



## Half-Year Report 2019

## Contents

<b>Summary</b>	3
<b>Management's review</b>	4
Financial highlights	4
Financial review	6
<b>Management's statement</b>	13
<b>Financial statements</b>	14
Statements of income and comprehensive Income	14
Statement of financial position	15
Statement of changes in equity	17
Notes to the financial statements	18

Vestjysk Bank A/S  
Torvet 4-5, DK-7620 Lemvig  
Denmark  
CVR 34631328  
Registered Office: Lemvig, Denmark  
Telephone (+45) 96 63 20 00  
[www.vestjyskbank.dk](http://www.vestjyskbank.dk)  
[vestjyskbank@vestjyskbank.dk](mailto:vestjyskbank@vestjyskbank.dk)

Read or download this report at [vestjyskbank.dk](http://vestjyskbank.dk).  
The Vestjysk Bank Half-Year Report 2019 is a translation of the original report in Danish (Vestjysk Bank Halvårsrapport 2019).  
In case of discrepancies, the Danish version prevails.

# Summary

## H1 2019 highlights

Vestjysk Bank realised a profit after tax of DKK 163 million in H1 2019. The Bank's earnings before impairment amounted to DKK 212 million in H1 2019. Impairment losses were generally at a significantly lower level than in H1 2018, and in light of the historical financial challenges that the agricultural sector has faced, the Bank's overall profit after tax for H1 2019 is considered satisfactory.

- Profit after tax of DKK 163 million (H1 2018: DKK 119 million), equalling a return on equity after tax of 12.3 per cent.
- Core income of DKK 453 million (H1 2018: DKK 458 million).
- Total costs amounted to DKK 241 million in H1 2019 compared with DKK 234 million in H1 2018, resulting in a cost ratio of 53.1 per cent (H1 2018: 51.1 per cent). The increase in costs was mainly due to higher IT costs related to the Bank's IT centre, as expenses for compliance and particularly anti-money laundering measures have risen to new levels. This trend is expected to continue in 2019 and the years ahead.
- Core earnings before impairment of DKK 212 million (H1 2018: DKK 224 million). The difference is entirely attributable to non-recurring income in 2018 under other operating income.
- Impairment of loans and receivables, etc. of DKK 37 million (H1 2018: DKK 95 million). Impairment losses on agriculture is still accounted for the majority of the Bank's impairment losses, where the adjustment of hectare prices is recognized.
- The Bank's capital requirement was 13.2 per cent, consisting of an individual solvency need of 10.2 per cent, a general capital conservation buffer of 2.5 per cent and a countercyclical buffer of 0.5 per cent.
- The Bank's total capital ratio was 18.6 per cent, implying an excess coverage of 5.4 percentage points or DKK 763 million.
- The Bank's MREL requirement represent 18.9 per cent. The MREL requirement was phased in at 0.625 per cent, which is added to the capital requirement. The MREL requirement was 13,8 per cent. The excess coverage is hereafter 5.1 percentage point or DKK 728 million.
- The Bank's LCR was 236.5 per cent, compared with a requirement of 100 per cent.

## Outlook for 2019

As announced in company announcement of 28 June 2019, profit guidance for 2019 was raised as a result of the upcoming sale of 75 per cent of Vestjysk Bank's shares in Sparinvest Holdings SE. Vestjysk Bank expects to generate a profit after tax for 2019 in the upper part of DKK 360-410 million.

The public authority approvals for the sale of Sparinvest Holdings SE are obtained within the end of H1, the transaction will be completed in Q3 of 2019.

# Management's review

## Financial highlights

Key figures	H1 2019	H1 2018	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	FY 2018
<b>Statement of income (DKKm)</b>								
Net interest income	252	266	127	125	143	139	136	548
Net fee income	156	146	81	75	78	73	72	297
Dividends on shares, etc.	23	12	23	0	0	0	12	12
Value adjustments	20	21	0	20	3	11	-5	35
Other operating income	2	13	1	1	0	4	10	17
<b>Core income</b>	<b>453</b>	<b>458</b>	<b>232</b>	<b>221</b>	<b>224</b>	<b>227</b>	<b>225</b>	<b>909</b>
Staff costs and administrative expenses	236	228	116	120	110	132	113	470
Other operating expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5	6	2	3	1	4	2	11
Operating expenses and operating depreciation and amortisation	241	234	118	123	111	136	115	481
<b>Core earnings before impairment</b>	<b>212</b>	<b>224</b>	<b>114</b>	<b>98</b>	<b>113</b>	<b>91</b>	<b>110</b>	<b>428</b>
Impairment of loans and receivables, etc.	37	95	15	22	52	39	54	186
<b>Profit before tax</b>	<b>175</b>	<b>129</b>	<b>99</b>	<b>76</b>	<b>61</b>	<b>52</b>	<b>56</b>	<b>242</b>
Tax	12	10	8	4	-69	5	8	-54
<b>Profit after tax</b>	<b>163</b>	<b>119</b>	<b>91</b>	<b>72</b>	<b>130</b>	<b>47</b>	<b>48</b>	<b>296</b>
<b>Statement of financial position (DKKm)</b>								
Total assets	21,592	21,560	21,592	21,266	21,198	21,535	21,560	21,198
Loans	10,613	11,390	10,613	10,947	10,797	11,144	11,390	10,797
Deposits, including pooled schemes	17,800	18,158	17,800	17,590	17,583	17,980	18,158	17,583
Contingent liabilities	3,606	3,414	3,606	3,326	3,487	3,522	3,414	3,487
Custody services	8,338	8,094	8,338	8,235	7,585	8,230	8,094	7,585
Business volume	32,019	32,962	32,019	31,863	31,867	32,646	32,962	31,867
Business volume including custody services	40,357	41,056	40,357	40,098	39,452	40,876	41,056	39,452
Equity	2,743	2,419	2,743	2,656	2,589	2,461	2,419	2,589

<b>Financial ratios</b>	H1 2019	H1 2018	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	FY 2018
<b>Solvency</b>								
Total capital ratio	18.6%	17.8%	18.6%	18.5%	19.7%	17.8%	17.8%	19.7%
Tier 1 capital ratio	16.3%	15.4%	16.3%	16.2%	17.4%	15.5%	15.4%	17.4%
Common equity tier 1 capital ratio	14.7%	13.8%	14.7%	14.6%	15.7%	13.9%	13.8%	15.7%
<b>Earnings</b>								
Return on equity before tax, p.a.	13.2%	11.0%	14.7%	11.7%	9.6%	8.5%	9.3%	9.9%
Return on equity after tax, p.a.	12.3%	10.2%	13.5%	11.1%	20.5%	7.6%	8.0%	12.1%
Income-cost ratio	1.63	1.39	1.74	1.52	1.38	1.30	1.33	1.36
Cost ratio <sup>1</sup>	53.1%	51.1%	50.6%	55.8%	49.5%	59.7%	51.7%	52.9%
Return on assets	0.8%	0.6%	0.4%	0.3%	0.3%	0.2%	0.2%	1.4%
Average number of employees (FTE)	371.7	400.4	373.1	370.3	362.1	380.4	399.1	385.8
<b>Market risk</b>								
Interest rate risk	0.2%	-0.8%	0.2%	0.3%	-0.5%	-0.7%	-0.8%	-0.5%
Foreign exchange position	0.4%	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	236.5%	243.4%	236.5%	173.5%	195.3%	212.6%	243.4%	195.3%
<b>Credit risk</b>								
Loans plus impairment on loans relative to deposits	73.7%	79.7%	73.7%	76.7%	76.3%	78.1%	79.7%	76.3%
Loans relative to equity	3.9	4.7	3.9	4.1	4.2	4.5	4.7	4.2
Lending growth for the period	-1.7%	-0.4%	-3.0%	1.4%	-3.1%	-2.2%	-0.3%	-5.6%
Sum of large exposures > 10 %	10.1%	14.0%	10.1%	26.7%	14.1%	14.4%	14.0%	14.1%
Sum of 20 largest exposures	124.9%	116.2%	124.9%	143.5%	116.4%	134.9%	116.2%	116.4%
Accumulated impairment ratio	15.1%	17.3%	15.1%	15.3%	15.6%	16.6%	17.3%	15.6%
Impairment ratio	0.2%	0.4%	0.2%	0.0%	0.3%	0.2%	0.2%	1.0%
<b>Vestjysk Bank share</b>								
Earnings per share for the period	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Book value per share <sup>2</sup>	2.8	2.4	2.8	2.7	2.6	2.5	2.4	2.6
Price of Vestjysk Bank shares, end of the period	4.2	2.4	4.2	2.6	2.0	2.1	2.4	2.0
Share price/book value per share	1.5	1.0	1.5	1.0	0.7	0.8	1.0	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.

# Management's review

## Financial review

### Income statement

#### Profit after tax

For H1 2019, the Bank's profit after tax was DKK 163 million, compared with DKK 119 million for H1 2018.

Impairment of loans and receivables, etc. amounted to DKK 37 million in H1 2019. The impairment ratio for H1 2019 was 0.2 per cent, against 0.4 per cent in H1 2018.

#### Core income

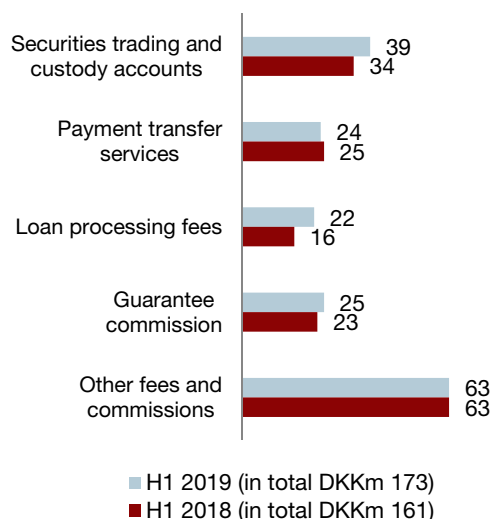
In H1 2019, Vestjysk Bank realised core income of DKK 453 million, down DKK 5 million compared with H1 2018.

Net interest income totalled DKK 252 million in H1 2019, which was DKK 14 million less than in H1 2018. The Bank's interest income decreased by 26 million compared with H1 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 12 million due to lower deposit rates compared with H1 2018.

Positive value adjustments amounted to DKK 20 million in H1 2019, compared with DKK 21 million in H1 2018. In H1 2018, a positive value adjustment of DKK 12 million was recognised concerning an adjustment of the value of Vestjysk Bank's holding of Bankinvest shares.

Net fee income for H1 2019 amounted to DKK 156 million, compared with DKK 146 million in H1 2018. The increase was primarily driven by strong re-mortgaging activity in mortgage lending. The distribution of the Bank's gross fee income is shown in the figure overleaf.

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



Other operating income amounted to DKK 2 million in H1 2019, against DKK 13 million in H1 2018.

### Operating expenses, depreciation and amortisation

Total operating expenses, depreciation and amortisation amounted to DKK 241 million in H1 2019, against DKK 234 million in H1 2018. The increase was mainly due to higher IT costs related to stricter statutory requirements in the banking sector. In recent years, the Bank has particularly invested in anti-money laundering measures, and consequently the trend towards higher IT costs is expected to continue in the remaining part of 2019 and also in the years ahead. The number of FTEs was reduced by 29 from H1 2018 to H1 2019, and staff costs were down DKK 7 million on H1 2018. The cost ratio for H1 2019 was 53.1 which was as expected. Going forward, the Bank expects a cost ratio of around 52-55. The table overleaf illustrates the composition of operating expenses and operating depreciation and amortisation.

### Operating expenses and depreciation and amortisation

DKKm)	H1 2019	H1 2018	FY 2018
Staff costs	140	147	311
IT costs	60	51	105
Other administrative expenses	36	30	55
Operating depreciation and amortisation	4	5	8
Other operating expenses	1	1	2
<b>Alt</b>	<b>241</b>	<b>234</b>	<b>481</b>

### Core earnings before impairment

For H1 2019, the Bank's core earnings before impairment amounted to DKK 212 million, compared with DKK 224 million in H1 2018.

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

Impairment losses, net amounted to DKK 37 million in H1 2019, compared with DKK 95 million in H1 2018. The impairment ratio for H1 2019 was 0.2 per cent, against 0.4 per cent in H1 2018. Accordingly, the Bank's level of impairment is in line with the sector average.

In H1 2019, impairment losses mainly related to the agricultural sector, where the adjustment of hectare prices for cultivated agricultural land in Northwest Jutland is recognised.

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 by a net reversal of impairment losses for the period.

Milk settlement prices were stable in H1 2019. Pork prices fell throughout 2018 to historically low levels, but increased sharply in H1 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 up to 24 months

At 48 per cent, 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 35 per cent of its gross lending and guarantees in 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 the Bank's 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 June 2019 (DKKm)	Loans and guarantees before impairment	Acc. impairment	Loans and guarantees after impairment	Impairment for the period
Dairy farmers	1,558	629	929	26
Pig breeders	1,207	568	639	38
Other agriculture	634	6	628	15
<b>Agriculture, total</b>	<b>3,399</b>	<b>1,203</b>	<b>2,196</b>	<b>79</b>
Real estate	2,125	318	1,807	-19
Other business	5,705	775	4,930	0
<b>Business, total</b>	<b>11,229</b>	<b>2,296</b>	<b>8,933</b>	<b>60</b>
Retail	5,521	235	5,286	-23
<b>Total</b>	<b>16,750</b>	<b>2,531</b>	<b>14,219</b>	<b>37</b>

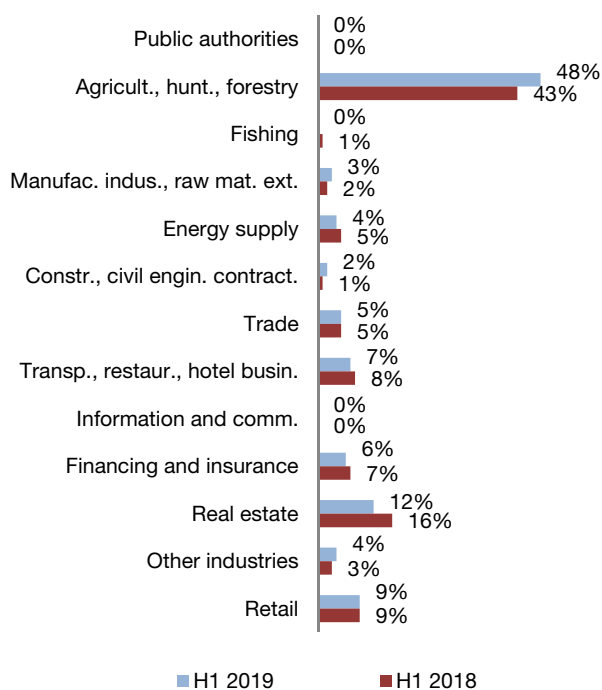
# Management's review

## Financial review

The Bank's accumulated impairment ratio at 30 June 2019 stood at 15.1 per cent, compared with 17.3 per cent at 30 June 2018.

The sector distribution of accumulated impairment and provisions is shown in the figure below.

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



### Statement of financial position

Vestjysk Bank's total assets amounted to DKK 21.6 billion at 30 June 2019, unchanged from total assets recorded at 30 June 2018.

#### Loans

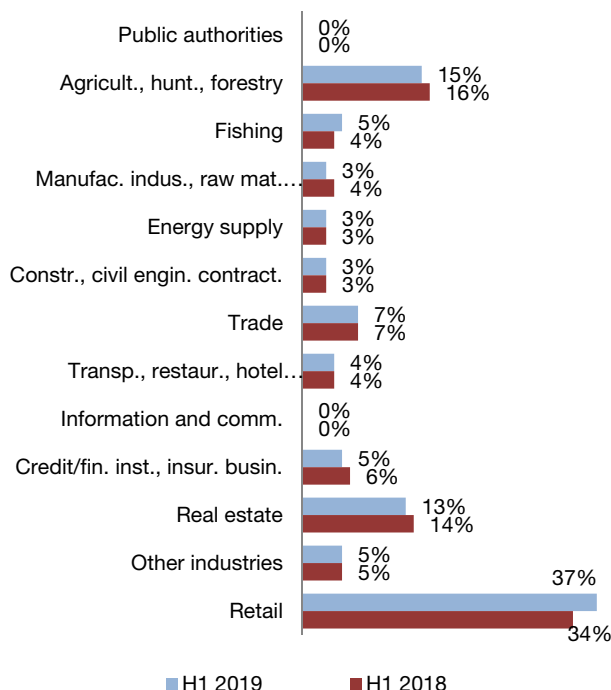
At 30 June 2019, Vestjysk Bank's net lending amounted to DKK 10.6 billion, down DKK 0.2 billion from DKK 10.8 billion at 31 December 2018. In H1 2019, the Bank saw a decline in net lending to weak customers as a result of targeted efforts to improve the credit quality of the Bank's lending portfolio.

At 30 June 2019, Vestjysk Bank's loans to retail customers accounted for 37 per cent of the Bank's net loans and guarantees. The Bank thus fulfils the ambition set out in the business model of strengthening the retail segment.

The Bank's lending to business customers is mainly concentrated within the agricultural and real estate sectors, with loans to the agricultural sector accounting for 15 per cent and loans to the real estate sector accounting for 13 per cent. Accordingly, the Bank's overall exposure to these sectors accounted for 28 per cent of total net loans and guarantees. At 30 June, all sectors thus complied with the Bank's overall target that no individual sector may exceed 15 per cent of the Bank's total net loans and guarantees.

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

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





The credit quality of the Bank's total loans and guarantees improved from 30 June 2018 to 30 June 2019. In H1 2019, 41 per cent of the Bank's customers were of normal financial standing, against 36 per cent 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 June.2019		30 June 2018	
	DKKm	percent	DKKm	percent
Normal credit quality	9,487	41%	8,305	36%
Some signs of weakness	7,290	32%	7,229	32%
Significant signs of weakness without impairment	1,170	5%	1,414	6%
Impaired loans	4,983	22%	5,952	26%
<b>Total loans and guarantees</b>	<b>22,930</b>	<b>100%</b>	<b>22,900</b>	<b>100%</b>

#### Large exposures

The sum of large exposures constituting 10 per cent or more of total capital amounted to 10.1 per cent of total capital at 30 June 2019, consisting of a single exposure. The aim is to have no exposures constituting 10 per cent or more of total capital.

The 20 largest exposures represent 124.9 per cent of the Bank's common equity tier 1 capital, which is in accordance with Vestjysk Bank's aim of being below the FSA's supervisory diamond benchmark of 175 per cent.

#### Business volume including custody services

Vestjysk Bank's business volume – total deposits, loans, guarantees etc. and custody accounts – amounted to DKK 40.4 billion at 30 June 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 assesses that part of the deferred tax asset can expectedly be utilised within the next three years based on cautious earnings guidance, 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 530 million.

## Capital and liquidity

#### Equity

Vestjysk Bank's equity stood at DKK 2,743 million at 30 June 2019, against DKK 2,589 million at 31 December 2018. The changes in equity since 31 December 2018 were positively affected by consolidation of the Bank's profit for H1 2019. The changes in equity since 1 January 2018 are detailed in the statement of changes in equity. It should be noted that the Bank has not recognised the profit for the period in the Bank's capital ratios.

#### Subordinated debt

The Bank's subordinated debt amounted to DKK 373 million at 30 June 2019, of which DKK 318 million was eligible for inclusion in total capital

#### Total capital

Overall, total capital amounted to DKK 2,645 million at 30 June 2019. With the total risk exposure of DKK 14,250 million, this equals a total capital ratio of 18.6 per cent. At 31 December 2018, the Bank's total capital ratio was 19.7 per cent.

#### Capital Requirement

Adequate total capital amounted to DKK 1,456 million at 30 June 2019 which, with the total risk exposure of DKK 14,250 million, equals an individual solvency need of 10.2 per cent. At 30 June 2019, the capital conservation buffer had been phased in at 2.5 percentage points and the countercyclical buffer had been phased in at 0.5 percent, resulting in an aggregate capital requirement of 13.2 per cent, corresponding to DKK 1,883 million.

This meant that Vestjysk Bank had excess cover relative to the individual solvency need of 8.4 per cent or DKK 1,189 million while its excess cover relative to the combined capital requirement was 5.4 per cent or DKK 763 million.

#### MREL requirement

On 19 December 2018, Vestjysk Bank received the Danish FSA's decision on the Bank's MREL add-on, which was fixed at 6 per cent 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 per cent, to be added to the 13.2 per cent capital requirement for a total MREL requirement of 13.8 per cent. The Bank's MREL capital

# Management's review

## Financial review

ratio was 18.9 per cent. The excess cover relative to the MREL capital requirement was 5.1 per cent, or DKK 728 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	H1 2019	FY 2018
Equity	2,656	2,589
- corr. for profit not recognised in total capital	-67	0
Deductions:		
- intangible assets	-0	-1
- prudent valuation	-4	-4
- holdings in financial sector entities	-201	-57
- deferred tax assets	-57	-57
Subordinated debt	318	333
<b>Total capital</b>	<b>2,645</b>	<b>2,803</b>
<b>Total risk exposures</b>	<b>14,250</b>	<b>14,226</b>
Common equity tier 1 capital ratio	14.7%	15.7%
Tier 1 capital ratio	16.3%	17.4%
Total capital ratio	18.6%	19.7%
MREL capital ratio	18.9%	20.0%

The Bank has not recognised the profit for the period in total capital for H1 2019. Total capital was further negatively impacted by contractually committed investments in shares in sector companies. From 31 December 2018 to 30 June 2019, total capital was thus reduced by DKK 158 million.

### Liquidity

Vestjysk Bank's liquidity position remains good. At 30 June 2019, the Bank's Liquidity Coverage Ratio (LCR) stood at 236.5 per cent, relative to the LCR requirement of 100 per cent.

### Share capital

Vestjysk Bank's share capital totalled DKK 896 million at 30 June 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:

Aktieselskabet Arbejdernes Landsbank	25.58%
AP Pension Livsforsikringselskab	21.72%
Nykredit Realkredit A/S	13.97%

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 30 June 2019

Supervisory Diamond Benchmarks	Realised values
Sum of large exposures < 175 pct.	124.5 pct.
Lending growth < 20 pct.	-6.8 pct.
Real estate exposure < 25%	13.3 pct.
Funding ratio < 1	0.51
Liquidity benchmark > 100%	232.3 pct.

### 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 satisfactory performance for H1 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 announced in company announcement of 28 June 2019, profit guidance for 2019 was raised as a result of the upcoming sale of 75 per cent of Vestjysk Bank's shares in Sparinvest Holdings SE. Vestjysk Bank expects to generate a profit after tax for 2019 in the upper part of DKK 360-410 million.

The public authority approvals for the sale of Sparinvest Holdings SE are obtained within the end of H1, the transaction will be completed in Q3 of 2019.

As announced in company announcement of 30 July 2019, Vestjysk Bank will convert tier 2 capital.

Vestjysk Bank A/S has been given permission by the Danish Financial Supervisory Authority to prepay tier 2 capital in the amount of DKK 150 million. The tier 2 capital was issued on 1 September 2014 and falls due not later than ten years after the date of issue, with a possibility of repayment five years after the date of issue. Repayment will take place at par together with interest accrued but not yet paid at the date of repayment with 2 September 2019 as the value date. At the same time, Vestjysk Bank A/S has resolved to explore the possibility of issuing new tier 2 capital in the amount of DKK 125 million with a term to maturity of ten years and the possibility of prepayment after five years. This issue is expected to take place in late August 2019. The issue is being arranged by Nykredit Bank, which also acts as adviser in connection with this issue.

# 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

■ 20 November Quarterly report for H1-Q3

---

#### 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 June 2019 of Vestjysk Bank A/S.

The half-year 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 June 2019, and of the results of the

Bank's activities for the reporting period 1 January – 30 June 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 Half-year Report has not been audited or reviewed.

Lemvig, Denmark, 21 August 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	H1 2019 DKK'000	H1 2018 DKK'000	Q2 2019 DKK'000	Q2 2018 DKK'000	FY 2018 DKK'000
<b>Statement of income</b>					
2 Interest income	274,637	300,345	137,913	151,993	610,538
3 Interest expenses	22,327	34,451	10,599	15,870	62,533
Net interest income	252,310	265,894	127,314	136,123	548,005
Dividends on shares etc.	23,210	11,770	22,977	11,519	11,939
4 Income from fees and commissions	172,637	160,735	89,425	80,038	324,635
Fees and commissions paid	16,879	14,942	8,710	8,088	27,935
Net interest and fee income	431,278	423,457	231,006	219,592	856,644
5 Value adjustments	19,469	21,409	-335	-4,568	34,623
Other operating income	2,147	12,729	1,637	10,360	17,181
6 Staff costs and administrative expenses	235,539	227,858	115,099	113,404	470,128
Depreciation, amortisation and impairment charges on tangible assets	4,292	5,260	2,132	2,659	8,178
Other operating expenses	798	779	404	416	2,021
7 Impairment of loans and receivables, etc.	37,377	94,554	15,632	53,415	185,862
Profit before tax	174,888	129,144	99,041	55,490	242,259
Tax	11,750	9,793	7,855	7,480	-53,895
Profit after tax	163,138	119,351	91,186	48,010	296,154
<b>Statement of comprehensive income</b>					
Profit after tax	163,138	119,351	91,186	48,010	296,154
Other comprehensive income:					
Change in the value of owner-occupied properties	0	0	0	0	3,958
Changes in the value of pension obligations	0	0	0	0	-1,249
Other comprehensive income after tax	0	0	0	0	2,709
Total comprehensive income	163,138	119,351	91,186	48,010	298,863

# Financial statements

## Statement of financial position

Note	31 June 2019 DKK'000	31 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>Assets</b>			
	383,948	391,402	386,781
	771,409	573,840	580,779
8,9	10,613,465	11,389,729	10,797,340
	3,465,768	3,151,557	3,533,714
	588,922	419,037	441,928
	4,980,260	4,949,217	4,681,410
10	230	1,451	466
	300,284	314,107	310,806
11	0	5,425	425
12	300,284	308,682	310,381
	4,629	7,287	5,910
	0	11,673	1,094
	75,000	0	75,000
13	384,505	332,699	367,203
	23,595	18,435	15,781
<b>Assets total</b>	<b>21,592,015</b>	<b>21,560,434</b>	<b>21,198,212</b>

# Financial statements

## Statement of financial position

Note	31 June 2019 DKK'000	31 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>Equity and liabilities</b>			
<b>Debts</b>			
	42,169	27,371	28,956
	12,819,587	13,208,517	12,901,985
	4,980,260	4,949,217	4,681,410
	8,787	0	0
14	524,848	480,059	529,523
	57	18	37
	18,375,708	18,665,182	18,141,911
<b>Provisions</b>			
	15,287	14,852	15,479
	28,721	31,649	32,814
	56,868	57,794	46,604
	100,876	104,295	94,897
15	372,919	372,244	372,581
<b>Equity</b>			
16	895,982	895,982	895,982
	64,404	60,605	64,563
	551,600	551,600	551,600
	1,000,526	680,526	846,678
	2,512,512	2,188,713	2,358,823
	230,000	230,000	230,000
	2,742,512	2,418,713	2,588,823
	21,592,015	21,560,434	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 Asso-	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				153,048	153,048	10,090	163,138
Total comprehensive income	0	0	0	153,048	153,048	10,090	163,138
Interest on additional tier 1 capital						-10,090	-10,090
Tax on interest on additional tier 1 capital				641	641		641
Additions relating to sale of own shares				98,787	98,787		98,787
Disposals relating to purchase of own shares				-98,787	-98,787		-98,787
		-159		159	0		0
<b>Equity, 31 June 2019</b>	895,982	64,404	551,600	1,000,526	2,512,512	230,000	2,742,512
<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				109,262	109,262	10,089	119,351
Total comprehensive income	0	0	0	109,262	109,262	10,089	119,351
Interest on additional tier 1 capital						-10,089	-10,089
Tax on interest on additional tier 1 capital				807	807		807
Additions relating to sale of own shares				14,540	14,540		14,540
Disposals relating to purchase of own shares				-14,540	-14,540		-14,540
<b>Equity, 31 June 2018</b>	895,982	60,605	551,600	680,526	2,188,713	230,000	2,418,713
<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				275,844	275,844	20,310	296,154
Other comprehensive income after tax		3,958		-1,249	2,709		2,709
Total comprehensive income	0	3,958	0	274,595	278,553	20,310	298,863
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>	895,982	64,563	551,600	846,678	2,358,823	230,000	2,588,823

\*)

### 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
- 2 Interest income
- 3 Interest expenses
- 4 Income from fees and commissions
- 5 Value adjustments
- 6 Staff costs and administrative expenses
- 7 Impairment of loans and receivables, etc.
- 8 Impairment of loans and receivables and provisions for losses on guarantees and unused credit commitments
- 9 Receivables for which accrual of interest has been discontinued
- 10 Intangible assets
- 11 Investment property
- 12 Owner-occupied property
- 13 Other assets
- 14 Other liabilities
- 15 Subordinated debt
- 16 Share capital
- 17 Capital
- 18 Contingent assets
- 19 Contingent liabilities and Security pledged
- 20 Hedge accounting
- 21 Fair value of financial assets and liabilities
- 22 Risks and risk management
- 23 Loans and guarantees, by sector (net)
- 24 Loans etc., by rating and IFRS 9 stages
- 25 Maximum credit exposure before impairment and provisions
- 26 Interest rate risk
- 27 Foreign exchange risk
- 28 Share risk
- 29 Liquidity risk
- 30 Other risks
- 31 Pending litigation
- 32 Financial highlights

# Financial statements

Notes

---

Note

---

1 **Accounting policies**

Vestjysk Bank's Quarterly report for 1 January - 31 June 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.

---

# Financial statements

## Notes

Note	H1 2019 DKK'000	H1 2018 DKK'000	FY 2018 DKK'000
<b>2 Interest income</b>			
Receivables from credit institutions and central banks	-743	-725	-1,851
Loans and other receivables	271,348	298,567	603,733
Bonds	4,341	2,679	9,220
Derivative financial instruments	-309	-176	-564
<b>Total</b>	<b>274,637</b>	<b>300,345</b>	<b>610,538</b>
<b>3 Interest expenses</b>			
Credit institutions and central banks	185	196	375
Deposits and other debt	9,117	21,217	35,878
Subordinated debt	13,008	13,018	26,210
Other interest expenses	17	20	70
<b>Total</b>	<b>22,327</b>	<b>34,451</b>	<b>62,533</b>
<b>4 Income from fees and commissions</b>			
Securities trading and custody services	38,664	34,168	74,892
Payment services	24,355	24,492	50,396
Loan processing fees	21,672	16,350	33,189
Guarantee commission	25,385	22,744	47,034
Other fees and commissions	62,561	62,981	119,124
<b>Total</b>	<b>172,637</b>	<b>160,735</b>	<b>324,635</b>
<b>5 Value adjustments</b>			
Bonds	5,776	-9,483	-18,620
Shares, etc.	727	23,077	38,496
Investment property	0	0	-1,000
Foreign currency	6,562	6,255	13,188
Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	6,558	2,164	3,874
Assets related to pooled schemes	371,286	-48,692	-411,232
Deposits with pooled schemes	-371,286	48,692	411,232
Other assets	-154	-604	-1,315
<b>Total</b>	<b>19,469</b>	<b>21,409</b>	<b>34,623</b>

Note	H1 2019 DKK'000	H1 2018 DKK'000	FY 2018 DKK'000
<b>6 Staff costs and administrative expenses</b>			
<b>Staff costs:</b>			
Wages and salaries	108,865	114,405	243,118
Pensions	12,994	14,254	28,322
Payroll tax	17,881	17,769	36,307
Expenses relating to social security contributions etc.	451	1,039	2,758
<b>Total</b>	<b>140,191</b>	<b>147,467</b>	<b>310,505</b>
Average number of employee (FTE)	371.7	400.4	385.8
<b>Other administrative expenses:</b>			
IT expenses	59,868	50,531	104,409
Rent, electricity and heat	5,548	5,636	11,765
Postage, telephone etc.	1,270	1,742	2,909
Other administrative expenses	28,662	22,482	40,540
<b>Total</b>	<b>95,348</b>	<b>80,391</b>	<b>159,623</b>
<b>Total</b>	<b>235,539</b>	<b>227,858</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>	1,021	889	1,916
<b>Executive board</b>			
Fixed remuneration	3,230	3,035	6,167
Pension	161	150	306
<b>Total</b>	<b>3,391</b>	<b>3,185</b>	<b>6,473</b>
Value of benefits executive board	149	135	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.			
<b>7 Impairment of loans and receivables, etc.</b>			
Impairment of loans and other receivables in the statement of income			
Impairment charges for the period	302,674	351,601	491,246
Reversal of impairment charges in prior financial years	-267,020	-280,128	-341,739
Loans with no prior individual impairment/provisions, written off	2,236	5,414	19,953
Recovered on previously written off debts	-6,799	-4,535	-9,209
<b>Total</b>	<b>31,091</b>	<b>72,352</b>	<b>160,251</b>
Provisions for losses on guarantees and unused credit commitments			
Impairments for the period	35,135	65,149	58,486
Reversal of provisions in prior financial years	-28,849	-42,947	-32,875
<b>Total</b>	<b>6,286</b>	<b>22,202</b>	<b>25,611</b>
Impairment of loans and other receivables, end of the reporting period	37,377	94,554	185,862
Interest income on impaired loans is offset against impairment in the amount of	33,950	39,720	61,079

# Financial statements

## Notes

Note	H1 2019 DKK'000	H1 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	4,200	6,248	6,802
Reversed impairments repaid accounts	-29,381	-46,319	-63,100
Change in impairments, beginning of period to/from stage 1	-4,755	-7,332	-7,929
Change in impairments, beginning of period to/from stage 2	24,006	30,256	37,943
Change in impairments, beginning of period to/from stage 3	1,119	9,875	15,399
Impairments due to change in credit risk	9,508	11,657	8,294
Impairment, end of the reporting period	34,635	36,914	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	8,618	2,927	13,935
Reversed impairments repaid accounts	-37,127	-54,099	-82,632
Change in impairments, beginning of period to/from stage 1	4,413	3,980	4,162
Change in impairments, beginning of period to/from stage 2	-28,089	-38,849	-54,964
Change in impairments, beginning of period to/from stage 3	18,390	30,798	52,886
Impairments due to change in credit risk	29,336	40,537	34,350
Impairment, end of the reporting period	87,436	109,452	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	29,001	29,564	57,330
Reversed impairments repaid accounts	-280,873	-320,682	-382,782
Change in impairments, beginning of period to/from stage 1	342	3,352	3,767
Change in impairments, beginning of period to/from stage 2	4,083	8,593	17,021
Change in impairments, beginning of period to/from stage 3	-19,509	-40,673	-68,285
Impairments due to change in credit risk	297,858	401,906	559,115
Impairments lost	-179,062	-272,674	-767,275
Other movements	33,950	39,720	61,079
Impairment, end of the reporting period	2,330,813	2,814,159	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	4,837	2,734	4,554
Reversed impairments	-324	-3,000	-6,360
Impairments lost	-2,870	-311	-65,305
Impairment, end of the reporting period	49,615	114,506	47,972

Note	H1 2019 DKK'000	H1 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	1,230	1,287	2,149
Reversed provisions for losses at repaid accounts	-7,335	-16,015	-15,718
Provision during the period due to change in credit risk	2,012	14,947	18,188
Impairments lost during the period	0	0	-3,235
Provisions, end of the reporting period	28,721	31,649	32,814
Overall accumulated impairment of loans and receivables and provisions for losses on guarantees	2,531,220	3,106,680	2,647,642
Accumulated impairment ratio	15.1%	17.3%	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	1,667	14,771	7,746
Reversed provisions for losses at repaid accounts	-22,500	-27,579	-19,742
Provision during the period due to change in credit risk	31,213	34,791	32,989
Provisions lost during the period	-116	0	-10,200
Provisions at 31 June	56,868	57,794	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	1,014,324	1,344,496	1,050,853
Total impairment charge thereon	846,809	1,216,183	901,157
Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	7.7%	9.3%	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	748	1,497
Depreciation and impairment, end of the reporting period	14,964	14,215	14,964
Recognised holding, end of the reporting period	0	749	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	236	236	472
Depreciation and impairment, end of the reporting period	1,186	714	950
Recognised holding, end of the reporting period	230	702	466
Total	230	1,451	466

# Financial statements

## Notes

Note	31 June 2019 DKK'000	31 June 2018 DKK'000	31 Dec 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	0	-1,000
Fair value at the end of the reporting period	0	5,425	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	2,608	2,673	5,346
Changes in value recognised in the statement of income	0	0	4,633
Revalued amount, end of the period	0	0	2,409
External valuation experts have been involved in measuring the most important owner-occupied and investment properties.			
<b>13 Other assets</b>			
Positive market value of derivative financial instruments	23,902	30,957	16,857
Interest and commission receivable	69,623	63,804	108,953
Investments in BEC	242,278	201,267	201,267
Other assets	48,702	36,671	40,126
Total	384,505	332,699	367,203
<b>14 Other liabilities</b>			
Negative market value of derivative financial instruments	22,464	33,653	22,361
Various creditors	455,482	380,534	462,140
Interest and commission payable	31,588	41,426	13,185
Other liabilities	15,314	24,446	31,837
Total	524,848	480,059	529,523
<b>15 Subordinated debt</b>			
<b>Tier 2 capital</b>	372,919	372,244	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 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 7.158% with no step-up clause. The capital meets the requirements under CRR/CDR IV.			
Total	372,919	372,244	372,581



Note	31 June 2019 DKK'000	31 June 2018 DKK'000	31 Dec 2018 DKK'000
15			
Charged as an expense under interest expenses/subordinated debt:			
Interest expenses	12,671	12,681	25,535
Costs related to incurrence and repayment	337	337	675
Total	13,008	13,018	26,210
Subordinated debt that can be included in the total capital	318,127	347,435	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)	28,948	5,421	8,815
Nominal value DKK'000	28,948	5,421	8,815
Percentage of the share capital	3.2%	0.6%	1.0%
Total purchase price DKK'000	98,787	14,540	21,604
<b>Disposals</b>			
Sold own shares (thousands)	28,948	5,421	8,815
Nominal value DKK'000	28,948	5,421	8,815
Percentage of the share capital	3.2%	0.6%	1.0%
Total selling price DKK'000	98,787	14,540	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.			

# Financial statements

## Notes

Note	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>17 Capital</b>			
Shareholders' Equity	2,512,512	2,188,713	2,358,823
Profit not recognised in total capital	-153,048	-109,262	-
Intangible assets	-230	-1,451	-466
Prudent valuation	-3,558	-3,238	-3,599
Holdings in financial sector entities	-201,477	-70,797	-57,159
Deferred tax assets	-57,201	0	-57,201
Common equity tier 1 capital	2,096,998	2,003,965	2,240,398
Additional tier 1 capital	230,000	230,000	230,000
Tier 1 capital	2,326,998	2,233,965	2,470,398
Tier 2 capital	318,127	347,435	332,658
Total capital	2,645,125	2,581,400	2,803,056
Total risk exposure	14,249,987	14,489,400	14,226,170
Common equity tier 1 capital ratio	14.7%	13.8%	15.7%
Tier 1 capital ratio	16.3%	15.4%	17.4%
Total capital ratio	18.6%	17.8%	19.7%
<b>MREL- capital</b>			
Total capital	2,645,125	-	2,803,056
MREL-capital	54,792	-	39,923
MREL- total capital	2,699,917	-	2,842,979
MREL-capital ratio	18.9%	-	20.0%
<b>18 Contingent assets</b>			
Deffered tax asset at a tax rate of 22% 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.	529,653	615,634	546,264

Note	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>19 Contingent liabilities</b>			
<b>Guarantees</b>			
Financial guarantees	556,114	514,428	515,516
Loss guarantees on mortgage loans	2,115,320	2,007,234	2,036,019
Other contingent liabilities	934,255	892,803	935,096
<b>Total</b>	<b>3,605,689</b>	<b>3,414,465</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	135,070	30,870	14,289
Other liabilities	17,875	41,363	39,573
<b>Total</b>	<b>152,945</b>	<b>72,233</b>	<b>53,862</b>
<b>Security pledged</b>			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	19,854	21,084	19,140
Deposited in the Danish Growth Fund	455	455	455
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	1,123,497	847,920	914,662
Total market value	1,132,278	852,190	917,178
<b>20 Hedge accounting</b>			
<b>To manage interest rate risk, the following are hedged (fair value hedge):</b>			
Bonds	151,325	153,450	152,295
Hedged with interest rate swaps, maturity 2020:			
Notional principal	150,000	150,000	150,000
Fair value	-674	-1,690	-1,121
Loans at amortised cost	66,135	84,597	75,764
Hedged with interest rate swaps, maturity 2019-2022:			
Notional principal	63,523	80,605	72,562
Fair value	-2,612	-3,992	-3,202
Total fair value adjustment of hedging instruments	1,037	1,088	2,448
Total fair value adjustment of the hedged items	-1,561	2,542	-3,512
Ineffectiveness recognised in the statement of income	-524	-1,454	-1,064

# Financial statements

## Notes

---

Note

---

21 **Fair value of financial assets and liabilities**

Financial assets and liabilities are measured in the statement of financial position at their fair value or at amortised cost.

Fair value is the amount for which a financial asset can be traded or a financial liability settled between parties in an arm's-length transaction.

For financial instruments measured at fair value, the basis for determining fair value is:

Level 1: Listed prices in an active market for identical assets or liabilities.

Level 2: Valuation model based primarily on observable market data.

Level 3: Valuation model that, to a significant degree, is based on non-observable market data.

Shares, bonds, assets in pooled schemes and derivative financial instruments have been measured at their fair value in the financial statements so that the recognised values correspond to fair values.

For listed shares and bonds, the fair value is determined as the officially listed price at the reporting date. For unlisted shares in the form of shares in sector-held enterprises where the shares are redistributed, the fair value is determined as the redistribution price and the shares are included in level 2 (observable). For other unlisted shares in sector-held enterprises, with no observable market data, the valuation involves estimates, based on financial reports from the enterprise, previous trading of shares in the enterprise and input from a qualified external party. A change of 10 percent in the market value of sector-held enterprises in level 3 will result in an income and equity impact before tax of DKK 9.9 million.

For other financial instruments, the fair value is computed - to the greatest extent possible - based on generally accepted valuation methods based on observable market data. The valuation is based on non-observable market data only in exceptional cases.

Impairment of loans and advances is assessed to correspond to changes in credit quality. The difference relative to fair values is computed as received fees and commissions, interest receivable, not falling due until after the end of the financial reporting period, and, for fixed-rate loans, interest rate-dependent value adjustments.

The fair value of receivables from credit institutions and central banks is determined by applying the same method as for loans, although the bank has not made impairments of receivables from credit institutions and central banks.

Subordinated debt is measured at amortised cost. The difference between the carrying amount and the fair value is assessed to be interest payable not falling due until after the end of the financial reporting period and for fixed-rate debt securities in issue, also interest rate-dependent value adjustments for fixed-rate subordinated debt.

For floating-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the difference relative to fair values is estimated to be interest payable not falling due until after the end of the financial reporting period.

For fixed-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the difference relative to fair values is estimated to be interest payable not falling due until after the end of the financial reporting period and the interest rate-dependent value adjustments.

---

Note

21 Fair value of financial assets and liabilities (continued)					
30 June 2019 (DKK'000)	Carrying amount	Fair value	Listed prices level 1	Observable prices level 2	Non-observable prices level 3
<b>Financial assets</b>					
Cash on hand and demand deposits with central banks	383,948	383,948	60,391	323,557	0
Receivables from credit institutions and central banks	771,409	771,409	0	771,409	0
Loans at amortised cost	10,613,465	10,685,860	0	0	10,685,860
Bonds at fair value	3,465,768	3,465,768	3,437,636	28,132	0
Shares, etc.	588,922	588,922	45,947	435,522	107,453
Assets related to pooled schemes	4,980,260	4,980,260	4,980,260	0	0
Derivative financial instruments	23,902	23,902	0	23,902	0
<b>Total</b>	<b>20,827,674</b>	<b>20,900,069</b>	<b>8,524,234</b>	<b>1,582,522</b>	<b>10,793,313</b>
<b>Financial liabilities</b>					
Debts to credit institutions and central banks	42,169	42,169	0	42,169	0
Deposits	12,819,587	12,824,091	0	0	12,824,091
Deposits in pooled schemes	4,980,260	4,980,260	0	0	4,980,260
Subordinated debt	372,919	388,607	0	0	388,607
Derivative financial instruments	22,464	22,464	0	22,464	0
<b>Total</b>	<b>18,237,399</b>	<b>18,257,591</b>	<b>0</b>	<b>64,633</b>	<b>18,192,958</b>
<b>Shares measured at fair value based on non-observable inputs (level 3)</b>					
Carrying amount, beginning of the period					104,422
Additions					0
Disposals					0
Value adjustment					3,031
<b>Value, end of the period</b>					<b>107,453</b>
Period's value adjustments relating to financial assets in the portfolio, total					3,060

# Financial statements

## Notes

Note					
21	<b>Fair value of financial assets and liabilities (continued)</b>				
30 June 2018 (DKK'000)	Carrying amount	Fair value	Listed prices level 1	Observable prices level 2	Non-observable prices level 3
<b>Financial assets</b>					
Cash on hand and demand deposits with central banks	391,402	391,402	66,245	325,157	0
Receivables from credit institutions and central banks	573,840	573,894	0	573,894	0
Loans at amortised cost	11,389,729	11,465,845	0	0	11,465,845
Bonds at fair value	3,151,557	3,151,557	3,096,369	55,188	0
Shares, etc.	419,037	419,037	20,059	298,430	100,548
Assets related to pooled schemes	4,949,217	4,949,217	4,949,217	0	0
Derivative financial instruments	30,957	30,957	0	30,957	0
<b>Total</b>	<b>20,905,739</b>	<b>20,981,909</b>	<b>8,131,890</b>	<b>1,283,626</b>	<b>11,566,393</b>
<b>Financial liabilities</b>					
Debts to credit institutions and central banks	27,371	27,371	0	27,371	0
Deposits	13,208,517	13,225,896	0	0	13,225,896
Deposits in pooled schemes	4,949,217	4,949,217	0	0	4,949,217
Subordinated debt	372,244	388,653	0	0	388,653
Derivative financial instruments	33,653	33,653	0	33,653	0
<b>Total</b>	<b>18,591,002</b>	<b>18,624,790</b>	<b>0</b>	<b>61,024</b>	<b>18,563,766</b>
<b>Shares measured at fair value based on non-observable inputs (level 3)</b>					
Carrying amount, beginning of the period					98,801
Additions					0
Disposals					0
Value adjustment					1,747
<b>Value, end of the period</b>					<b>100,548</b>
Period's value adjustments relating to financial assets in the portfolio, total					1,858

Note

21	<b>Fair value of financial assets and liabilities (continued)</b>				
<b>31 Dec 2018 (DKK'000)</b>	Carrying amount	Fair value	Listed prices level 1	Observable prices level 2	Non-observable prices level 3
<b>Financial assets</b>					
Cash on hand and demand deposits with central banks	386,781	386,781	0	386,781	0
Receivables from credit institutions and central banks	580,779	580,779	0	580,779	0
Loans at amortised cost	10,797,340	10,868,552	0	0	10,868,552
Bonds at fair value	3,533,714	3,533,714	3,504,878	28,836	0
Shares, etc.	441,928	441,928	23,379	314,127	104,422
Assets related to pooled schemes	4,681,410	4,681,410	4,681,410	0	0
Derivative financial instruments	16,857	16,857	0	16,857	0
<b>Total</b>	<b>20,438,809</b>	<b>20,510,021</b>	<b>8,209,667</b>	<b>1,327,380</b>	<b>10,972,974</b>
<b>Financial liabilities</b>					
Debts to credit institutions and central banks	28,956	28,956	0	28,956	0
Deposits	12,901,985	12,902,861	0	0	12,902,861
Deposits in pooled schemes	4,681,410	4,681,410	0	0	4,681,410
Subordinated debt	372,581	386,354	0	0	386,354
Derivative financial instruments	22,361	22,361	0	22,361	0
<b>Total</b>	<b>18,007,293</b>	<b>18,021,942</b>	<b>0</b>	<b>51,317</b>	<b>17,970,625</b>
<b>Shares measured at fair value based on non-observable inputs (level 3)</b>					
Carrying amount, beginning of the period					98,801
Additions					0
Disposals					0
Value adjustment					5,621
<b>Value, end of the period</b>					<b>104,422</b>
Period's value adjustments relating to financial assets in the portfolio, total					5,732

# Financial statements

## Notes

Note

### 22 Risk and risk management

Vestjysk Bank is exposed to various types of risk. These risks as well as the Bank's policies and goals for managing such risks are described in Annual report for 2018.

### 23 Loans and guarantees, by sector (net)

	30 June 2019 DKK'000	30 June 2019 pct.	30 June 2018 DKK'000	30 June 2018 pct.	31 December 2018 DKK'000	31 December 2018 pct.
Public authorities	0	0%	0	0%	0	0%
Business:						
Agriculture, hunting, forestry and fishery	2,886,655	20%	3,022,109	20%	2,840,380	20%
Manufacturing industry and raw material extraction	484,638	3%	523,221	4%	549,279	4%
Energy supply	381,028	3%	510,728	3%	421,767	3%
Construction and civil engineering contractors	480,819	3%	460,434	3%	447,956	3%
Trade	971,794	7%	1,028,818	7%	1,004,636	7%
Transportation, hotels and restaurant businesses	492,532	4%	574,780	4%	550,259	4%
Information and communication	47,853	0%	58,415	0%	51,171	0%
Credit and financing institutes and insurance businesses	645,467	5%	836,066	6%	792,946	6%
Real estate	1,807,178	13%	2,026,940	14%	1,773,221	12%
Other businesses	734,577	5%	725,986	5%	732,972	5%
Business, total	8,932,541	63%	9,767,497	66%	9,164,587	64%
Retail	5,286,614	37%	5,036,697	34%	5,119,384	36%
Total	14,219,155	100%	14,804,194	100%	14,283,971	100%



Note

24 Loans by rating, sectors and IFRS9- stages

Loans at amortised cost, unused credit commitments and financial guarantees, by rating and IFRS 9 Stages

	30 June 2019 (DKK'000)				
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Normal credit quality	9,416,140	63,607	6,958	0	9,486,705
Some signs of weakness	5,263,955	1,894,025	131,668	0	7,289,648
Significant signs of weakness	182,002	923,877	63,723	0	1,169,602
Impaired loans	104,692	416,687	4,347,906	114,312	4,983,597
Total	14,966,789	3,298,196	4,550,255	114,312	22,929,552

	30 June 2018 (DKK'000)				
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Normal credit quality	8,200,794	77,862	26,467	0	8,305,123
Some signs of weakness	5,420,975	1,527,860	280,489	0	7,229,324
Significant signs of weakness	277,318	1,073,727	63,075	0	1,414,120
Impaired loans	223,781	410,433	5,135,023	182,494	5,951,731
Total	14,122,868	3,089,882	5,505,054	182,494	22,900,298

	31 December 2018 (DKK'000)				
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Normal credit quality	8,631,706	80,988	4,391	0	8,717,085
Some signs of weakness	5,265,888	1,498,259	326,611	0	7,090,758
Significant signs of weakness	284,533	848,741	26,302	0	1,159,576
Impaired loans	67,321	464,778	4,584,614	115,941	5,232,654
Total	14,249,448	2,892,766	4,941,918	115,941	22,200,073

# Financial statements

## Notes

Note					
24 Loans at amortised cost, unused credit commitments and financial guarantees, by sector and IFRS 9 stage					
	30 June 2019 (DKK'000)				
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	1,877,602	1,212,699	1,970,236	63,066	5,123,603
Manufacturing industry and raw material extraction	536,719	128,042	137,836	5,507	808,104
Energy supply	508,440	21,446	200,086	0	729,972
Construction and civil engineering contractors	620,517	173,993	57,942	8,530	860,982
Trade	1,072,972	306,632	198,648	254	1,578,506
Transportation, hotels and restaurant businesses	357,006	157,559	272,296	0	786,861
Information and communication	70,749	15,154	6,479	0	92,382
Credit and financing institutes and insurance businesses	545,147	54,685	287,852	36	887,720
Real estate	1,458,819	385,226	918,097	24,103	2,786,245
Other businesses	746,263	238,320	145,070	9,560	1,139,213
<b>Business, total</b>	<b>7,794,234</b>	<b>2,693,756</b>	<b>4,194,542</b>	<b>111,056</b>	<b>14,793,588</b>
Retail	7,172,555	604,440	355,713	3,256	8,135,964
<b>Total</b>	<b>14,966,789</b>	<b>3,298,196</b>	<b>4,550,255</b>	<b>114,312</b>	<b>22,929,552</b>
30 June 2018 (DKK'000)					
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	1,838,271	910,895	2,265,158	61,017	5,075,341
Manufacturing industry and raw material extraction	487,750	203,459	132,044	5,507	828,760
Energy supply	423,085	45,660	288,009	0	756,754
Construction and civil engineering contractors	539,469	94,339	56,932	9,030	699,770
Trade	1,132,731	271,757	278,530	261	1,683,279
Transportation, hotels and restaurant businesses	420,882	134,241	402,681	0	957,804
Information and communication	84,608	26,044	4,436	0	115,088
Credit and financing institutes and insurance businesses	564,132	118,065	428,530	35	1,110,762
Real estate	1,438,852	374,095	1,099,188	90,759	3,002,894
Other businesses	765,443	236,992	144,473	9,559	1,156,467
<b>Business, total</b>	<b>7,695,223</b>	<b>2,415,547</b>	<b>5,099,981</b>	<b>176,168</b>	<b>15,386,919</b>
Retail	6,427,645	674,335	405,073	6,326	7,513,379
<b>Total</b>	<b>14,122,868</b>	<b>3,089,882</b>	<b>5,505,054</b>	<b>182,494</b>	<b>22,900,298</b>

Note

24 **Loans at amortised cost, unused credit commitments and financial guarantees, by sector and IFRS 9 stage**

<b>31 December 2018 (DKK'000).</b>					
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recog- nition	Total
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	1,968,130	797,079	2,002,444	60,483	4,828,136
Manufacturing industry and raw material extraction	505,333	123,973	142,847	5,507	777,660
Energy supply	402,950	25,934	215,215	0	644,099
Construction and civil engineering contractors	655,626	125,205	55,659	9,030	845,520
Trade	1,119,524	329,090	216,233	257	1,665,104
Transportation, hotels and restaurant businesses	435,234	143,788	299,391	0	878,413
Information and communication	69,592	17,342	5,271	0	92,205
Credit and financing institutes and insurance businesses	596,531	52,627	414,847	36	1,064,041
Real estate	1,248,866	458,108	1,070,904	24,782	2,802,660
Other businesses	734,840	250,624	148,031	9,559	1,143,054
<b>Business, total</b>	<b>7,736,626</b>	<b>2,323,770</b>	<b>4,570,842</b>	<b>109,654</b>	<b>14,740,892</b>
Retail	6,512,822	568,996	371,076	6,287	7,459,181
<b>Total</b>	<b>14,249,448</b>	<b>2,892,766</b>	<b>4,941,918</b>	<b>115,941</b>	<b>22,200,073</b>

# Financial statements

## Notes

Note	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>25 Maximum credit exposure before impairment and provisions</b>			
Loans measured at amortised cost	13,115,964	14,464,760	13,412,168
Unused credit commitments	7,117,235	5,888,760	6,209,899
Guarantees	3,634,410	3,446,114	3,519,444
Loans, guarantees etc..	23,867,609	23,799,634	23,141,511
Receivables from credit institutions and central banks	1,094,966	898,997	908,404
Bonds at fair value	3,465,768	3,151,557	3,533,714
Positive market value of derivative financial instruments	23,902	30,957	16,857
<b>Total</b>	<b>28,452,245</b>	<b>27,881,145</b>	<b>27,600,486</b>
<b>Maximum credit exposure after impairment and provisions</b>			
Loans measured at amortised cost	10,613,465	11,389,729	10,797,340
Unused credit commitments	7,060,367	5,830,966	6,163,295
Guarantees	3,605,690	3,414,465	3,486,631
Loans, guarantees etc..	21,279,522	20,635,160	20,447,266
Receivables from credit institutions and central banks	1,094,966	898,997	908,404
Bonds at fair value	3,465,768	3,151,557	3,533,714
Positive market value of derivative financial instruments	23,902	30,957	16,857
<b>Total</b>	<b>25,864,158</b>	<b>24,716,671</b>	<b>24,906,241</b>
<b>Collateral for loans, credit commitments and guarantees</b>			
Bank accounts	98,370	97,018	87,189
Securities	980,916	952,509	907,251
Mortgages on properties and wind turbines	9,088,120	8,514,225	9,109,249
Right of subrogation for mortgages secured in real property	2,071,525	2,038,953	2,067,859
Charges held in movable property, motor vehicles, operating equipment, ships etc.	2,467,787	2,278,088	2,465,397
Other	331,051	519,423	298,820
<b>Total</b>	<b>15,037,769</b>	<b>14,400,216</b>	<b>14,935,765</b>
<b>Of this amount collateral for loans, credit commitments and guarantees (stage 3)</b>	<b>2,219,366</b>	<b>2,608,592</b>	<b>2,563,889</b>

The Bank holds a charge on the financed asset for most of its business exposures, which is the reason the most common types of collateral are mortgages secured in real property, ships, wind turbines, motor vehicles, movable property, securities as well as floating charges. Owner's sureties and personal insurance also constitute a large share of the collateral held by the Bank.

For the majority of retail customer exposures, it is also the case that the Bank holds a charge in the financed asset – which is the reason the most common types of collateral are mortgages secured in real property and in motor vehicles.

The Bank continuously performs assessments of pledged collateral. Valuations are performed based on the fair value of the asset, less the margin for covering costs related to realisation, selling period costs as well as rebates.

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

Note

**26 Interest rate risk**

Interest rate risk is the risk of losses incurred in the event of change in the general interest rate level. Vestjysk Banks interest rate risk is related to activities involving normal banking business such as deposits, loans, trading and position-taking in interest-related products.

The interest rate risk is divided into risks inside and outside the Bank's trading book, see below. All else being equal, the direct impact on the income statement from a change in the general interest level will only be related to the interest rate risk inside the trading book. An increase in the interest rate of 1 percentage point would result in an loss before tax of DKK 16.2 million at 30 June 2018.

Outside the trading book a change in the general interest rate level will have an impact on the future earnings and equity, as a change in interest rates will impact the alternative funding and investment options.

Interest rate risk is calculated applying the Financial Supervisory Authority's guidelines.

	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
Interest rate risk inside the Bank's trading book:			
Securities	16,389	9,208	4,135
Futures/forward contracts/forward rate agreements	-199	-342	-44
Swaps	10	-1,533	-744
<b>Total</b>	<b>16,200</b>	<b>7,333</b>	<b>3,347</b>
Interest rate risk outside the Bank's trading book:			
Loans	2,924	3,199	3,033
Deposits	-2,336	-10,938	-5,338
Subordinated debt	-7,269	-9,443	-8,033
Equity	-5,152	-7,380	-5,978
<b>Total</b>	<b>-11,833</b>	<b>-24,562</b>	<b>-16,316</b>
<b>Total interest rate risk</b>	<b>4,367</b>	<b>-17,229</b>	<b>-12,969</b>
Measured in relation to the tier 1 capital, the interest rate risk corresponds to	0.2%	-0.8%	-0.5%
Interest rate risk, by modified duration			
Up to 1 year	-605	2,398	441
1 year to 2 years	1,456	-5,345	-2,574
2 year to 3.6 years	-1,269	-16,493	-12,997
More than 3.6 years	4,785	2,211	2,161
<b>Total</b>	<b>4,367</b>	<b>-17,229</b>	<b>-12,969</b>

**27 Foreign exchange risk**

Foreign exchange risk is the risk of losses on foreign exchange positions because of changes in foreign exchange rates.

Foreign exchange Indicator 1 expresses a simplified measure of the scope of the institution's positions in foreign currency and is calculated - according to the guidelines of the Danish Financial Supervisory Authority - as the greater of the sum of the foreign currency positions in which the Bank has net payables (short foreign exchange positions) and the sum of all the currencies in which the Bank has a net receivable (long foreign exchange positions).

# Financial statements

## Notes

Note	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>27 Foreign exchange risk (continued)</b>			
Assets in foreign currency, total	560,170	779,042	679,645
Liabilities in foreign currency, total	107,254	114,380	128,091
Foreign exchange indicator 1	8,404	8,447	8,487
Foreign exchange indicator 1 in percent of tier 1 capital	0.4%	0.4%	0.3%
The foreign exchange position consists primarily of positions in CZK, EUR, GBP, NOK, SEK, THB, TRY and USD. A change unfavourable to the Bank of 2% in EUR and of 10% in other foreign currencies will result in a profit/loss and equity impact before tax of	-841	-857	-851
<b>28 Share risk</b>			
The Bank's share risk is derived from shares and derivatives in the Bank's investment and trading books.			
	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>Shares, etc.</b>			
Shares/unit trust certificates listed on NASDAQ OMX Copenhagen A/S	30,605	10,746	11,593
Shares/unit trust certificates listed on other exchanges	13,744	9,313	12,215
Unlisted shares recognised at fair value	544,573	398,978	418,120
<b>Total</b>	<b>588,922</b>	<b>419,037</b>	<b>441,928</b>
Of which, sector shares	541,659	394,840	414,391
<b>Sensitivity</b>			
An increase in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	58,892	41,904	44,193
of which sector shares	54,166	39,484	41,439
of which other shares	4,726	2,420	2,754
A decrease in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	-58,892	-41,904	-44,193
of which sector shares	-54,166	-39,484	-41,439
of which other shares	-4,726	-2,420	-2,754
<b>29 Liquidity risk</b>			
The Bank's liquidity buffer is determined on the basis of the Bank's objective of maintaining an LCR of 100% month by month under a chosen 12-month stress scenario. The stress scenario is based on a standard LCR-based stress situation for the first 30 days and a specific Vestjysk Bank stress scenario for the remaining 11 months.			
The liquidity buffer consists of liquid government and mortgage bonds categorised as level 1a, level 1b or level 2a assets and deposits in the Danish central bank.			
At 31 December 2016, the liquidity requirement of section 152 of the Danish Financial Business Act was phased out. Until 30 June 2018, the Supervisory Diamond's liquidity benchmark was based on the section 152 liquidity requirement of 50 per cent excess cover. The EU has ordered Vestjysk Bank to comply with the liquidity benchmark based on the section 152 liquidity requirement throughout 2018. Accordingly, this measure will continue to be disclosed in the table below.			

Note	30 June 2019 DKK'000	30 June 2018 DKK'000	31 Dec 2018 DKK'000
<b>29 Liquidity risk (continued)</b>			
<b>Liquidity buffer</b>			
LCR values	4,236,973	3,782,719	4,059,452
LCR values after adjustment on level 1a assets	4,236,973	3,782,719	3,526,043
Net outflow	1,791,753	1,553,834	1,805,409
Liquidity Coverage Ratio - LCR	236.5%	243.4%	195.3%
<b>30 Other risks</b>			
<b>Operational risks</b>			
General responsibility for operational risks resides with the Bank's Risk Management.			
Vestjysk Bank considers its reliance on key employees to be a focus area. There are ongoing efforts to minimise the Bank's reliance on key employees, among other things in the form of written business procedures, centralisation of tasks, and the outsourcing of areas that are not significant to the Bank's competitiveness.			
Vestjysk Bank is continuously working on policies and contingency plans for physical catastrophes and IT-related disaster recovery. The Bank is a member of Bankernes EDB Central (BEC), which handles the day-to-day operations of its IT systems. The Bank follows the directions and recommendations issued by BEC and does not perform any independent IT system development.			
The Bank's contingency plans for the IT area cover service interruptions at headquarters and parts of the branch network. In the event of interruptions in one or more branch, operations can still take place from the other branch—and in the event of prolonged interruptions at headquarters, vital functions can be carried out from a department. The Bank's contingency plan is reviewed by the Board of Directors at least once a year.			
The operational risk is minimised by ensuring, among other things, that the execution of activities is organisationally separated from the control of such activities.			
<b>Total capital risk</b>			
Total capital is monitored on an ongoing basis and monthly reporting to the Board of Directors takes place according to established guidelines.			
<b>Compliance</b>			
Vestjysk Bank has a compliance function, whose area of responsibility is to monitor compliance with financial legislation. Instructions and an annual plan for this area, approved by the Executive Board, have been drawn up.			
<b>31 Pending litigation</b>			
Vestjysk Bank is a party to various lawsuits. The proceedings are evaluated on an ongoing basis, and required 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	30 June 2019	30 June 2018	31 Dec 2018
32	<b>Financial highlights (continued)</b>		
	<b>Financial ratios</b>		
	<b>Solvency</b>		
Total capital ratio	18.6%	17.8%	19.7%
Tier 1 capital ratio	16.3%	15.4%	17.4%
Common equity tier 1 capital ratio	14.7%	13.8%	15.7%
	<b>Earnings</b>		
Return on equity before tax, annually	13.2%	11.0%	9.9%
Return on equity after tax, annually	12.3%	10.2%	12.1%
Income/cost ratio	1.63	1.39	1.36
Cost ratio <sup>1</sup>	53.1%	51.1%	52.9%
Return on assets	0.8%	0.6%	1.4%
Employees converted to full-time (average)	371.7	400.4	385.8
	<b>Market risk</b>		
Interest rate risk	0.2%	-0.8%	-0.5%
Foreign exchange position	0.4%	0.4%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%
LCR	236.5%	243.4%	195.3%
	<b>Credit risk</b>		
Loans plus impairment of loans relative to deposits	73.7%	79.7%	76.3%
Loans relative to equity	3.9	4.7	4.2
Growth in loans for the period	-1.7%	-0.4%	-5.6%
Sum of large exposures > 10 %	10.1%	14.0%	14.1%
Sum of the 20 biggest exposures	124.9%	116.2%	116.4%
Accumulated impairment ratio	15.1%	17.3%	15.6%
Impairment ratio for the period	0.2%	0.4%	1.0%
	<b>Vestjysk Bank share</b>		
Earnings per share for the period	0.2	0.1	0.3
Book value per share <sup>2</sup>	2.8	2.4	2.6
Price of Vestjysk Bank shares, end of the period	4.2	2.4	2.0
Share price/book value per share	1.5	1.0	0.7

1 Operating expenses and operating depreciation and amortization/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.

# Financial statements

## Notes

