40,876	39,452
Equity	2,892	2,461	2,892	2,743	2,656	2,589	2,461	2,589

<b>Financial ratios</b>	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	FY 2018
<b>Solvency</b>								
Total capital ratio	17.8%	17.8%	17.8%	18.6%	18.5%	19.7%	17.8%	19.7%
Tier 1 capital ratio	15.4%	15.5%	15.4%	16.3%	16.2%	17.4%	15.5%	17.4%
Common equity tier 1 capital ratio	14.3%	13.9%	14.3%	14.7%	14.6%	15.7%	13.9%	15.7%
<b>Earnings</b>								
Return on equity before tax, p.a.	20.3%	10.2%	33.9%	14.7%	11.7%	9.6%	8.5%	9.9%
Return on equity after tax, p.a.	19.4%	9.3%	32.9%	13.5%	11.1%	20.5%	7.6%	12.1%
Income-cost ratio	2.01	1.36	2.80	1.74	1.52	1.38	1.30	1.36
Cost ratio <sup>1</sup>	44.5%	54.0%	34.0%	50.6%	55.8%	49.5%	59.7%	52.9%
Return on assets	1.8%	0.8%	1.1%	0.4%	0.3%	0.3%	0.2%	1.4%
Average number of employees (FTE)	372.8	393.7	375.0	373.1	370.3	362.1	380.4	385.8
<b>Market risk</b>								
Interest rate risk	0.2%	-0.7%	0.2%	0.2%	0.3%	-0.5%	-0.7%	-0.5%
Foreign exchange position	0.3%	0.4%	0.3%	0.4%	0.3%	0.3%	0.4%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	203.2%	212.6%	203.2%	236.5%	173.5%	195.3%	212.6%	195.3%
<b>Credit risk</b>								
Loans plus impairment on loans relative to deposits	73.1%	78.1%	73.1%	73.7%	76.7%	76.3%	78.1%	76.3%
Loans relative to equity	3.7	4.5	3.7	3.9	4.1	4.2	4.5	4.2
Lending growth for the period	-0.4%	-2.6%	1.3%	-3.0%	1.4%	-3.1%	-2.2%	-5.6%
Sum of large exposures > 10%	10.5%	14.4%	10.5%	10.1%	26.7%	14.1%	14.4%	14.1%
Sum of 20 largest exposures	126.3%	134.9%	126.3%	124.9%	143.5%	116.4%	134.9%	116.4%
Accumulated impairment ratio	14.3%	16.6%	14.3%	15.1%	15.3%	15.6%	16.6%	15.6%
Impairment ratio	0.2%	0.6%	0.1%	0.2%	0.0%	0.3%	0.2%	1.0%
<b>Vestjysk Bank share</b>								
Earnings per share	0.4	0.2	0.3	0.1	0.1	0.1	0.1	0.3
Book value per share <sup>2</sup>	3.0	2.5	3.0	2.8	2.7	2.6	2.5	2.6
Price of Vestjysk Bank shares, end of the period	3.5	2.1	3.5	4.2	2.6	2.0	2.1	2.0
Share price/book value per share	1.2	0.8	1.2	1.5	1.0	0.7	0.8	0.7

<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.

# Management's review

## Financial review

### Income statement

#### Profit after tax

For Q1-Q3 2019, the Bank's profit after tax was DKK 397 million, compared with DKK 166 million in the same period of 2018.

Impairment of loans and receivables, etc. amounted to DKK 44 million in Q1-Q3 2019. The impairment ratio for Q1-Q3 2019 was 0.2%, against 0.6% in Q1-Q3 2018.

#### Core income

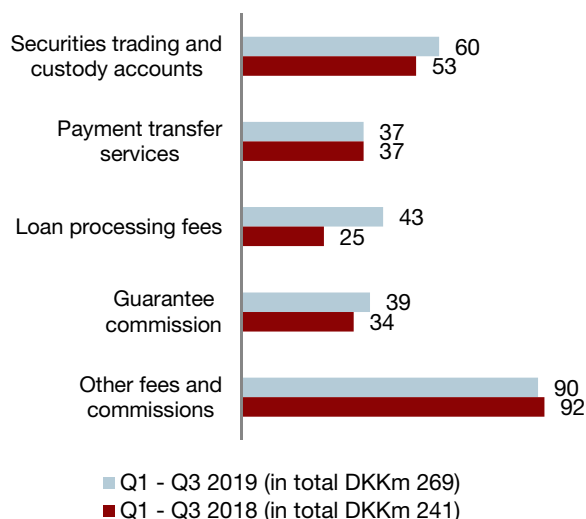
In Q1-Q3 2019, Vestjysk Bank realised core income of DKK 827 million, up DKK 142 million compared with Q1-Q3 2018.

Net interest income totalled DKK 379 million in Q1-Q3 2019, which was DKK 26 million less than in the year-earlier period. The Bank's interest income decreased by 43 million compared with Q1-Q3 2018. The decline was due to a lower lending volume and pressure on interest rates resulting from intensified competition in the lending market. The Bank's interest expenses were reduced by DKK 17 million due to lower deposit rates compared with Q1-Q3 2018.

Positive value adjustments amounted to DKK 173 million in Q1-Q3 2019, compared with DKK 32 million in Q1-Q3 2018. Core income for Q1-Q3 2019 was lifted in the approximate amount of DKK 142 million by the proceeds from the sale of shares in Sparinvest Holdings SE.

Net fee income for Q1-Q3 2019 amounted to DKK 244 million, compared with DKK 219 million in the same period of 2018. The increase was primarily driven by strong re-mortgaging activity. The distribution of the Bank's gross fee income is shown in the figure opposite.

### Income from Fees and Commissions (DKKm)



Other operating income amounted to DKK 2 million in Q1-Q3 2019, against DKK 17 million in Q1-Q3 2018.

### Operating expenses, depreciation and amortisation

Total operating expenses, depreciation and amortisation amounted to DKK 367 million in Q1-Q3 2019, against DKK 370 million in Q1-Q3 2018. The Bank invested particularly in IT related to stricter statutory requirements in the banking sector and in the anti-money-laundering area, and the upward trend in IT costs is thus expected to continue in the remainder of 2019 and in the next few years. The number of FTEs was reduced by 21 from Q1-Q3 2018 to Q1-Q3 2019, and staff costs were down DKK 30 million, or 12%, on the same period of 2018. The cost ratio for Q1-Q3 2019 was 44.5, and 53.6 excluding the proceeds from the sale of shares in Sparinvest Holding SE. Going forward, the Bank expects a cost ratio of around 52-55.

In May/June 2019, the Danish Financial Supervisory Authority (the "FSA") conducted an inspection of Vestjysk Bank A/S. The inspection was an ordinary inspection, at which the FSA examined key risk areas according to a risk-based assessment, focusing on the areas involving the greatest risk.

The FSA examined the valuation of a number of the Bank's properties, resulting in a total value adjustment of DKK 9 million, which amount was recognised in the interim financial statements.

The table below illustrates the composition of operating expenses and operating depreciation and amortisation.

#### Operating expenses and operating depreciation and amortisation

(DKKm)	Q1-Q3 2019	Q1-Q3 2018
Staff costs	213	243
IT costs	91	76
Other administrative expenses	51	42
Operating depreciation and amortisation	11	8
Other	1	1
<b>Total</b>	<b>367</b>	<b>370</b>

#### Core earnings before impairment

For Q1-Q3 2019, the Bank's core earnings before impairment stood at DKK 460 million, compared with DKK 315 million in Q1-Q3 2018.

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

Impairment losses, net amounted to DKK 44 million in Q1-Q3 2019, compared with DKK 134 million in Q1-Q3 2018. The impairment ratio for Q1-Q3 2019 was 0.2%, against 0.6% in Q1-Q3 2018. Accordingly, the Bank's level of impairment is in line with the sector average.

In its May/June inspection, the FSA examined 102 loans, which resulted in additional impairment losses of DKK 33 million. The additional impairment losses were recognised in the Bank's financial statements at 30 June 2019.

In Q1-Q3 2019, impairment losses mainly related to the agricultural sector.

For the retail segment, a net reversal of impairment losses was recorded as a result of the generally good credit quality of the Bank's retail customers.

Real estate exposures are generally showing a favourable trend with profitable operations and sufficient liquidity which is reflected in a net reversal of impairment losses for the period.

Milk settlement prices were stable in Q1-Q3 2019. Pork settlement prices fell throughout 2018 to historically low levels, but increased sharply in April 2019 as a result of an outbreak of African swine fever in China. Seges expects that the resulting higher price level for Danish pork will continue for a longer period.

At 47%, or DKK 1.2 billion, the agricultural sector accounted for the largest part of the Bank's accumulated impairment losses. The Bank thus recognised impairment losses representing approximately 34% of its gross loans and guarantees to the agricultural sector. The Bank continues to focus on developments in agriculture.

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

The distribution of the Bank's loans and guarantees for and impairment losses on agricultural exposures by sub-sectors, real estate, other business and the retail segment is shown in the table below.

Distribution of loans and guarantees at 30 September 2019 (DKKm)	Loans and guarantees before impairment	Acc. impairment	Loans and guarantees after impairment	Impairment for the period
Dairy farmers	1,549	613	936	53
Pig breeders	1,228	433	795	-3
Other agriculture	603	118	485	21
<b>Agriculture, total</b>	<b>3,380</b>	<b>1,164</b>	<b>2,216</b>	<b>71</b>
Real estate	2,173	315	1,858	-10
Other business	5,850	752	5,098	7
<b>Business, total</b>	<b>11,403</b>	<b>2,231</b>	<b>9,172</b>	<b>68</b>
Retail	5,790	232	5,558	-24
<b>Total</b>	<b>17,193</b>	<b>2,463</b>	<b>14,730</b>	<b>44</b>

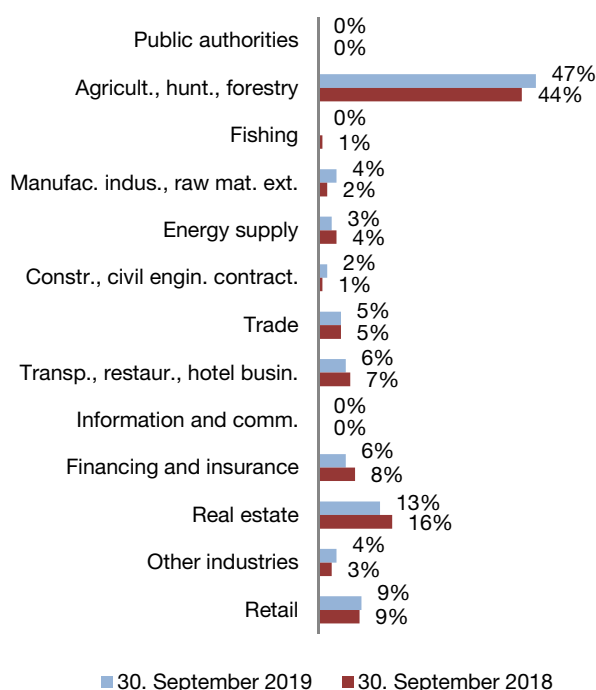
# Management's review

## Financial review

The Bank's accumulated impairment ratio at 30 September 2019 stood at 14,3%, compared with 16.6% at 30 September 2018.

The sector distribution of accumulated impairment and provisions is shown below:

### Accumulated Impairments and provisions by sector at 30 September 2019



### Statement of financial position

Vestjysk Bank's total assets amounted to DKK 22.0 billion at 30 September 2019, against DKK 21.5 billion at 30 September 2018.

#### Loans

At 30 September 2019, Vestjysk Bank's net lending amounted to DKK 10.8 billion, unchanged from 31 December 2018. In Q1-Q3 2019, the Bank saw a decline in net lending to weak customers as a result of targeted efforts to improve the credit quality of the Bank's lending portfolio.

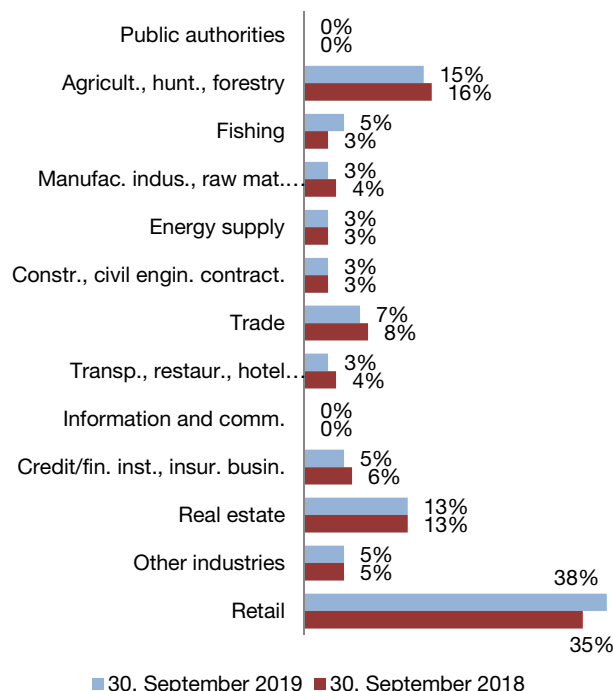
At 30 September 2019, Vestjysk Bank's loans to retail customers accounted for 38% of the Bank's net loans and

guarantees, against 35% at 30 September 2018. The Bank thus fulfils the ambition set out in the business model of strengthening the retail segment.

The Bank's loans to business customers were mainly concentrated on the agricultural and real estate sectors, with loans to the agricultural sector accounting for 15% and loans to the real estate sector accounting for 13%. Accordingly, the Bank's overall exposure to these sectors accounted for 28% of total net loans and guarantees. At 30 September 2019, all sectors thus complied with the Bank's overall target of no individual sector exceeding 15% of the Bank's total net loans and guarantees.

The sector distribution of net loans and guarantees is shown below:

### Loans and guarantees by sector at 30 September 2019





The credit quality of the Bank's total loans and guarantees improved from 30 September 2018 to 30 September 2019. In Q1-Q3 2019, 42% of the Bank's customers were of normal financial standing, against 38% at the same time last year, as illustrated in the table below. This is a satisfactory development, and the efforts to improve the credit quality will continue as an important part of the Bank's business plan for 2019.

Loans and guarantees by credit quality	30 September 2019		30 September 2018	
	DKKm	procent	DKKm	procent
Normal credit quality	9,896	42%	8,750	38%
Some signs of weakness	7,334	31%	7,149	31%
Significant signs of weakness without impairment	1,314	6%	1,428	6%
Impaired loans	4,885	21%	5,607	25%
<b>Total loans and guarantees</b>	<b>23,429</b>	<b>100%</b>	<b>22,934</b>	<b>100%</b>

#### Large exposures

The sum of large exposures constituting 10% or more of total capital amounted to 10.5% of total capital at 30 September 2019, consisting of a single exposure. The aim is to have no exposures constituting 10% or more of total capital.

The 20 largest exposures represented 126.3% of the Bank's common equity tier 1 capital, which is below the FSA's supervisory diamond benchmark of maximum 175%.

#### Business volume including custody services

In 2019, Vestjysk Bank's business volume – total deposits, loans, guarantees, etc. and custody services – has grown by DKK 1.6 billion to DKK 41.1 billion at 30 September 2019, against DKK 39.5 billion at 31 December 2018.

#### Deferred tax asset

In 2018, part of the Bank's deferred tax asset was recognised in the balance sheet. Vestjysk Bank assessed that part of the deferred tax asset can expectedly be utilised within the next three years based on cautious earnings expectations, and DKK 75 million of the deferred tax asset was therefore recognised. Of this amount, DKK 57 million related to unutilised tax losses set off in total capital. Thus, the deferred tax asset is DKK 517 million.

## Capital and liquidity

#### Change in capital position

In Q3 2019, Vestjysk Bank redeemed DKK 150 million of tier 2 capital due for repayment at 1 September 2024. The Bank has subsequently issued DKK 125 million of new tier 2 capital due for repayment at 28 August 2024.

In Q3 2019, Vestjysk Bank redeemed DKK 75 million of additional tier 1 capital.

#### Equity

Vestjysk Bank's equity stood at DKK 2,892 million at 30 September 2019, against DKK 2,589 million at 31 December 2018. The development in equity since 31 December 2018 was affected favourably by consolidation through the Bank's profit for Q1-Q3 2019. The equity development since 1 January 2018 is detailed in the statement of changes in equity. It should be noted that the Bank's profit for Q1-Q3 2019 has not been included in the calculation of the Bank's capital ratios.

#### Subordinated debt

The Bank's subordinated debt amounted to DKK 347 million at 30 September 2019, all of which was eligible for inclusion in total capital.

#### Total capital

Overall, total capital amounted to DKK 2,561 million at 30 September 2019. With the total risk exposure of DKK 14,406 million, this equals a total capital ratio of 17.8%. At 31 December 2018, the Bank's total capital ratio was 19.7%.

#### Capital Requirement

Adequate total capital amounted to DKK 1,506 million at 30 September 2019 which, with the total risk exposure of DKK 14,406 million, equalled an individual solvency need of 10.5%. At 30 September 2019, the capital conservation buffer had been phased in at 2.5 percentage points and the countercyclical buffer had been phased in at 1.0%, resulting in an aggregate capital requirement of 13.9%, corresponding to DKK 2,009 million.

This meant that Vestjysk Bank's excess cover relative to the individual solvency need was 7.3%, or DKK 1,054

# Management's review

## Financial review

million, while its excess cover relative to the combined capital requirement was 3.8%, or DKK 552 million.

### MREL requirement

On 19 December 2018, Vestjysk Bank received the FSA's decision on the Bank's MREL add-on, which was fixed at 6% of risk-weighted assets and will be phased in over the period 2019-2023. The MREL requirement for 2019 was phased in at 0.625%, to be added to the 13.9% capital requirement for a total MREL requirement of 14.6%. The Bank's MREL capital ratio was 17.8%. The excess cover relative to the MREL capital requirement was thus 3.2 percentage points, or DKK 462 million. The Bank expects to be able to meet the new requirement through ordinary earnings during the phase-in period, all other things being equal. When fully phased in, in 2023, the effect of the MREL is expected to be in the region of DKK 900 million.

The Bank's capital position is illustrated below:

### Capital position

DKKm	30 September 2019	FY 2018
Equity	2,892	2,589
- corr. for profit not recognised in total capital	-382	0
Deductions:		
- intangible assets	-0	-1
- prudent valuation	-4	-4
- holdings in financial sector entities	-235	-57
- deferred tax assets	-57	-57
Subordinated debt	347	333
<b>Total capital</b>	<b>2,561</b>	<b>2,803</b>
<b>Total risk exposures</b>	<b>14,406</b>	<b>14,226</b>
Common equity tier 1 capital ratio	14.3%	15.7%
Tier 1 capital ratio	16.4%	17.4%
Total capital ratio	17.8%	19.7%
MREL capital ratio	17.8%	20.0%

The Bank did not recognise the profit for the period in total capital for Q1-Q3 2019. Recognition of the profit for the period would increase the excess capital cover by 2.7 percentage points, all other things being equal. Total capital was negatively impacted by contractually committed investments in shares in sector companies and the redemption of additional tier 1 capital. In the period from 31 December 2018 to 31 September 2019, total capital was thus reduced by DKK 242 million in aggregate.

### Liquidity

Vestjysk Bank's liquidity position remains good. At 30 September 2019, the Bank's Liquidity Coverage Ratio (LCR) stood at 203.2%, relative to the LCR requirement of 100%.

### Share capital

Vestjysk Bank's share capital totalled DKK 896 million at 30 September 2019. 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:

Nykredit Realkredit A/S (10% - 15%)  
AP Pension Livsforsikringsselskab (20% - 25%)  
Aktieselskabet Arbejdernes Landsbank (25% - 33,33%)

The Bank's shares are listed in 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 benchmarks 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 30 September 2019

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures (< 175%)	126.3%
Lending growth (< 20%)	-3.5%
Real estate exposure (< 25%)	13.2%
Funding ratio (< 1)	0.51
Liquidity benchmark (> 100%)	256.5%

## Other matters

### Business plan 2019

The Bank's business plan was described in the annual report for 2018. The business plan for 2019 builds on the business plan for 2018 and remains focused on generating earnings by entering into business transactions with existing and new customers within the Bank's natural market segment, improving the Bank's credit quality and keeping up the strict cost management in order to maintain the Bank's competitive strength.

Based on Vestjysk Bank's very satisfactory performance for Q1-Q3 2019 and Management's focus on following the business plan, the Bank's development is on track according to all items of the business plan.

### Outlook for 2019

As stated in a company announcement of 8 October 2019, Vestjysk Bank upgraded the profit guidance for 2019 from an interval of DKK 360-410 million to an interval of DKK 420-460 million. The upgrade was driven by a number of factors raising the Bank's expectations, including a continued high home remortgaging level combined with the Bank's generally high level of activity. The continued very favourable pork settlement prices was another factor raising the Bank's expectations of lower impairment losses. Since its first profit guidance for full year 2019 in February, the guidance has been upgraded from an interval of DKK 225-275 million to the current interval of DKK 420-460 million. This includes the sale of shares in Sparinvest Holdings SE, which generated proceeds of DKK 142 million for Vestjysk Bank.

# 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.

### 2019 Financial Calendar

- 10 February Deadline for receipt of shareholders' request for items to be included on the agenda for the Annual General Meeting
- 20 February Annual Report 2019
- 23 March Annual General Meeting
- 13 May Quarterly Report, Q1
- 19 August Half Year Report, H1
- 18 November Quarterly report for Q1-Q3

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### Definitions

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 services.

# Management's Statement

The Bank's Board of Directors and Executive Board have today considered and approved the Quarterly report for the period 1 January – 30 September 2019 of Vestjysk Bank A/S.

The quarterly 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 30 September 2019, and of the results of the Bank's activities for the reporting period 1 January – 30 September 2019.

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, 20 November 2019

## Executive Board

.....  
Jan Ulsø Madsen  
*Chief Executive Officer*

.....  
Michael Nelander Petersen  
*Managing Director*

## Board of Directors

.....  
Kim Duus  
*Chairman of the Board of Directors*

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

.....  
Bent Simonsen

.....  
Bolette van Ingen Bro

.....  
Karina Boldsen

.....  
Nicolai Hansen

.....  
Jacob Møllgaard

.....  
Martin Sand Thomsen

.....  
Mette Holmegaard Nielsen

# Financial statements

## Statements of income and comprehensive income

Note	Q1-Q3 2019 DKK'000	Q1-Q3 2018 DKK'000	Q3 2019 DKK'000	Q3 2018 DKK'000	FY 2018 DKK'000
<b>Statement of Income</b>					
2 Interest income	411,151	454,352	136,514	154,007	610,538
3 Interest expenses	32,566	49,709	10,239	15,258	62,533
Net interest income	378,585	404,643	126,275	138,749	548,005
Dividends on shares etc.	28,970	11,891	5,760	121	11,939
4 Income from fees and commissions	269,454	240,855	96,817	80,120	324,635
Fees and commissions paid	25,216	21,321	8,337	6,379	27,935
Net interest and fee income	651,793	636,068	220,515	212,611	856,644
5 Value adjustments	172,774	31,974	153,305	10,565	34,623
Other operating income	2,380	16,917	233	4,188	17,181
6 Staff costs and administrative expenses	355,293	360,327	119,754	132,469	470,128
Depreciation, amortisation and impairment charges on tangible and intangible assets	11,318	7,929	7,026	2,669	8,178
Other operating expenses	1,218	1,377	420	598	2,021
7 Impairment of loans and receivables, etc.	43,616	134,104	6,239	39,550	185,862
Profit before tax	415,502	181,222	240,614	52,078	242,259
Tax	18,526	15,325	6,776	5,532	-53,895
Profit after tax	396,976	165,897	233,838	46,546	296,154
<b>Statement of Comprehensive Income</b>					
Profit after tax	396,976	165,897	233,838	46,546	296,154
Other comprehensive income:					
Change in the value of owner-occupied properties	-3,912	0	0	0	3,958
Changes in the value of pension obligations	0	0	0	0	-1,249
Other comprehensive income after tax	-3,912	0	0	0	2,709
Total comprehensive income	393,064	165,897	233,838	46,546	298,863

# Financial statements

## Statement of financial position

Note	30 September 2019 DKK'000	30 September 2018 DKK'000	31 December 2018 DKK'000	
<b>Assets</b>				
	Cash in hand and demand deposits with central banks	396,351	389,436	386,781
	Receivables from credit institutions and central banks	468,797	560,778	580,779
8,9	Loans and other receivables at amortised cost	10,755,686	11,144,251	10,797,340
	Bonds at fair value	4,039,920	3,239,242	3,533,714
	Shares, etc.	494,749	431,082	441,928
	Assets related to pooled schemes	5,055,446	5,078,385	4,681,410
10	Intangible assets	112	958	466
	Land and buildings, total	290,467	311,771	310,806
11	Investment property	0	4,425	425
12	Owner-occupied property	290,467	307,346	310,381
	Other property, plant and equipment	4,741	6,456	5,910
	Current tax assets	0	7,195	1,094
	Deferred tax assets	75,000	0	75,000
13	Other assets	420,958	348,350	367,203
	Prepayments	17,142	17,196	15,781
	<b>Assets total</b>	<b>22,019,369</b>	<b>21,535,100</b>	<b>21,198,212</b>

# Financial statements

## Statement of financial position

Note	30 September 2019 DKK'000	30 September 2018 DKK'000	31 December 2018 DKK'000
<b>Equity and liabilities</b>			
<b>Debts</b>			
	31,842	13,614	28,956
	12,987,463	12,901,141	12,901,985
	5,055,446	5,078,385	4,681,410
	15,563	0	0
14	594,582	596,722	529,523
	9	27	37
	18,684,905	18,589,889	18,141,911
<b>Provisions</b>			
	15,037	14,391	15,479
	30,841	38,241	32,814
	49,484	59,591	46,604
	95,362	112,223	94,897
15	346,778	372,413	372,581
<b>Equity</b>			
16	895,982	895,982	895,982
	60,492	60,605	64,563
	551,600	551,600	551,600
	1,229,250	722,388	846,678
	2,737,324	2,230,575	2,358,823
	155,000	230,000	230,000
	2,892,324	2,460,575	2,588,823
	22,019,369	21,535,100	21,198,212



# 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	Shareholder equity, total	Additional tier 1 capital holders *)	Equity, total
<b>Equity, 1 January 2019</b>	895,982	64,563	551,600	846,678	2,358,823	230,000	2,588,823
Profit after tax for the period				381,758	381,758	15,218	396,976
Other comprehensive income after tax		-3,912		0	-3,912		-3,912
<b>Total comprehensive income</b>	<b>0</b>	<b>-3,912</b>	<b>0</b>	<b>381,758</b>	<b>377,846</b>	<b>15,218</b>	<b>393,064</b>
Redemption of tier 1 capital						-75,000	-75,000
Interest on additional tier 1 capital						-15,218	-15,218
Tax on interest on additional tier 1 capital				655	655		655
Additions relating to sale of own shares				113,528	113,528		113,528
Disposals relating to purchase of own shares				-113,528	-113,528		-113,528
Retained earnings		-159		159	0		0
<b>Equity, 30 September 2019</b>	<b>895,982</b>	<b>60,492</b>	<b>551,600</b>	<b>1,229,250</b>	<b>2,737,324</b>	<b>155,000</b>	<b>2,892,324</b>
<b>Equity, 1 January 2018</b>	<b>895,982</b>	<b>60,605</b>	<b>551,600</b>	<b>570,457</b>	<b>2,078,644</b>	<b>230,000</b>	<b>2,308,644</b>
Profit after tax for the period				150,715	150,715	15,182	165,897
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150,715</b>	<b>150,715</b>	<b>15,182</b>	<b>165,897</b>
Interest on additional tier 1 capital						-15,182	-15,182
Tax on interest on additional tier 1 capital				1,215	1,215		1,215
Additions relating to sale of own shares				16,150	16,150		16,150
Disposals relating to purchase of own shares				-16,149	-16,149		-16,149
<b>Equity, 30 September 2018</b>	<b>895,982</b>	<b>60,605</b>	<b>551,600</b>	<b>722,388</b>	<b>2,230,575</b>	<b>230,000</b>	<b>2,460,575</b>
<b>Equity, 1 January 2018</b>	<b>895,982</b>	<b>60,605</b>	<b>551,600</b>	<b>570,457</b>	<b>2,078,644</b>	<b>230,000</b>	<b>2,308,644</b>
Profit after tax for the period				275,844	275,844	20,310	296,154
Other comprehensive income after tax		3,958		-1,249	2,709		2,709
<b>Total comprehensive income</b>	<b>0</b>	<b>3,958</b>	<b>0</b>	<b>274,595</b>	<b>278,553</b>	<b>20,310</b>	<b>298,863</b>
Interest on additional tier 1 capital						-20,310	-20,310
Tax on interest on additional tier 1 capital				1,625	1,625		1,625
Additions relating to sale of own shares				21,605	21,605		21,605
Disposals relating to purchase of own shares				-21,604	-21,604		-21,604
<b>Equity, 31 December 2018</b>	<b>895,982</b>	<b>64,563</b>	<b>551,600</b>	<b>846,678</b>	<b>2,358,823</b>	<b>230,000</b>	<b>2,588,823</b>

\*) 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 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

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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 - 30 September 2019 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.

The accounting policies applied in this report remain unchanged from the 2018 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 2018 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 2018 Annual Report.

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Note	Q1-Q3 2019 DKK'000	Q1-Q3 2018 DKK'000	FY 2018 DKK'000
<b>2 Interest income</b>			
Receivables from credit institutions and central banks	-1,371	-1,234	-1,851
Loans and other receivables	406,438	449,806	603,733
Bonds	4,500	5,930	9,220
Derivative financial instruments	1,578	-150	-564
Other interest income	6	0	0
<b>Total</b>	<b>411,151</b>	<b>454,352</b>	<b>610,538</b>
<b>3 Interest expenses</b>			
Credit institutions and central banks	269	278	375
Deposits and other debt	13,054	29,811	35,878
Subordinated debt	19,223	19,594	26,210
Other interest expenses	20	26	70
<b>Total</b>	<b>32,566</b>	<b>49,709</b>	<b>62,533</b>
<b>4 Income from fees and commissions</b>			
Securities trading and custody services	59,709	52,908	74,892
Payment services	37,122	37,114	50,396
Loan processing fees	42,761	24,688	33,189
Guarantee commission	39,354	34,489	47,034
Other fees and commissions	90,508	91,656	119,124
<b>Total</b>	<b>269,454</b>	<b>240,855</b>	<b>324,635</b>
<b>5 Value adjustments</b>			
Bonds	7,217	-12,853	-18,620
Shares, etc.	151,150	34,024	38,496
Investment property	0	-1,000	-1,000
Foreign currency	10,387	9,750	13,188
Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	4,957	3,129	3,874
Assets related to pooled schemes	457,947	34,863	-411,232
Deposits with pooled schemes	-457,947	-34,863	411,232
Other assets	-937	-1,076	-1,315
<b>Total</b>	<b>172,774</b>	<b>31,974</b>	<b>34,623</b>

# Financial statements

## Notes

Note		Q1-Q3 2019 DKK'000	Q1-Q3 2018 DKK'000	FY 2018 DKK'000
6	<b>Staff costs and administrative expenses</b>			
	<b>Staff costs:</b>			
	Wages and salaries	164,281	190,530	243,118
	Pensions	19,770	21,574	28,322
	Payroll tax	26,977	28,469	36,307
	Expenses relating to social security contributions etc.	2,235	1,838	2,758
	<b>Total</b>	<b>213,263</b>	<b>242,411</b>	<b>310,505</b>
	Average number of employee (FTE)	372.8	393.7	385.8
	<b>Other administrative expenses:</b>			
	IT expenses	90,638	76,353	104,409
	Rent, electricity and heat	8,341	8,672	11,765
	Postage, telephone etc.	1,834	2,375	2,909
	Other administrative expenses	41,217	30,516	40,540
	<b>Total</b>	<b>142,030</b>	<b>117,916</b>	<b>159,623</b>
	<b>Total</b>	<b>355,293</b>	<b>360,327</b>	<b>470,128</b>
	<b>Salaries and remuneration of the Board of Directors and Executive Board are included in staff costs in the following amounts</b>			
	<b>Board of directors</b>	1,529	1,403	1,916
	<b>Executive board</b>			
	Fixed remuneration	4,843	4,555	6,167
	Pension	242	225	306
	<b>Total</b>	<b>5,085</b>	<b>4,780</b>	<b>6,473</b>
	Value of benefits executive board	224	209	287
	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 other reasons.			
7	<b>Impairment of loans and receivables, etc.</b>			
	Impairment of loans and other receivables in the statement of income			
	Impairment charges for the period	371,140	424,983	491,246
	Reversal of impairment charges in prior financial years	-324,868	-324,147	-341,739
	Loans with no prior individual impairment/provisions, written off	7,451	9,842	19,953
	Recovered on previously written off debts	-11,015	-7,165	-9,209
	<b>Total</b>	<b>42,708</b>	<b>103,513</b>	<b>160,251</b>
	Provisions for losses on guarantees and unused credit commitments			
	Impairments for the period	33,125	75,550	58,486
	Reversal of provisions in prior financial years	-32,217	-44,959	-32,875
	<b>Total</b>	<b>908</b>	<b>30,591</b>	<b>25,611</b>
	Impairment of loans and other receivables, end of the reporting period	43,616	134,104	185,862
	Interest income on impaired loans is offset against impairment in the amount of	49,728	53,454	61,079

Note	Q1-Q3 2019 DKK'000	Q1-Q3 2018 DKK'000	FY 2018 DKK'000	
8	<b>Impairments of loans and receivables and provisions on guarantees and unutilised credit lines - Impairment of loans and receivables</b>			
	<b>Stage 1 (absence of significant increase in risk assessment)</b>			
	Impairment, beginning of the reporting period	29,938	32,529	32,529
	New impairments, new exposures	8,078	7,954	6,802
	Reversed impairments repaid accounts	-42,917	-72,513	-63,100
	Change in impairments, beginning of period to/from stage 1	-6,282	-8,075	-7,929
	Change in impairments, beginning of period to/from stage 2	23,440	37,659	37,943
	Change in impairments, beginning of period to/from stage 3	11,688	27,482	15,399
	Impairments due to change in credit risk	9,158	11,471	8,294
	Impairment, end of the reporting period	33,103	36,507	29,938
	<b>Stage 2 (significant increase in risk assessment)</b>			
	Impairment, beginning of the reporting period	91,895	124,158	124,158
	New impairments, new exposures	11,068	12,018	13,935
	Reversed impairments repaid accounts	-43,946	-59,720	-82,632
Change in impairments, beginning of period to/from stage 1	5,812	4,410	4,162	
Change in impairments, beginning of period to/from stage 2	-27,604	-50,412	-54,964	
Change in impairments, beginning of period to/from stage 3	19,115	33,752	52,886	
Impairments due to change in credit risk	40,667	40,956	34,350	
Impairment, end of the reporting period	97,007	105,162	91,895	
<b>Stage 3 (credit-impaired)</b>				
Impairment, beginning of the reporting period	2,445,023	2,965,053	2,965,053	
New impairments, new exposures	58,774	88,625	57,330	
Reversed impairments repaid accounts	-310,257	-357,576	-382,782	
Change in impairments, beginning of period to/from stage 1	470	3,665	3,767	
Change in impairments, beginning of period to/from stage 2	4,163	12,753	17,021	
Change in impairments, beginning of period to/from stage 3	-30,803	-61,234	-68,285	
Impairments due to change in credit risk	307,842	432,033	559,115	
Impairments lost	-275,522	-500,712	-767,275	
Other movements	49,728	53,454	61,079	
Impairment, end of the reporting period	2,249,418	2,636,061	2,445,023	
<b>Loans, credit-impaired at initial recognition</b>				
Impairment, beginning of the reporting period (acquired impairment)	47,972	115,083	115,083	
New impairments	8,458	2,635	4,554	
Reversed impairments	-652	-5,048	-6,360	
Impairments lost	-2,870	-311	-65,305	
Impairment, end of the reporting period	52,908	112,359	47,972	

# Financial statements

## Notes

Note	Q1-Q3 2019 DKK'000	Q1-Q3 2018 DKK'000	FY 2018 DKK'000
<b>8 Provisions for losses on guarantees</b>			
Provisions, beginning of the reporting period	32,814	31,430	31,430
New provisions, new exposures	1,902	3,940	2,149
Reversed provisions for losses at repaid accounts	-8,022	-16,342	-15,718
Provision during the period due to change in credit risk	4,147	19,213	18,188
Impairments lost during the period	0	0	-3,235
Provisions, end of the reporting period	30,841	38,241	32,814
Overall accumulated impairment of loans and receivables and provisions for losses on guarantees	2,463,277	2,928,330	2,647,642
Accumulated impairment ratio	14.3%	16.6%	15.6%
<b>Provisions for losses on unused credit commitments</b>			
Provisions beginning of the reporting period	46,604	35,811	35,811
New provisions, new exposures	1,620	11,959	7,746
Reversed provisions for losses at repaid accounts	-24,505	-29,955	-19,742
Provision during the period due to change in credit risk	25,765	41,776	32,989
Provisions lost during the period	0	0	-10,200
Provisions at 30 September	49,484	59,591	46,604
<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	947,129	1,260,009	1,050,853
Total impairment charge thereon	813,183	1,109,624	901,157
Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	7.2%	9.0%	9.7%
<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	14,964	13,467	13,467
Depreciation and impairment for the period	0	1,123	1,497
Depreciation and impairment, end of the reporting period	14,964	14,590	14,964
Recognised holding, end of the reporting period	0	374	0
<b>Other Intangible assets</b>			
Total acquisition cost, beginning of the reporting period	1,416	1,416	1,416
Total acquisition cost, end of the reporting period	1,416	1,416	1,416
Depreciation and impairment, beginning of the reporting period	950	478	478
Depreciation and impairment for the period	354	354	472
Depreciation and impairment, end of the reporting period	1,304	832	950
Recognised holding, end of the reporting period	112	584	466
Total	112	958	466



Note	30 September 2019 DKK'000	30 September 2018 DKK'000	31 December 2018 DKK'000
<b>11 Investment property</b>			
Fair value, beginning of the reporting period	425	5,850	5,850
Disposals	425	425	4,425
Fair value adjustment for the reporting period	0	-1,000	-1,000
Fair value at the end of the reporting period	0	4,425	425
<b>12 Owner-occupied property</b>			
Revalued amount, beginning of the period	310,381	311,355	311,355
Disposals	0	0	0
Depreciations	7,489	0	2,670
Changes in value recognised in other comprehensive income	3,893	4,009	5,346
Changes in value recognised in the statement of income	-3,912	0	4,633
Revalued amount, end of the period	-4,620	0	2,409
External valuation experts have been involved in measuring the most important owner-occupied and investment properties.	290,467	307,346	310,381
<b>13 Other assets</b>			
Positive market value of derivative financial instruments			
Interest and commission receivable	24,285	27,244	16,857
Investments in BEC	87,166	87,606	108,953
Other assets	242,278	201,267	201,267
Total	67,229	32,233	40,126
<b>14 Other liabilities</b>	420,958	348,350	367,203
Negative market value of derivative financial instruments			
Various creditors	25,063	30,997	22,361
Interest and commission payable	540,329	508,770	462,140
Other liabilities	10,839	17,823	13,185
Total	18,351	39,132	31,837
<b>15 Subordinated debt</b>			
<b>Tier 2 capital</b>	346,778	372,413	372,581
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 125 million will fall due on 28 August 2024 with an option for early repayment on 28 August 2024 subject to the Financial Supervisory Authority's approval. The capital accrues interest at a floating rate 3.75% with no step-up clause. The capital meets the requirements under CRR/CDR IV.			
Total	346,778	372,413	372,581

# Financial statements

## Notes

Note		30 September 2019 DKK'000	30 September 2018 DKK'000	31 December 2018 DKK'000
15	Charged as an expense under interest expenses/subordinated debt:			
	Interest expenses	18,672	19,088	25,535
	Costs related to incurrence and repayment	551	506	675
	<b>Total</b>	<b>19,223</b>	<b>19,594</b>	<b>26,210</b>
	Subordinated debt that can be included in the total capital	346,778	340,047	332,658
16	<b>Share capital</b>			
	Share capital	895,982	895,982	895,982
	Number of shares (units of DKK 1)	895,981,517	895,981,517	895,981,517
	<b>Number of own shares, beginning of the period</b>			
	Number of own shares (thousands)	173	173	173
	Nominal value DKK'000	173	173	173
	Percentage of the share capital	0.0%	0.0%	0.0%
	<b>Additions</b>			
	Purchase of own shares (thousands)	32,707	6,259	8,815
	Nominal value DKK'000	32,707	6,259	8,815
	Percentage of the share capital	3.7%	0.7%	1.0%
	Total purchase price DKK'000	113,528	16,149	21,604
	<b>Disposals</b>			
	Sold own shares (thousands)	32,707	6,259	8,815
	Nominal value DKK'000	32,707	6,259	8,815
	Percentage of the share capital	3.7%	0.7%	1.0%
	Total selling price DKK'000	113,528	16,150	21,605
	<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%	0.0%	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.			

Note	30 September 2019 DKK'000	30 September 2018 DKK'000	31 December 2018 DKK'000
<b>17 Capital</b>			
Shareholders' Equity	2,737,324	2,230,575	2,358,823
Profit not recognised in total capital	-381,758	-150,715	-
Intangible assets	-112	-958	-466
Prudent valuation	-4,136	-3,321	-3,599
Holdings in financial sector entities	-235,204	-77,768	-57,159
Deferred tax assets	-57,201	0	-57,201
Common equity tier 1 capital	2,058,913	1,997,813	2,240,398
Additional tier 1 capital	155,000	230,000	230,000
Tier 1 capital	2,213,913	2,227,813	2,470,398
Tier 2 capital	346,778	340,047	332,658
Total capital	2,560,691	2,567,860	2,803,056
Total risk exposure	14,406,001	14,415,782	14,226,170
Common equity tier 1 capital ratio	14.3%	13.9%	15.7%
Tier 1 capital ratio	15.4%	15.5%	17.4%
Total capital ratio	17.8%	17.8%	19.7%
<b>MREL- capital</b>			
Total capital	2,560,691	-	2,803,056
MREL-capital	0	-	39,923
MREL- total capital	2,560,691	-	2,842,979
MREL-capital ratio	17.8%	-	20.0%
<b>18 Contingent assets</b>			
Deffered tax asset at a tax rate of 22%	517,593	619,071	546,264
The deferred tax asset is primarily related to carry forward taxable deficits. It is the Banks assessment that there is no basis for recognition of all of the deffered tax asset presently. Therefore, the deferred tax is partly recognised at DKK 75 million in the financial statement. The remaining deffered tax asset is treated as a contingent asset which is not recognised in the Statement of Financial Position.			

# Financial statements

## Notes

Note	30 September 2019 DKK'000	30 September 2018 DKK'000	31 December 2018 DKK'000
<b>19</b>			
<b>Contingent liabilities</b>			
<b>Guarantees</b>			
Financial guarantees	694,188	585,165	515,516
Loss guarantees on mortgage loans	2,307,679	2,018,709	2,036,019
Other contingent liabilities	972,004	918,291	935,096
<b>Total</b>	<b>3,973,871</b>	<b>3,522,165</b>	<b>3,486,631</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	236,273	33,251	14,289
Other liabilities	17,249	41,363	39,573
<b>Total</b>	<b>253,522</b>	<b>74,614</b>	<b>53,862</b>
<b>Security pledged</b>			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	22,418	21,231	19,140
Deposited in the Danish Growth Fund	455	455	455
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	1,119,313	868,874	914,662
Total market value	1,125,355	872,958	917,178

### 20 Pending litigation

Vestjysk Bank is a party to various lawsuits. The proceedings are evaluated on an ongoing basis, and requisite provisions are made based on an assessment of the risk of losses.

The pending proceedings are not expected to have material influence on the Bank's financial position.

Note	Q1-Q3 2019	Q1-Q3 2018	FY 2018
21			
<b>Financial highlights</b>			
<b>Key figures</b>			
<b>Statement of income (DKKm)</b>			
Net interest income	379	405	548
Net fee income	244	219	297
Dividends on shares etc.	29	12	12
Value adjustments	173	32	35
Other operating income	2	17	17
<b>Core income</b>	<b>827</b>	<b>685</b>	<b>909</b>
Staff costs and administrative expenses	355	360	470
Other operating expenses and depreciation, amortisation and impairment of property plant, equipment and intangible assets	12	10	11
Operating expenses and operating depreciation and amortisation	367	370	481
<b>Core earnings before impairment</b>	<b>460</b>	<b>315</b>	<b>428</b>
Impairment of loans and receivables, etc.	44	134	186
<b>Profit before tax</b>	<b>416</b>	<b>181</b>	<b>242</b>
Tax	19	15	-54
<b>Profit after tax</b>	<b>397</b>	<b>166</b>	<b>296</b>
	30 September 2019	31 September 2018	31 December 2018
<b>Statement of financial position (DKKm)</b>			
Assets, total	22,019	21,535	21,198
Loans	10,756	11,144	10,797
Deposits, including pooled schemes	18,043	17,980	17,583
Guarantees etc.	3,974	3,522	3,487
Custody services	8,332	8,230	7,585
Business volume	32,773	32,646	31,867
Business volume including custody services	41,105	40,876	39,452
Equity	2,892	2,461	2,589

# Financial statements

## Notes

Note	30 September 2019	31 September 2018	31 December 2018
21	<b>Financial highlights (continued)</b>		
	<b>Financial ratios</b>		
	<b>Capital</b>		
Total capital ratio	17.8%	17.8%	19.7%
Tier 1 capital ratio	15.4%	15.5%	17.4%
Common equity tier 1 capital ratio	14.3%	13.9%	15.7%
	<b>Earnings</b>		
Return on equity before tax, annually	20.3%	10.2%	9.9%
Return on equity after tax, annually	19.4%	9.3%	12.1%
Income/cost ratio	2.01	1.36	1.36
Cost Ratio <sup>1</sup>	44.5%	54.0%	52.9%
Return on assets	1.8%	0.8%	1.4%
Employees converted to full-time (average)	372.8	393.7	385.8
	<b>Market risk</b>		
Interest rate risk	0.2%	-0.7%	-0.5%
Foreign exchange position	0.3%	0.4%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%
LCR	203.2%	212.6%	195.3%
	<b>Credit risk</b>		
Loans plus impairment of loans relative to deposits	73.1%	78.1%	76.3%
Loans relative to equity	3.7	4.5	4.2
Growth in loans for the period	-0.4%	-2.6%	-5.6%
Sum of large exposures >10%	10.5%	14.4%	14.1%
Sum of 20 largest exposures	126.3%	134.9%	116.4%
Accumulated impairment ratio	14.3%	16.6%	15.6%
Impairment ratio for the period	0.2%	0.6%	1.0%
	<b>Vestjysk Bank share</b>		
Earnings per share for the period	0.4	0.2	0.3
Book value per share <sup>2</sup>	3.0	2.5	2.6
Price of Vestjysk Bank shares, end of the period	3.5	2.1	2.0
Share price/book value per share	1.2	0.8	0.7

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.

