Risk report 2019

Introduction

The present Risk Report was prepared in accordance with the Capital Requirements Regulation (CRR) and the provisions set out in Danish Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need and covers the disclosure requirements (Pillar III), with which banks are required to comply with respect to the publication of risk disclosures. Reporting in accordance with the disclosure requirements take place annually in connection with the presentation of the annual financial statements, while the individual capital need is published quarterly. Unless otherwise indicated, the disclosures provided in this Risk Report pertain to 2019. The disclosures have not been audited by internal or external auditors.

The report is posted at Vestjysk Bank's website. The Bank also provides disclosures related to Bank's risks and risk management in the Annual Report. The numbering of disclosures in the risk Report follows the chronology of articles 435–455 of the CRR.

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2. Risk management objectives and policy

Vestjysk Bank defines risk as any event that can exert a significant negative influence on the possibility of achieving the Bank's business goals. The Bank is exposed to various types of risk. These are controlled and monitored at different levels in the organization. The Bank's risk exposure is a central consideration in all the transactions that the bank enters.

Vestjysk Bank's Board of Directors determines the overall framework and policies for risk and capital structure, according to which the Bank's Executive Board and other management manage the bank's risks. The Board of Directors receives regular reports on the development of risks and utilization of the allocated risk limits. The daily risk management is performed by Treasury, Finance, Markets and Credit. Middle office carries out independent control and independent monitoring is performing in Risk Management and Compliance.

Vestjysk Bank's objectives and risk policies are described in more detail in Vestjysk Banks management's review under Risk management in the Annual Report 2019.

Management statements

At today's date, Vestjysk Bank's Board of Directors and the Executive Board approved the 2019 Risk Report.

It is the Board of Directors' assessment that Vestjysk Bank's risk management is adequate and provides assurance that the established risk management systems are sufficient in the context of Vestjysk Bank's profile and strategy. Moreover, it is the Board of Directors' assessment that the present description set out below of Vestjysk Bank's general risk profile in relation to Vestjysk Bank's business model and key figures provides a relevant and adequate view of Vestjysk Bank's risk management.

The Board's assessment was made based on the business model adopted by the Board, the materials and reports presented to the Board by Vestjysk Bank's Executive Board, its internal auditors, the Risk Officer and the Compliance Officer.

An examination of the Bank's business model and policies shows that the business model's general requirements for the individual risk areas are fully and adequately implemented through the individual policies' detailed limits. A review of the Board of Directors' guidelines to the Executive Board and designated powers also shows that the established limits in the individual policies are fully and adequately implemented through the underlying guidelines to the Executive Board and designated powers and that the actual risks are within the limits established in the individual policies and in designated powers. Based on that, it is the Board of Directors' assessment that there is correlation between the business model, policies, guidelines and the actual risks in the various areas.

Vestjysk Bank's business model is based on its vision and core values of being an economic partner, which advises retail and business customers locally and regionally.

Vestjysk Bank seeks solid core earnings through continuous efficiency measures and focuses, through its credit management, on ensuring quality in its lending portfolio measured in terms of both credit quality and profitability. Vestjysk Bank seeks to maintain robust liquidity through controlled development of its deposits and lending. Vestjysk Bank aims to be an attractive partner in relation to both retail and business customers.

Vestjysk Bank's objective is to meet applicable capital requirements, excluding the countercyclical buffer, with an excess coverage of at least 6 percentage points.

The Board of Directors has established limits in its various policies that reflect its maximum risk tolerance. Moreover, the Board of Directors adheres to the restrictions imposed by the Supervisory Diamond, as set out in the table below, which lists the

Supervisory Diamond's maximum allowed threshold values, and Vestjysk Bank's current figures for the various threshold values.

Realised values at 31 December 2019

Supervisory Diamond indicators	Realised Values
Sum of the 20 largest exposures (< 175%)	102.7%
Lending growth (< 20%)	-5.3%
Property exposure (< 25%)	13.5%
Funding ratio (< 1)	0.47
Liquidity requirement (> 100%)	269.1%

The development in Vestjysk Bank's overall liquidity figures can be seen in the table below, which describes the quarterly developments in Vestjysk Bank's liquidity buffer, outgoing net cash flows and the LCR figures calculated therefrom.

Vestjysk Bank's liquidity surplus in quarter average for each quarter in 2019 is summarized:

Quarterly average for 2019	LCR values in DKK million	Net outflow in DKK million	LCR in pct.
1. quarter 2019	3,879	1,812	214%
2. quarter 2019	4,228	1,789	236%
3. quarter 2019	4,352	1,850	234%
4. quarter 2019	4,642	1,818	256%

Lemvig, 20 February 2020

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

Management systems

In addition to their membership of Vestjysk Bank's Board of Directors, the nine board members hold a number of other directorships. These are specified in Vestjysk Banks management's review under board of directors and executive board in the 2019 Annual Report.

The Bank complies with the expertise requirements for board members set out in the financial legislation. In accordance with this, the Board of Directors regularly reviews whether its members collectively possess the requisite knowledge and experience about the Bank's risks to ensure the sound operation of the Bank. The Board of Directors has prepared an expertise profile for itself, which is available at the Bank's website. The Board of Directors' process for selecting candidates for the Board is described in the Nominating Committee's brief, which is available at the Bank's website.

Under section 70(1)(4) of the Danish Financial Business Act, the Bank's Board of Directors has adopted a policy for diversity, target figures and the under-represented sex. The Bank sees diversity as a strength that has the capacity to contribute positively to the Bank's growth, robustness as well to meet its established strategies and plans. Diversity in age, gender, experience and competencies are prioritised highly. Vestjysk Bank seeks be an attractive workplace for both women and men and endeavours to provide women and men with equal opportunities to pursue careers and to attain and hold positions of leadership. For this, it is important that its executives have the proper competencies, irrespective of gender.

The gender composition among the Bank's board members elected at the annual general meeting is 67 % men and 33 % women in 2019.

Moreover, it is the Bank's objective to achieve an appropriate balance of men and women in management. At 31 December 2019, the gender distribution in management was 66 % men and 34 % women, The goal for females is 40 % in 2025.

The Bank has appointed a Risk Committee pursuant to section 80b(1) of the Danish Financial Business Act. In 2019, the Risk Committee held four meetings.

3. Scope of application

The Bank's disclosure requirements solely comprise Vestjysk Bank A/S as it does not have any subsidiaries. The purpose of the present report is to provide information about the risk and capital management in Vestjysk Bank A/S.

4. Own funds

4. a-i. Own funds and capital instruments

For reconciliation between the accounting-related equity and the own funds under the capital adequacy rules, please refer to the Statement of Changes in Equity and Note 27 of the 2019 Annual Report.

For a description of the capital instruments issued by the Bank, see note 25 and the statement of changes in equity in the Annual Report 2019 and appendix 1 to this report.

Vestjysk Bank does not use the transitional regime in determining its own funds. The disclosure requirement is therefore not relevant.

5. Capital requirements

5. a. Approach and statutory own funds requirement

Under the Capital Requirement Regulation and the Executive Order on the Calculation of Risk Exposures, Own Funds and Solvency Need, the Board of Directors and the Executive Board are tasked with establishing Vestjysk Bank's adequate own funds and individual capital need. In determining the Bank's capital need, the Bank's Management has decided to employ a template prepared by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter). Additionally, the Bank utilises the Financial Supervisory Authority's "Guidelines on Adequate Own Funds and Solvency Need for Credit Institutions etc." The model, process and approach are detailed in sections 6-11, Individual capital need. The Financial Supervisory Authority has not stipulated a higher own funds requirement. The disclosure requirement is therefore not relevant.

5. c-g. Bank's risk-weighted exposures and capital requirements for individual exposure classes

Vestjysk Bank applies the standardised approach to credit risk in measuring risk-weighted exposures. Vestjysk Bank uses the basic indicator approach to calculate the own funds requirement for operational risks.

The tables below list the Bank's risk-weighted exposures as well as the 8% capital requirement for each individual exposure class.

Risk-weighted credit risk exposures	**31 Dec. 2019 (DKK'000)**	**Capital requirement (DKK'000)**
Central government or central banks	0	0
Regional or local authorities	0	0
Public sector entities	0	0
Multilateral development banks	0	0
International organisations	0	0
Institutions	75,169	6,014
Corporates	4,651,095	372,088
Retail exposures	3,576,783	286,143
Exposures secured by mortgages on real property	1,043,494	83,480
Exposures in default	1,348,553	107,884
Exposures subject to particularly high risk	336,655	26,932
Exposures in the form of covered bonds	0	0
Items representing securitisation positions	0	0
Institutions and corporates with short-term credit assessments	0	0
Units or shares in collective investment undertakings ('CIUs')	0	0
Equity exposures	279,444	22,356
Other items	372,668	29,813
Risk-weighted credit risk exposures, total	**11,683,860**	**934,709**

Risk-weighted exposures	**31 Dec. 2019 (DKK'000)**	**Capital requirement (8% of exposure) (DKK'000)**
Debt instruments	818,958	65,517
Equities	35,666	2,853
Collective investment arrangements	4,929	394

Foreign currency	0	0
Risk-weighted market risk exposures, total	**859,553**	**68,764**
Risk-weighted exposure CVA, total	**1,603**	**128**
Weighted operational risk exposure, total	**1,771,322**	**141,706**
Risk-weighted exposures, total	**14,316,337**	**1,145,307**

6. – 11. Individual capital need

6. a. Internal capital adequacy and capital need assessment process

Vestjysk Bank’s Internal Capital Adequacy Assessment Process (ICAAP) is the Bank’s basis for its determination of adequate own funds and capital need. In the ICAAP, the Bank identifies the risks to which Vestjysk Bank is exposed in order to assess its risk profile. Once the risks have been identified, it is assessed how these might be reduced through, e.g. business procedures, contingency plans, etc. Finally, the Bank assesses which risks should be managed by way of capital.

The capital need is Vestjysk Bank’s own assessment of its need for capital as a result of the risks it incurs. The Bank’s Board of Directors has discussions quarterly to determine its capital need. The discussions are based on the Executive Board's recommendation. The recommendation contains proposals regarding the amount of the capital need, including stress levels and growth outlooks. This also applies if the Financial Supervisory Authority’s benchmarks are applied. Based on those discussions, the Board of Directors and the Executive Board determine the Bank’s capital need, which must be adequate to cover the Bank’s risks, cf. section 124(1) and (4) of the Danish Financial Business Act.

In addition to those discussions, the Board of Directors also meets once a year to discuss the method of determining the Bank’s capital need, including relevant risk areas and benchmarks for calculating the capital need.

The capital need is determined using an 8+ approach, which comprises the types of risk that the Board of Directors has determined should be managed by way of capital: Credit risk, market risk, operational risk, other risks as well as additions related to statutory requirements. The assessment is based on the Bank’s risk profile, capital structure as well as prospective considerations that may affect the assessment, including the budget.

6. b. Methods for determining adequate own funds and capital need

The Financial Supervisory Authority has issued a publication entitled "Guidelines on Adequate Own Funds and Solvency Need for Credit Institutions”. In addition to that, the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter) has issued a capital need model. Both the Financial Supervisory Authority’s guidelines and the Association of Local Bank’s capital need model used by Vestjysk Bank are based on the 8+ method, which is based on the 8% minimum requirement for risk-weighted exposures (Pillar I requirement) plus risks and conditions not fully reflected in the calculation of risk-weighted exposures.

Additionally, the Financial Supervisory Authority’s guidelines establish benchmarks for when, in the Financial Supervisory Authority’s assessment, Pillar I is not sufficient within the individual risk areas and as a result of which supplements should be added to the capital need. Furthermore, extensive methods for calculating supplemental amounts have been put in place within the individual risk areas.

The Financial Supervisory Authority establishes benchmarks in most areas. However, Vestjysk Bank still performs an assessment across all areas whether the indicated benchmarks take the Bank's risks sufficiently into account and whether, to the extent necessary, it has performed individual adjustments. For that purpose, Vestjysk Bank uses its own historical data.

In Vestjysk Bank's opinion, the risk factors included in the model cover all the risk areas that the Bank's Management should take into account under the law in setting its capital need as well as the risks that Management finds that Vestjysk Bank has assumed. In addition to this, the Board of Directors and the Executive Board must assess whether the Bank's total capital is adequate to support future activities. This assessment is part of Vestjysk Bank's general process of determining its capital need.

7. Adequate own funds and capital need

The calculation of adequate own funds and individual capital need is distributed on the risk areas below.

Calculation of capital need at 31 December 2019	**Amounts in DKK'000**	**%**
1 Pillar I requirement	1,145,307	8.00
+2 Earnings (capital to cover risk as a result of weak earnings)	0	0.00
+3 Growth in loans (capital to cover organic growth in business volume)	0	0.00
+4 Credit risk. of which		
4a Credit risk for large customers (2% of own funds) with financial problems	50,800	0.35
4b Other credit risk	71,978	0.50
4c Single name concentration risk	26,525	0.19
4d Sector concentration risk	54,529	0.38
+5 Market risk, of which		
5a Interest rate risk	7,793	0.05
5b Spread risk	39,430	0.28
5c Equity risk	0	0.00
5d Foreign exchange risk	0	0.00
+6 Liquidity risk (capital to cover more expensive liquidity)	0	0.00
+7 Operational risk (capital to cover operational risk in excess of Pillar I)	50,000	0.35
+8 Leverage (capital for coverage of risks as a result of high gearing)	0	0.00
+9 Regulatory maturity of capital instruments	0	0.00
+10 Any additions as a result of statutory requirements	0	0.00
Capital need, total	**1,446,362**	**10.10**

8. Commentary on capital need

Pillar I requirement (8% of risk-weighted exposures)

Vestjysk Bank is subject to the own funds requirement of a total capital ratio of 8% of total risk exposures, cf. Article 92(2)(c) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

Credit risk

Credit risk covers the risk of losses from debtors or counterparties defaulting on their payment obligations, over and above what is covered by Pillar I, including major customers with financial problems, single name concentration risk and sector concentration risk.

Major customers with financial problems
For major customers with financial problems, assessments are made based on the cautiously estimated loss for the individual exposure. Customers with financial problems comprise the following:

- Customers with objective evidence of credit impairment (OEI) credit quality category 1,
- Customers with material signs of weakness but without OEI, credit quality category 2c.

In addition, the weakest part of category 2b is reviewed to assess whether there is an increased loss risk for these customers because of an economic downturn.

Major exposures are exposures constituting at least 2% of own funds.

The cautiously estimated loss represents the "net loss" that, based on a cautious and prospective assessment, may be lost if major exposures to customers in financial difficulty have to be settled due to default. For these exposures, the Bank has assessed that it will add a supplementary DKK 50,800 thousand.

Other credit risks
The Bank performs an assessment of whether special credit risks exist in the general credit portfolio (exposures below 2% of own funds) not adequately covered by the Pillar I requirement. For these exposures, the Bank has assessed that it will add a supplementary DKK 71,978 thousand.

Single name concentration risk
Single name concentration risk represents the risk associated with the size of exposures in the loan portfolio. The Bank determines the supplement for single name concentration risk based on the Financial Supervisory Authority's "Guidelines on Adequate Own Funds and Solvency Need of Credit Institutions." In accordance with these guidelines, a supplement must be added if the sum of the 20 largest exposures is greater than 4% of the exposure mass.

A supplement is required because the 20 largest exposures constitute 12.16 %. For these exposures, the Bank has assessed a supplement of DKK 26,673 thousand.

Sector concentration risk
Sector concentration risk covers risk associated with exposures being distributed on relatively few industry segments. The Bank determines the supplement for sector concentration risk on the Financial Supervisory Authority's "Guidelines on Adequate Own Funds and Solvency Need of Credit Institutions." In accordance with these guidelines, the Bank must use the Herfindahl-Hirschman Index (HHI) to measure the degree of sector concentration risk. Based on the HHI, the supplement is calculated as set out in the following table.

HHI	Supplement to adequate own funds/capital requirement
HHI < 20 %	0
HHI > 20 %	$\sqrt{\frac{HHI-0.2}{275}} * REA_{business} * (1-SR_{business})$

Vestjysk Bank's HHI has been calculated at 21.55 %. The Bank has therefore taken a supplement of DKK 54,529 thousand.

Market risk

Market risk is the risk that the value of a portfolio of financial instruments will deteriorate as a result of exchange and price changes in the financial markets. It is not based on Vestjysk Bank's current risk but on the maximum risk Vestjysk Bank may assume within the framework established by the Board of Directors for the Executive Board's authority to assume market risks under section 70 of the Danish Financial Business Act. The Bank bases its assessment of whether all market risks are adequately covered by Pillar I on the Financial Supervisory Authority's indicative benchmarks for interest rate risk, spread risk, equity risk and exchange risk. Based on these benchmarks as well as on an overall assessment of the Bank's market risks, a supplement has been calculated for interest rate risk of DKK 7,793 thousand and spread risk of DKK 39,430 thousand. Market risk is primarily calculated by means of stress testing.

Operational risk

Operational risk comprises risk of losses resulting from inadequate or failed internal processes, human or system errors as well as external events, including legal risks, over and above what is covered by Pillar I. In assessing operational risk supplements, the Bank considers these risk areas, including the bank's organization, resources and competencies as well as the Bank's business model. Based on the overall assessment of the bank's operational risks, a supplement has been calculated of DKK 50,000 thousand.

Earnings

The Bank has based its assessment of whether additional reservation of capital should be made to counter future credit losses on the Financial Supervisory Authority's relevant indicative benchmarks. The Bank assessed core earnings in relation to total loans and guarantees. It is the assessment that there is no need to make a reservation of capital to cover weak earnings.

Growth

The Bank has based its assessment of whether additional reservation of capital should be made for a growth in lending on the Financial Supervisory Authority's relative indicative benchmarks. It is the assessment that there is no need to make a reservation of capital to cover lending growth.

Liquidity

The Bank's liquidity coverage ratio and liquidity ratio in accordance with the Supervisory Diamond are high. Vestjysk Bank's liquidity buffer is assessed to be satisfactory, overall. Also, Vestjysk Bank's liquidity risk level is assessed to be acceptably low. It is the assessment that there is no need to make a reservation of capital for the purpose of raising liquidity.

Leverage

An assessment has been made of whether the leverage ratio is too low and whether the Bank's leverage is thus too high. The current leverage ratio of 10.05 % is assessed to be appropriate, and there is therefore no need for a supplement.

Regulatory maturity of capital instruments

The Bank has assessed whether it would have difficulty in replacing the capital that will not be eligible for inclusion in total capital in the coming year. The assessment was that the Bank would not have difficulty in replacing the capital in question, and consequently no supplement was made.

9. Statutory requirements

There are no regulatory requirements that are considered to give rise to a supplement.

10. Capital

The Bank's capital structure is detailed in the table below.

Excess capital coverage at 31 Dec. 2019	**(DKK'000)**	**(%)**
Common equity tier 1 capital	2,513,527	17.56
Common equity tier 1 capital requirement	1,443,778	10.08
Excess common equity tier 1 capital coverage	**1,069,748**	**7.47**
Own funds	3,015,542	21.06
Adequate own funds	1,446,362	10.10
Excess own funds/capital coverage	**1,569,180**	**10.96**
MREL-own funds	3,015,542	21.06
MREL requirements	2,035,270	14.22
Excess MREL requirements	**980,272**	**6.85**

The excess common equity tier 1 capital coverage has been calculated at 7.47 %, or DKK 1,069,748 thousand.

The excess capital coverage has been calculated at 10.96 %, or DKK 1,569,180 thousand.

The excess MREL requirements has been calculated at 6.85 % or DKK 980,272 thousand.

11. Internally calculated capital need

The Bank does not calculate any internal capital need in addition to the statutory capital need.

12. Exposure to counterparty risk

12. a. Method and policies

Vestjysk Bank applies the mark-to-market approach to counterparty risk to determine the size of the exposure for derivative financial instruments covered by the definition in Part Three, Title II, Chapter 6 of the Capital Requirement Regulation.

The determination of the amount of the exposure by applying the mark-to-market approach to counterparty risk is detailed in the description below:

- 1. Contracts are determined at market value, in order to determine the current replacement cost of all contracts with positive values.
- 2. In order to arrive at figures for future credit exposure, the contracts' notional amounts or the underlying values are multiplied by the percentages established in article 274(2) of the Capital Requirement Regulation. Swaps based on two floating interest rates in the same currency are exempted, since only the current replacement cost is calculated.
- 3. The sum of current replacement costs and potential future credit exposures constitutes the exposure value.

For establishing the adequate own funds, capital is maintained corresponding to 8% of the positive market value of the derivatives. In the Bank's credit approval process and in the general monitoring of exposures, the Bank takes into account the calculated exposure value so that it is ensured that it does not exceed the authorised credit limit for the counterparty.

Exposures involving commercial enterprises and retail customers, the Bank processes and authorises limits for financial contracts using its regular credit assessment principles.

12. c. Downgrade in credit rating

The disclosures are not assessed to be relevant to Vestjysk Bank and are therefore not provided for these items.

12. d-e. Gross positive fair value of financial contracts after netting

The gross positive fair value of financial contracts after netting, cf. article 273(8) of the Capital Requirement Regulation, stood at DKK 13,801 thousand. The Bank does not use netting in determining counterparty risk for financial contracts. The value of the Bank's total counterparty risk determined using the mark-to-market approach for counterparty risk, cf. article 274 of the Capital Requirement Regulation, is DKK 25,015 thousand.

Moreover, the Bank has included a CVA supplement that increases the risk-weighted exposures by DKK 1,603 thousand. This supplement is a special requirement for OTC derivatives to cover the risk of losses resulting from value adjustments in case of a deterioration of a counterparty's credit quality.

12. f-h. Credit derivatives and internal models

The Bank does not use credit derivatives to hedge the portion of credit risk relating to counterparties. Therefore, no disclosures are provided for this item.

The Bank is not permitted to apply internal models to determine counterparty risk (EPE-models), therefore no disclosures are provided for this item.

13. Capital buffers

In light of the financial crisis, the CRR regulation introduced a requirement for a capital conservation buffer and a countercyclical capital buffer in addition to the 8% solvency requirement. These capital buffers must be made up of common equity tier 1 capital.

The capital conservation buffer is a permanent buffer, which in 2019 was fully phased in and thus represents 2.5 %.

The countercyclical capital buffer will be enforced only in periods of above-normal credit growth. The purpose is to ensure that credit institutions during periods of economic growth accumulate a sufficient capital base to absorb losses in stressed periods.

The countercyclical buffer should be built up when aggregate growth in credit is judged to be associated with a build-up of system-wide risk and drawn down during stressed periods. The buffer rate is set by the authorities of the individual EU member states. In Denmark, the buffer rate is fixed by the Ministry of Industry, Business and Financial Affairs on the basis of selected indicators, and at present no rate has been fixed. The current countercyclical capital buffer rate is at the end of 2019 1 percent and is increased with effect from 30 June 2020 to 1.5 percent and further to 2.0 percent from 30 December 2020. Vestjysk Bank therefore has capital reserved for the countercyclical capital buffer for Danish exposures at the balance sheet date. In the future, Vestjysk Bank will reserve capital in accordance with the established limits.

The institution-specific countercyclical capital buffer is 0.988 %. At a total risk exposure amount of DKK 14,316,337 thousand, the institution-specific countercyclical capital buffer requirement is DKK 141,375 thousand. The requirement is due to the Bank's exposures in countries, which have enforced a countercyclical capital buffer.

The geographical distribution of credit exposures at 31 December 2019 is shown in the table below. Exposures calculated based on internal models and securitisation exposures are not included, as these are not used by Vestjysk Bank.

Amounts in DKK'000	General credit exposures	Trading book exposure	Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Sum of long and short position of trading book	Of which: General credit exposure	Of which: Trading book exposures	Total		
Denmark	14,744,690	4,401,631	914,050	29,290	943,340	0.9836	0.0100
Germany	143,790	3,989	11,235	319	11,554	0.0120	0.0000
Sweden	8,535	2,335	811	187	997	0.0010	0.0250
Great Britain	6,908	860	340	69	409	0.0004	0.0100
Norway	4,315	1,360	203	109	311	0.0003	0.0250
Lithuania	9	0	1	0	1	0.0000	0.0100
Iceland	6	0	0	0	0	0.0000	0.0175
France	1,032	937	61	75	136	0.0001	0.0025
Ireland	84	0	5	0	5	0.0000	0.0100
Rest	38,678	3,735	1,989	299	2,288	0.0024	0.0000

14. Indicators of global systemic importance

Vestjysk Bank has not been identified as a global, systemically important institution. The disclosure requirement is therefore not relevant.

15. Credit risk adjustments

15. a. Definition for accounting purposes of defaulted and impaired assets as well as applied approaches and methods for determining specific and general credit risk adjustments

Please refer to "Expected credit loss impairment model" under the accounting policies in Vestjysk Bank's Annual Report 2019.

15. c. Exposures after impaired losses

Vestjysk Bank's total exposures after impaired losses totalled DKK 23,569,735 thousand at 31 December 2019.

Average value of exposures over the course of 2019 by exposure classes:

Risk-weighted credit risk exposures	Average values for 2019 (DKK'000)
Exposures to central government or central banks	0
Exposures to regional or local authorities	0
Exposures to public sector entities	0
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	70,678
Exposures to corporates	4,514,618
Retail exposures	3,561,436
Exposures secured by mortgages on real property	1,049,345
Exposures in default	1,507,003
Exposures subject to particularly high risk	324,871
Exposures in the form of covered bonds	0
Exposures to items representing securitisation positions	0
Exposures to institutions and corporates with short-term credit assessments	0
Exposures to units or shares in collective investment undertakings ('CIUs')	0
Equity exposures	434,641
Other items	427,921
Risk-weighted credit risk exposures, total	**11,890,513**

15. d + h. Geographic distribution of exposures

The geographic distribution of the exposures has been omitted, since more than 98 % of the Bank's exposures are in Denmark.

15. e. Exposures distributed by sector

Sector distribution of credit risk for on- and off-statement of financial position exposures distributed on exposure classes at 31 Dec. 2019:

Amounts in DKK'000	Exposures to central governments or central banks	Exposures to regional or local authorities	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgage on real property	Exposures in default	Parti-cularly high-risk expo-sures	Equity expo-sures	Other items
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Business										
Agriculture, hunting, forestry and fishery	0	0	0	1,844,793	1,063,163	201,197	614,242	0	0	0
Manufacturing industry and raw materials	0	0	0	476,477	232,366	36,743	38,680	0	0	0
Energy supply	0	0	0	403,255	110,503	11,597	63,807	0	0	0
Construction and civil engineering	0	0	0	450,040	351,618	52,248	26,653	81,057	0	0
Trade	0	0	0	671,353	567,308	63,372	72,815	0	0	0
Transportation, hotels and restaurant businesses	0	20,346	0	169,562	262,952	88,766	91,417	10,000	0	0
Information and communications	0	0	0	26,153	88,424	12,933	0	0	796	0
Credit and financing institutes and insurance	1,043,624	0	208,588	570,493	148,530	22,023	24,987	2,610	261,635	0
Real estate	0	0	0	1,249,722	505,209	375,744	321,123	325,021	0	0
Other business	0	0	0	287,360	688,271	109,864	24,492	0	17,013	0
Business, total	**1,043,624**	**20,346**	**208,588**	**6,149,208**	**4,018,344**	**974,486**	**1,278,216**	**418,687**	**279,444**	**0**
Retail	**0**	**0**	**0**	**568,215**	**6,313,618**	**1,885,382**	**178**	**0**	**0**	**0**
Other items	0	0	0	0	0	0	0	0	0	411,400
Total	**1,043,624**	**20,346**	**208,588**	**6,717,422**	**10,331,962**	**2,859,868**	**1,278,394**	**418,687**	**279,444**	**411,400**

15. f. Distribution of exposures by residual maturity

Distribution of statement of financial position (on- and off-balance) exposures at 31 Dec. 2019:

Amounts in DKK'000	On demand	0 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Undefined term to maturity	Total
Exposures to central governments or central banks	359,236	684,388	0	0	0	0	1,043,624
Exposures to regional or local authorities	20,316	0	0	0	30	0	20,346
Exposures to institutions	197,398	8,653	1,841	363	333	0	208,588
Exposures to corporates	828,537	1,860,564	803,354	2,061,837	1,163,131	0	6,717,422
Retail exposures	1,084,556	2,925,580	1,261,899	3,242,470	1,817,457	0	10,331,962
Exposures secured by mortgages on real property	296,848	811,402	349,986	899,615	502,016	0	2,859,868
Exposures in default	132,699	362,679	156,452	402,150	224,414	0	1,278,394
Particularly high-risk exposures	233,456	6,679	155,177	17,922	5,443	10	418,687
Equity exposures	0	0	0	0	0	279,444	279,444
Other items	411,400	0	0	0	0	0	411,400
Total	**3,564,445**	**6,659,945**	**2,728,710**	**6,624,358**	**3,712,824**	**279,454**	23,569,735

15. g. Loans and guarantees that are credit impaired or with significant signs of weakness

Lending and guarantee debtors, which are credit impaired or with significant signs of weakness with subdivision of nonperforming and receivables, which are impaired, impaired losses/provisions and amounts expensed, are broken into sectors as follows:

	Loans and guarantees – credit impaired (IFRS 9 stage 3) or with significant signs of weakness (IFRS 9 stage 2 with significant signs of weakness)			
Amounts in DKK'000	Non-performing receivables[1]	Impaired receivables[2]	Impaired losses/provisions at year-end	Amount expensed
Public authorities	0	0	0	0
Business				
Agriculture, hunting, forestry and fishery	579,595	1,975,692	1,132,672	74,555
Manufacturing industry and raw materials	50,111	125,130	88,273	15,522
Energy supply	60,086	75,245	66,149	-9,007
Construction and civil engineering	17,484	172,598	57,495	8,803
Trade	65,119	302,567	120,871	3,790
Transportation, hotels and restaurant businesses	46,450	289,483	153,364	16,442
Information and communications	2,105	9,180	5,046	913
Credit and financing institutes and insurance	80,315	170,937	115,499	-4,769
Real estate	94,939	964,687	276,165	-36,371
Other business	50,516	209,337	88,350	977
Business, Total	**1,046,720**	**4,294,856**	**2,103,884**	**70,853**
Retail	**139,845**	**350,040**	**241,066**	**7,415**
Total	**1,186,565**	**4,644,896**	**2,344,950**	**78,269**

15. i. Reconciliation of movements in impaired losses and provisions

Movements of impaired debts as a result of value adjustments and impairment

Amounts in DKK'000	Impaired losses/provisions		Provisions for losses on unutilized credit commitment
	Loans	Guarantees	Unused credit commitments
Accumulated impairment/provisions, 1 Jan. 2019 after IFRS 9	2,614,828	32,814	46,604
Movements for the year:			
1. Foreign exchange adjustment	0	0	0
2. Impaired losses/provisions for the year	531,086	7,196	43,040
3. Reversals of impaired losses/provisions in previous financial years for which there is no longer objective evidence of impairment or where the impairment has been reduced	470,182	14,248	30,178
4. Other movements	58,463	0	0
5. Value adjustment of acquired assets	0	0	0
6. Final loss (written off) of amounts previously subject to individual impairment/provisions	362,350	0	0
Accumulated impairment/provisions for loans and guarantee debtors at 31 Dec	2,371,845	25,762	59,466
Losses not subject to previous individual impairment/provisions)	7,948,970	664,179	417,989
Amounts received on previously written-off debts	10,544	0	0
Contracted on previously written-off claims	12,834	0	0

[1] Non-performing receivables are primarily defined as exposures where the customer has been granted interest-rate reductions because of the customer's financial difficulties, exposures to debt collection or where the exposure has been in arrears/overdrafts for more than 90 days with an amount that is considered significant.

[2] Impaired receivables are defined as exposures in stage 3 and the weakest part of stage 2, that are not included in non-performing loans, are impaired.

16. Encumbered and unencumbered assets

16. a. Extent of encumbered and unencumbered assets

Disclosure of the Bank's encumbered and unencumbered assets at 31 Dec. 2019 stated in median values:

Amounts in DKK'000		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		10	40	60	90
10	**Reporting institution's assets**	33,991	0	21,769,165	0
30	Equity instruments	0	0	545,210	545,210
40	Debt instruments	0	0	3,752,844	3,752,844
50	of which: covered bonds	0	0	3,724,733	3,724,733
80	of which: issued by financial enterprises	0	0	3,752,844	3,752,844
120	Other assets	33,991	0	17,420,453	0

16. b. Received Collateral

Disclosure of the Bank's received collateral at 31 Dec. 2019 stated in median values:

Amounts in DKK'000		Fair value of encumbered accepted collateral or own issued debt securities	Fair value of accepted collateral or own issued debt securities that may be subject to encumbrance
		010	40
130	**Collateral received by the reporting institution**	20	0
140	Loans on demand	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
220	Loans and advances apart from loans on demand	0	0
230	Other accepted collateral	20	0
240	**Own issued debt securities apart from own covered bonds or ABSs**	0	0
241	**Own covered bonds and ABSs, issued and not yet charged**	0	0
250	**Total assets, accepted collateral and own issued debt securities**	34,386	0

16. c. Liabilities related to encumbered assets and received collateral

Sources of encumbrance at 31 December 2019 stated in median values:

Amounts in DKK'000		Matching liabilities, contingent liabilities or securities lent	Assets, accepted collateral and own issued debt securities apart from covered bonds and encumbered ABSs
		010	030
010	**Carrying amount of selected financial liabilities**	22,668	20

16. d. Effect of business model on the level of encumbrance and the importance of the encumbrance to the financing model

The Bank's policy is that unencumbered assets may be used as collateral in the Bank's liquidity reserve in agreements with the Bank's derivative counterparts. Moreover, unencumbered assets may be used as collateral in Danmarks Nationalbank and when entering into repos. The Bank may not use unencumbered assets as collateral in other contexts.

17. Use of ECAIs

Vestjysk Bank has designated Standard & Poor's Ratings Services as its external credit assessment institution (ECAI). The Bank uses Bankernes EDB Central (BEC) as its data centre, which receives external credit assessments from Standard & Poor's Ratings Services via SIX Financial. Regular IT updates are performed of the credit ratings by Standard & Poor's Ratings Services.

BEC has converted Standard & Poor's Ratings Services' credit assessment classes to credit quality steps by means of the FSA conversion table. The individual credit quality steps are associated with a weighting with which the exposures at the various credit quality steps are to be weighted when calculating the risk-weighted exposures under the standard method for credit risk under article 111-134 of the Capital Requirement Regulation.

The table below shows the FSA's conversion of Standard & Poor's Ratings Services' credit ratings classes to credit quality steps for exposures to businesses, institutions, central governments and central banks.

Credit quality steps	Standard & Poor's credit assessment classes	Exposures to business enterprises (enterprises)	Central government or central banks
1	AAA to AA-	20%	0%
2	A+ to A-	50%	20%
3	BBB+ to BBB-	100%	50%
4	BB+ to BB-	100%	100%
5	B+ to B-	150%	100%
6	CCC+ and less	150%	150%

The Bank has used credit ratings from Standard & Poor's Ratings Services for the following exposure classes:

	Exposure value before risk weighting (DKK'000)	Exposure value after weighting with credit quality steps (DKK'000)
Exposures to institutions	**55,370**	**27,678**

18. Exposure to market risk

Refer to section 5. c-g for a statement of the total capital requirements in market risk.

19. Operational risk

Under the Capital Requirement Regulation, banks are required to cover operational risks. The capital requirement for operational risk is to cover the "risk of losses resulting from inadequate or failed internal processes, human or system errors as well as external events, including legal risks". The Bank applies the basic indicator approach, cf. article 315 of the Capital Requirement Regulation to calculate the capital requirements for operational risk. Under this approach, the own funds requirement for operational risk is calculated as 15% of the Bank's average "core earnings" for the past three years. The core earnings are the sum of net interest income and non-interest related net income.

20. Exposures in equities, etc. not included in the trading book

In collaboration with other banks, Vestjysk Bank has acquired equities in a number of sector companies. The purpose of these sector companies is to support banking activities within mortgage credit, payment intermediation, IT, investment funds, etc. Vestjysk Bank has no plans of selling these equities and they are therefore not considered to be included in the trading book. In several of the sector companies, the equities are reallocated in such a manner that the interests held by the banks always reflect the individual bank's business volume with the sector company. Reallocation typically occurs based on the sector company's net asset value. Vestjysk Bank adjusts the carrying amount of these equities quarterly, every six months or yearly, depending on the frequency of new data from the individual sector company. Continuous adjustments are made through profit or loss in accordance with the rules. In other sector companies, the equities are not reallocated but are typically measures based on the most recent, known trade or, alternatively, based on a recognised valuation approach. Adjustments to the carrying amount of the equities in these companies are also made through profit or loss. The table below shows the Bank's exposures in equities not included in the trading book.

Amounts in DKK'000 at 31 Dec. 2019	Exposure 01. Jan. 2019	Buy/sale 2019	Realised gains or losses in 2019	Non-realised gains or losses in 2019	Exposure 31. Dec. 2019
Equities etc. not included in trading book	415,002	-119,547	143,501	17,324	456,279

21. Exposure to interest rate risk on positions not included in the trading book

Interest rate risk is measured as the expected capital loss on interest rate positions that would follow from an immediate 1 percentage point increase or decrease in all interest rates. Vestjysk Bank's interest rate risk arises in connection with fixed-rate loans, debt securities, deposits, subordinated debt and issued bonds. Financial derivatives are used only to a limited extent to hedge the Bank's interest rate risk. Interest rate risk represents the largest share of the Bank's market risk and is reported monthly to the Board of Directors and Executive Board. In periods of interest rate volatility, reporting is performed as needed. Vestjysk Bank's interest rate risk for positions not included in the trading book is listed in the table below:

Amounts in DKK'000 at 31 Dec. 2019	Long positions	Short positions	Interest rate risk
Items recognised in the statement of financial position	-99,026	741,472	-12,459
Positions with limited or hedged interest rate risk	-10,960,050	18,127,981	0
Positions with special interest rate formulas	0	0	0
Not included in trading book, total	-11,059,076	18,869,453	-12,459

22. Exposure to securitisation positions

Vestjysk Bank does not use securitisations. The disclosure requirement is therefore not relevant to the Bank.

23. Remuneration Policy

Vestjysk Bank's Board of Directors has adopted a remuneration policy that was approved at the Bank's annual general meeting. The remuneration policy covers the Board of Directors and the Executive Board as well as major stakeholders. Neither the Bank's Supervisory nor Executive Board members receive remuneration in the form of variable pay, shares, share options or other forms of incentive pay. In addition, no defined benefit plans are provided. The Bank's major risk takers can in exceptional cases, be paid with gratuities/one-time allowance on the basis of heavy workload and/or completion of projects, provided the Board of Directors, on the recommendation of the Executive Board, considers that the terms of Order No. 1582/2016 on pay policy and remuneration of banks are met in the particular case. In exceptional cases, agreements may be entered with risk takers relating to retention bonuses, in order to ensure the continued employment for a specific period.

Disbursement of bonus/one-time remuneration and retention bonuses for major risk takers may, at a maximum, constitute 25% of the annual salary on an individual basis. The total disbursement of bonuses/one-time remuneration and retention bonuses to major risk-takers may not exceed a total annual amount of DKK 500,000. No bonuses are provided for achieved sales results. Insofar as major risk takers or other employees whose activities have a significant impact on the bank's risk profile are remunerated with variable pay, then payment will be made in accordance with applicable legislation. For the drafting of its remuneration policy, Vestjysk Bank has sought to promote and encourage remuneration practices that are in accordance with and promote healthy and efficient risk management that discourages excessive risk taking. The remuneration policy is designed to conform with the Bank's business strategy, values and long-term goals, including a sound business model. The remuneration policy must be consistent with the principles of the protection of customers and investors in relation to banking operations and contain measures that can prevent conflicts of interest as well as be based on the prevailing market conditions while taking into consideration the duties and responsibilities at hand. The Bank's Remuneration Committee appointed by the Board of Directors for the purpose of drafting resolutions in respect of remuneration, including remuneration policies and other related decisions that may influence the Bank's risk management. The Remuneration Committee consists of Kim Duus, Chairman of the Board of Directors, Lars Holst, Deputy Chairman, as well as one employee representative. In 2019, the committee held 2 meetings. The Bank's remuneration of the Management and major risk takers is listed in note 7 in Vestjysk Banks Annual report 2019. No one in the Bank received remuneration that exceeded EUR 1 million in 2019.

24. Leverage

The leverage ratio is calculated as tier 1 capital relative to the institution's unweighted exposures. CRR/CRD IV prescribe that institutions must publish their leverage ratio at 1 January 2015, but do not set out any specific qualitative requirements. At present, no statutory maximum leverage ratio requirement has been introduced. For now, the Basel Committee has issued an indicative leverage ratio requirement of 3%, equalling a maximum leverage of 33 times the tier 1 capital. Vestjysk Bank's leverage ratio has been calculated at 10.05 % at 31 December 2019. In order to counter the risk of excessive leverage, Vestjysk Bank has set up procedures and methods to identify, manage and monitor the Bank's leverage risk. An internal threshold has been set up if the leverage ratio falls below 6, the Board of Directors must be notified. The internal threshold is in accordance with the Basel Committee's proposal that the leverage ratio must be greater than 3 %. The leverage ratio is monitored as part of the institution's general risk monitoring and reported to the Board of Directors on a regular basis.

	Reconciliation of accounting assets to leverage ratio exposures - overview	**Amount**
1	Total assets as per published financial statements	22,191,899
4	Adjustments for derivative financial instruments	11,565
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4,643,012
7	Other adjustments	-287,641
8	**Leverage ratio total exposure measure**	26,558,835

	Leverage ratio common disclosure	**CRR leverage ratio exposures**
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	22,178,098
2	(Asset amounts deducted in determining Tier 1 capital)	-287,641
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	21,890,457
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	13,801
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	11,565
11	Total derivatives exposures (sum of lines 4 to 10)	25,366

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	11,072,070
18	(Adjustments for conversion to credit equivalent amounts)	-6,429,058
19	Other off-balance sheet exposures (sum of row 17 and 18)	4,643,012
Capital and total exposure measure		
20	Tier 1 capital	2,668,527
21	Leverage ratio total exposure measure (sum of row 3, 11, 16, 19, EU-19a and EU-19b)	26,558,835
Leverage ratio		
22	**Leverage ratio**	10.05%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transition

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	22,178,098
EU-2	Trading book exposures	9,732,014
EU-3	Banking book exposures, of which:	12,446,084
EU-5	Exposures treated as sovereigns	1,056,109
EU-7	Institutions	117,905
EU-8	Secured by mortgages of immovable properties	879,133
EU-9	Retail exposures	4,178,768
EU-10	Corporate	4,326,245
EU-11	Exposures in default	1,041,706
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	846,218

25. Using the Internal Ratings-Based (IRB) approach to determine credit risk

The Bank does not use the IRB approach, cf. item 5.d.

26. Use of credit risk mitigation techniques

26. a-b Policies and processes for collateral valuation and management

Vestjysk Bank uses neither on- nor off-balance sheet netting.

The Bank holds a charge on 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 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. Valuation is made based on the fair value of the asset, less the margin for covering costs of realisation, selling period costs as well as rebates. A number of exposures are hedged with more collateral than the size of the exposure. The excess collateral is not included in the statement of collateral for loans, unutilized credit commitments and guarantees that are credit-impaired at the balance sheet date (stage 3) The bank aims for a spread in the type of collateral and in addition to mortgage on real estate, significant risk concentrations on collateral must be avoided. The Bank's procedures ensure continuous, daily monitoring of the realisation values of the collateral. The monitoring is performed by computer and is therefore performed automatically. The Bank's agreements with customers for collateral in securities ensure that the Bank has the capacity to realise the securities at its discretion. Thus, the Bank maintains standard procedures for the management and valuation of the financial collateral, which means that the Bank maintains proper credit protection for its loans. The relevant procedures are an integral part of the general risk monitoring performed by the Bank's credit department.

26. c-g. Collateral

Vestjysk Bank uses the financial collateral comprehensive method to mitigate credit risk. This means that the Bank can reduce the capital charge of an exposure when accepting certain types of financial collateral. In article 198 of the Capital Requirement Regulation, it is specified which types of financial collateral banks are permitted to accept under the comprehensive credit risk mitigating approach. In that regard, it should be noted that only financial collateral issued by an enterprise or country with a particularly high rating may be used. Taking into account the limitations specified in Capital Requirement Regulation, financial collateral normally accepted by the Bank can be divided into the following main types:

- Deposited funds
- Bonds/debt instruments—issued by governments as well as rated and un-rated credit institutions, etc.
- Shares – included or not included in a main index
- Unit trust certificates

To mitigate credit risk, the Bank makes limited use of guarantees issued by the following types of counterparties:

- Central governments
- Regional and local authorities
- Credit institutions

The Bank does not use credit derivatives to mitigate credit risk.

It is the Bank's policy to avoid major risk concentrations for collateral. The Bank therefore regularly follows up on concentrations of risk for specific types of collateral. See Note 36 of the 2019 Annual Report for a distribution of collateral distributed by type.

In accordance with the provisions set out in the Capital Requirement Regulation, the Bank uses financial collateral as well as guarantees for credit protection. The table below shows individual credit risk mitigation distributed by type of exposure:

Financial collateral and guarantees at 31 December 2019	**Financial collateral (DKK'000)**	**Guarantees (DKK'000)**
Exposures to central government or central banks	0	0
Exposures to regional or local authorities	0	0
Exposures to public sector entities	0	0
Exposures to multilateral development banks	0	0
Exposures to international organisations	0	0
Exposures to institutions	0	0
Exposures to corporates	68,741	3,500
Retail exposures	108,242	3,386
Exposures secured by mortgages on real property	7,923	0
Exposures in default	15,206	5,350
Particularly high-risk exposures	8,904	0
Exposures in the form of covered bonds	0	0
Items representing securitisation positions	0	0
Exposures to institutions and corporates with short-term credit assessments	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0
Equity exposures	0	0
Other items	0	0
Total	**209,016**	**12,236**

27. Disclosures of advanced measurement approaches to determining operational risk

Vestjysk Bank applies the basic indicator approach to determine operational risk. This disclosure requirement is therefore not relevant to the Bank.

28. Internal market risk models

Vestjysk Bank does not use internal VaR models to determine risk relating to trading book positions.

28. IFRS 9 transitional arrangement

Capital Requirements Regulation (CRR) includes a five-year phasing in of the impact of IFRS 9 impaired losses on the bank's own funds. Vestjysk Bank has decided not to use the transition scheme and Vestjysk Bank's own funds, capital ratios and leverage ratio already reflect the full effect of IFRS 9.

30. Appendix 1: Principal characteristics of capital instruments

Model for hovedegenskaber ved kapitalinstrumenter		
1	Issuer	Vestjysk Bank A/S
2	Unique identifier	DK0030401195
3	Governing law(s) of the instrument	Directive 2013/36/EU
	Regulatory treatment	
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated
7	Instrument type	Hybrid core capital
8	Amount recognised in regulatory capital	DKK 155 mil.
9	Nominal amount of the instrument	DKK 155 mil.
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Obligation – amortized cost
11	Original date of issuance	16 august 2017
12	Perpetual or dated	Unamortizable
13	Original maturity date	No due date
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call date and redemption amount	16 august 2022
16	Subsequent call dates	At any time with 30 days' notice after August 16. 2022
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed the first 5 years - then variable
18	Coupon rate and any related index	8.50% p.a. the first 5 years - then Cibor6 + 8.1078%
19	Existence of a dividend stopper	No
21	Existence of step up or other incentive to redeem	No
23	Convertible or non-convertible	Non-convertible
30	Write-down features	Yes
31	If write-down, write-down triggers	If the bank's common equity tier 1 capital ratio falls below 5.125 %.

32	If write-down, full or partial	Write-down is made with the least of the following amounts: The amount required to bring the bank's common equity tier 1 ratio to 5.125%, or The amount that reduces the capital certificate principal to DKK 0.01
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-down mechanism	The loan must be revalued to the greatest extent possible, as such revaluation must not prevent a recapitalization of the bank. The write-up can be maximized to the original nominal value. The loan is not revalidated by the bank's liquidation or bankruptcy.
35	Position in subordination hierarchy in liquidation	Share capital

Model for hovedegenskaber ved kapitalinstrumenter		
1	Issuer	Vestjysk Bank A/S
2	Unique identifier	DK0030401005
3	Governing law(s) of the instrument	Directive (EU) no. 575/2013 article 63
	Regulatory treatment	
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated
7	Instrument type	Supplementary capital
8	Amount recognised in regulatory capital	DKK 223.3 mil.
9	Nominal amount of the instrument	DKK 225 mil.
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Commitment – amortized cost
11	Original date of issuance	16 august 2017
12	Perpetual or dated	16 august 2027
13	Original maturity date	16 august 2027
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call date and redemption amount	16 august 2022
16	Subsequent call dates	At any time with 30 days' notice after August 16 2022
	Coupons / dividends	
17	Fixed or floating dividen/coupon	Fixed the first 5 years - then variable
18	Coupon rate and any related index	6.50% p.a. the first 5 years then Cibor6 + 6.1078%
19	Existence of a dividend stopper	No
21	Existence of step up or other incentive to redeem	No
23	Convertible or non-convertible	Non-convertible
30	Write-down features	No
35	Position in subordination hierarchy in liquidation	Hybrid core capital

Model for hovedegenskaber ved kapitalinstrumenter		
1	Issuer	Vestjysk Bank A/S
2	Unique identifier	DK0030448311
3	Governing law(s) of the instrument	Directive (EU) no. 575/2013 article 63

	Regulatory treatment	
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated
7	Instrument type	Supplementary capital
8	Amount recognised in regulatory capital	DKK 123.7 mil.
9	Nominal amount of the instrument	DKK 125 mil.
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Commitment – amortized cost
11	Original date of issuance	28 august 2019
12	Perpetual or dated	28 august 2029
13	Original maturity date	28 august 2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call date and redemption amount	28 august 2024
16	Subsequent call dates	At any time with 30 days' notice after August 28 2024
	Coupons / dividends	
17	Fixed or floating dividen/coupon	Fixed the first 5 years - then variable
18	Coupon rate and any related index	3.75% p.a. the first 5 years - then Cibor6 + 4.091%
19	Existence of a dividend stopper	No
21	Existence of step up or other incentive to redeem	No
23	Convertible or non-convertible	Non-convertible
30	Write-down features	No
35	Position in subordination hierarchy in liquidation	Hybrid core capital


Thyborøn
Lemvig
Struer
Viborg
Randers
Holstebro
Hadsten
Ringkøbing
Herning
Aarhus
Videbæk
Hvide Sande
Skjern
Horsens
Esbjerg