



Half Year Report 2021

1. January – 30. June 2021

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The Vestjysk Bank Half Year Report 2021 is a translation of the original report in Danish (Vestjysk Bank Halvårsrapport 1. Januar – 30. juni 2021).
In case of discrepancies, the Danish version prevails.



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Summary

H1 2021 highlights

Vestjysk Bank reported profit after tax of DKK 724 million in H1 2021. As described in the Q1 interim report 2021, the performance was strongly affected by non-recurring income and costs in connection with the merger with Den Jyske Sparekasse in January 2021. Adjusted for non-recurring items from that event, the profit after tax for H1 amounted to DKK 300 million, which is highly satisfactory.

The synergies gradually achieved from the merger with Den Jyske Sparekasse continued to contribute to the positive development.

The Bank made net impairment reversals during the period. The reversals were driven by an overall improvement in the credit portfolio in the segments 'other sectors' and 'retail customers'. The reversals thus reflect the positive developments in the Danish economy despite the COVID-19 pandemic. Impairment allowances during the period were not affected to any significant extent by the pandemic, Brexit or the outbreak of African swine fever in Germany, but the Bank is keeping a close eye on developments, and management maintains the impairment provision for economic uncertainty at DKK 258 million, equal to 2% of the Bank's net lending.

The highlights below were calculated after adjustment for non-recurring items resulting from the merger with Den Jyske Sparekasse, and the comparative figures are for Q1 2021 as they represent post-merger figures.

- Profit after tax of DKK 300 million (Q1 2021: DKK 95 million).
- Return on equity of 12.8% p.a. after tax (Q1 2021: 8.4%).
- Core income of DKK 753 million (Q1 2021: DKK 364 million).
- Market value adjustments of DKK 44 million (Q1 2021: DKK 32 million).
- Cost ratio of 63.9% (Q1 2021: 65.5%).
- Core earnings before impairment allowances of DKK 272 million (Q1 2021: DKK 126 million).
- Net reversals of impairment of loans and receivables, etc. of DKK 34 million (Q1 2021: impairment of DKK 22 million).
- The Bank's total capital ratio was 21.9% (Q1 2021: 21.1%). The capital requirements totalled 13.0% (Q1 2021: 13.1%), consisting of an individual solvency need of 10.5% and a capital conservation buffer of 2.5%. The excess cover was 8.9 percentage points (Q1 2021: 8.0 percentage points).
- The Bank's MREL capital ratio was 23.5% (Q1 2021: 21.9%). The MREL capital requirement is 12.4% (Q1 2021: 12.5%). To this should be added the combined capital buffer requirement of 2.5%. The excess cover was 8.6 percentage points (Q1 2021: 6.9 percentage points).

Merger with Den Jyske Sparekasse

The merger with Den Jyske Sparekasse is proceeding according to plan and in line with our ambition to become the strongest local bank in Denmark. Most recently, the Bank's head office functions were combined at a new domicile at Birk near Herning in early July.

The Bank remains well underway to realising synergies in the total amount of DKK 150 million, which are expected to be fully phased in by 2022. The Bank retains its high level of activity even though the average number of full-time employees since the end of March 2021 has been further reduced by 20, and the number of employees has been reduced by 61 since the merger with Den Jyske Sparekasse from 723 to a headcount of 662.

In addition, non-recurring costs in connection with the merger remain at the expected overall level.

Summary

As of the end of May 2021, Vestjysk Bank became a part of the Arbejdernes Landsbank Group.

In connection with Arbejdernes Landsbank acquiring the shareholding majority of Vestjysk Bank, Arbejdernes Landsbank has been designated a SIFI. This will affect the capital adequacy requirements for Vestjysk Bank. The extent of the capital adequacy requirements is expected to be known in autumn 2021.

COVID-19 pandemic, Brexit and African swine fever (ASF)

The Bank's financial statements for H1 2021 were not significantly affected by the COVID-19 pandemic, Brexit or the ASF outbreak in Germany.

At 30 June 2021, the Bank's total impairment provision in response to economic uncertainty amounted to DKK 258 million, corresponding to 2% of total lending. This provision based on a management estimate was lower than the DKK 289 million provision at 31 March 2021. Since 31 December 2020, the Bank has individualised part of the provision relating to uncertainty regarding settlement prices and portfolio values in the agricultural sector. As a result, the changes in the provision for economic uncertainty did not affect the profit for H1 2021.

Outlook for 2021

In connection with its annual report for 2020, the Bank guided for a profit after tax in the range of DKK 500-550 million for 2021, adjusted for non-recurring items resulting from the merger with Den Jyske Sparekasse. The Bank also announced expectations for overall profit including non-recurring items after tax of about DKK 800-900 million.

On 9 August 2021, Vestjysk Bank upgraded its guidance for 2021. The Bank raised its forecast net of non-recurring items relating to the merger with Den Jyske Sparekasse to a profit after tax of DKK 575-625 million. The Bank also raised its expectations for an overall profit including non-recurring items after tax to DKK 900-1,000 million.

Management's review

Financial highlights

Key figures	H1 2021	H1 2020	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	FY 2020
Statement of income (DKKm)								
Net interest income	395	241	207	188	123	122	123	486
Net fee income	294	161	152	142	87	78	77	326
Dividends on shares, etc.	13	9	13	0	0	0	9	9
Value adjustments	44	14	12	32	23	28	18	65
Other operating income	484	0	5	479	1	0	0	1
Core income	1,230	425	389	841	234	228	227	887
Staff costs and administrative expenses	553	241	259	294	141	128	118	510
Other operating expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets	26	7	13	13	10	3	4	20
Operating expenses and operating depreciation and amortisation	579	248	272	307	151	131	122	530
Core earnings before impairment	651	177	117	534	83	97	105	357
Impairment of loans and receivables, etc.	-34	24	-56	22	25	-20	12	29
Income from investments in associates	14	0	13	1	0	0	0	0
Profit/loss from operations in the process of being wound up	0	0	0	0	0	0	0	0
Profit before tax	699	153	186	513	58	117	93	328
Tax	-25	11	10	-35	5	9	8	25
Profit after tax	724	142	176	548	53	108	85	303
Statement of financial position (DKKm)								
Total assets	41,061	21,871	41,061	39,484	23,105	22,308	21,871	23,105
Loans	16,429	9,507	16,429	16,849	9,332	9,684	9,507	9,332
Deposits	24,513	12,682	24,513	24,088	13,409	12,968	12,682	13,409
Deposits with pooled schemes	8,696	4,962	8,696	8,435	5,426	5,032	4,962	5,426
Contingent liabilities	9,940	3,830	9,940	9,328	5,202	4,118	3,830	5,202
Custody services	18,387	8,562	18,387	17,371	10,040	9,169	8,562	10,040
Arranged mortgage loans	56,585	31,696	56,585	56,093	33,447	32,663	31,696	33,447
Business volume	59,578	30,981	59,578	58,700	33,369	31,802	30,981	33,369
Business volume including custody services and arranged mortgage loans	134,550	71,239	134,550	132,164	76,856	73,634	71,239	76,856
Equity	5,049	3,092	5,049	4,876	3,245	3,196	3,092	3,245

Management's review

Financial highlights

	H1 2021	H1 2020	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	FY 2020
Financial ratios								
Solvency								
Total capital ratio	21.9%	23.3%	21.9%	21.1%	24.7%	23.8%	23.3%	24.7%
Tier 1 capital ratio	19.3%	20.7%	19.3%	18.5%	22.1%	21.1%	20.7%	22.1%
Common equity tier 1 capital ratio	17.9%	19.6%	17.9%	17.2%	20.9%	20.0%	19.6%	20.9%
MREL-capital ratio	23.5%	23.3%	23.5%	21.9%	24.7%	23.8%	23.3%	24.7%
Earnings								
Return on equity before tax, p.a.	28.6%	10.2%	15.1%	43.0%	7.2%	14.7%	12.3%	10.6%
Return on equity after tax, p.a.	29.6%	9.5%	14.2%	45.9%	6.5%	13.6%	11.3%	9.8%
Income-cost ratio	2.28	1.57	1.86	2.56	1.33	2.03	1.70	1.59
Cost ratio ¹	46.5%	58.3%	67.2%	36.5%	64.5%	57.7%	53.6%	59.8%
Return on assets	2.3%	0.6%	0.4%	1.8%	0.2%	0.5%	0.4%	1.3%
Average number of employees (FTE)	678.9	393.9	659.5	698.2	392.3	398.7	396.3	394.7
Market risk								
Interest rate risk	1.2%	1.6%	1.2%	1.1%	1.6%	1.4%	1.6%	1.6%
Foreign exchange position	0.5%	0.3%	0.5%	0.4%	0.2%	0.4%	0.3%	0.2%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	291.9%	195.8%	291.9%	261.6%	180.3%	219.2%	195.8%	180.3%
NSFR ³	136.5%	114.6%	136.5%	118.8%	120.6%	117.2%	114.6%	120.6%
Credit risk								
Loans plus impairment on loans relative to deposits	56.2%	66.7%	56.2%	61.1%	60.8%	66.2%	66.7%	60.8%
Loans relative to equity	3.3	3.1	3.3	3.5	2.9	3.0	3.1	2.9
Lending growth for the period	76.1%	-7.0%	-2.5%	80.6%	-3.6%	1.9%	-4.6%	-8.7%
Sum of 20 largest exposures	87.1%	108.7%	87.1%	86.1%	109.3%	110.2%	108.7%	109.3%
Accumulated impairment ratio	7.9%	14.6%	7.9%	7.9%	12.9%	14.0%	14.6%	12.9%
Impairment ratio	-0.1%	0.2%	0.0%	0.1%	0.0%	-0.1%	0.0%	0.1%
Vestjysk Bank share								
Earnings per share for the period	0.7	0.2	0.1	0.5	0.1	0.1	0.1	0.3
Book value per share ⁴	3.8	3.3	3.8	3.7	3.4	3.4	3.3	3.4
Price of Vestjysk Bank shares, end of the period	3.5	2.9	3.5	3.4	2.8	2.8	2.9	2.8
Share price/book value per share	0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.8

¹ Profit/loss / average equity, which is calculated on the basis of opening equity plus capital increase and recognised negative goodwill in connection with the merger with Den Jyske Sparekasse 15. January 2021

² Operating expenses and operating depreciation and amortisation/core income

³ As the method of calculating NSFR was revised on 30 June 2021, the comparative figures are not directly comparable.

⁴ 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

Statement of income

Comparative figures

In the below commentary on developments, the comparative figures do not include the results of Den Jyske Sparekasse at 30 June 2020. Differences will therefore in large part be explained by the fact that the figures at 30 June 2020 are excluding Den Jyske Sparekasse.

Profit after tax

Vestjysk Bank reported profit after tax of DKK 724 million in H1 2021. As described in the interim report for Q1 2021, the performance is strongly affected by non-recurring income and costs in connection with the merger with Den Jyske Sparekasse in January 2021. Adjusted for non-recurring items in that connection, the profit after tax amounted to DKK 300 million, which is highly satisfactory.

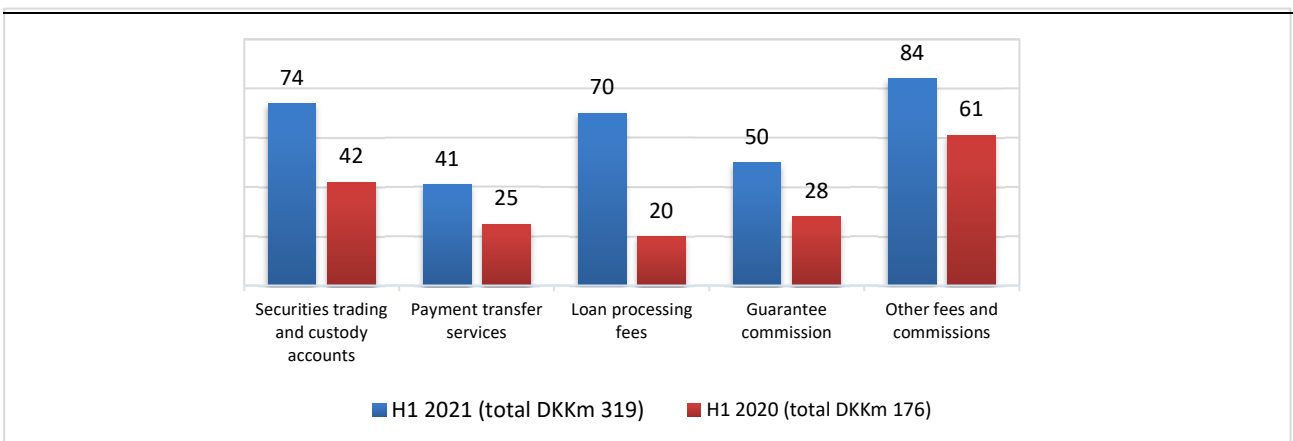
Non-recurring income was recognised during the period, tentatively calculated at DKK 477 million, representing a positive difference between the purchase price of the investment in Den Jyske Sparekasse and the value of the acquired net assets. The calculated negative goodwill is considered taxable income, on which DKK 37 million is payable in tax. The continuing bank's earnings capacity has increased, resulting in non-recurring tax income of DKK 82 million recognised as a deferred tax asset. Non-recurring costs in relation to the merger total DKK 98 million. The result for H1 2021 was affected by net non-recurring income of DKK 424 million.

Core income

In H1 2021, Vestjysk Bank recorded core income of DKK 1,230 million, against DKK 425 million in 2020. The core income was affected by non-recurring income of DKK 477 million in connection with the merger with Den Jyske Sparekasse

Net interest income amounted to DKK 395 million in H1 2021, against DKK 241 million in H1 2020.

Fee and commission income for H1 2021 amounted to DKK 319 million, against DKK 176 million in H1 2020. A breakdown of the Bank's fee income is shown in the figure below.



Market value adjustments amounted to DKK 44 million in H1 2021, against of DKK 9 million in H1 2020. The market value adjustments for H1 2021 were mainly related to positive market value adjustments of the Bank's sector shares in DLR Kredit, Bankinvest and PRAS.

Management's review

Financial review

Other operating income

The merger with Den Jyske Sparekasse resulted in non-recurring income of DKK 477 million representing the difference between the purchase price of the investment in Den Jyske Sparekasse and the acquired net assets (negative goodwill).

Operating expenses and operating depreciation and amortisation

Total operating expenses, depreciation and amortisation amounted to DKK 579 million in H1 2021, against DKK 248 million in H1 2020.

Expenses in H1 were particularly affected by non-recurring costs relating to the merger with Den Jyske Sparekasse.

With the redundancies effected in January 2021, the Bank is well under way to achieving synergies in the total amount of DKK 150 million, which are expected to be phased in during 2021 and to be fully phased in at the beginning of 2022.

The average number of employees in H1 2021 was 679 FTEs, compared with 395 FTEs in 2020. The expected number of FTEs at end-2021 is 640.

Other administrative expenses excluding IT costs amounted to DKK 75 million in H1 2021, against DKK 26 million in H1 2020.

The table below shows a breakdown of operating expenses and operating depreciation and amortisation.

DKKm	H1 2021	H1 2020	FY 2020
Staff costs	303	148	307
IT costs	175	68	140
- Of this amount BEC	161	63	130
Other administrative expenses	75	26	63
Operating depreciation and amortisation	23	5	17
Other operating expenses	3	1	3
Total	579	248	530

Core earnings before impairment

For H1 2021, the Bank's core earnings before impairment amounted to DKK 651 million, compared with DKK 177 million in H1 2020. The performance was significantly affected by the non-recurring income in connection with the merger with Den Jyske Sparekasse. Non-recurring costs in connection with the merger amounted to DKK 98 million, bringing the net effect of the merger to DKK 379 million.

Impairment of loans and guarantees etc.

In H1 2021, the Bank made a net reversal of impairment losses of DKK 34 million. The majority of these reversals were in the segments other business and retail banking, whereas there were impairment losses of DKK 105 million relating to agricultural customers.

At 30 June 2021, the Bank's total impairment provision in response to economic uncertainty amounted to DKK 258 million, corresponding to 2% of total lending. This provision based on a management estimate was lower than the DKK 289 million provision at 31 March 2021. Since 31 December 2020, the Bank has individualised part of the provision relating to uncertainty regarding settlement prices and portfolio values in the agricultural sector. As a result, the changes in the provision for economic uncertainty did not affect the profit for H1 2021.

The Bank believes that the state of the economy remains subject to considerable risk, particularly in relation to the consequences of the phase-out and winding up of the government's coronavirus relief programmes. Uncertainty surrounding the supply chain disruption and rising raw materials prices contribute to the risk exposure.

Management's review

Financial review

In the agricultural segment, both pig farmers and dairy farmers have experienced rising settlement prices in 2021, and settlement prices are still generally considered to be at satisfactory levels across the agricultural sector.

Part of the Bank's loans to the fishing industry is affected by quota reductions, which are mainly due to the Brexit agreement between the EU and the United Kingdom. It remains to be seen whether the industry will receive compensation for the quota reductions, but the Bank believes its exposure is covered by the impairment provision for economic uncertainty.

The table below shows a breakdown of the Bank's loans and guarantees for and impairment allowances on agricultural exposures by sub-sectors, real estate, other business and the retail banking segment.

Distribution of loans and guarantees at 30 June 2021 (DKKm)	Loans and guarantees before impairment	Acc. impairment	Loans and guarantees after impairment	Impairment for the period
Dairy farmers	2,150	582	1,568	94
Pig breeders	1,151	272	879	-5
Other agriculture	1,103	154	949	16
Agriculture, total	4,404	1,008	3,396	105
Real estate	3,106	191	2,915	1
Other business	8,612	726	7,886	-98
Business, total	16,122	1,925	14,197	8
Retail	12,509	337	12,172	-42
Total	28,631	2,262	26,369	-34

The Bank's accumulated impairment ratio at 30 June 2021 stood at 7.9%, compared with 14.6% at 30 June 2020. At 30 June 2021, the Bank had impairment losses taken over totalling DKK 667 million, which is not recognised in the accumulated impairment. The impairment losses taken over concern stage 3 impairment relating to mergers – primarily the merger with Den Jyske Sparekasse. If the DKK 667 million in impairment taken over is included, this would result in accumulated impairment for the Bank of DKK 2,928 million, for an accumulated impairment ratio of 10.2%.

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

Accumulated Impairments and provisions by sector	H1 2021 DKKm	H1 2021 (%)	FY 2020 DKKm	FY 2020 (%)
Public authorities	-	0%	-	0%
Agriculture, hunting and forestry	1,008	45%	957	45%
Fishery	69	3%	114	5%
Manufacturing industry and raw materials	50	2%	46	2%
Energy supply	49	2%	56	3%
Construction and civil engineering	55	2%	44	2%
Trade	111	5%	92	4%
Transportation, hotels and restaurant businesses	106	5%	99	5%
Information and communications	7	0%	5	0%
Financing and insurance	173	8%	196	9%
Real estate	191	8%	195	9%
Other business	105	5%	83	4%
Private	337	15%	262	12%
Accumulated Impairments and provisions, total	2,261	100%	2,149	100%

Management's review

Financial review

Statement of financial position

Vestjysk Bank's total assets stood at DKK 41.1 billion at 30 June 2021, against DKK 23.1 billion at 31 December 2020.

The increase was due to the merger with Den Jyske Sparekasse.

Loans

At 30 June 2021, Vestjysk Bank's net loans amounted to DKK 16.4 billion, against DKK 9.3 billion at 31 December 2020. The merger with Den Jyske Sparekasse increased the loan portfolio by DKK 6.9 billion.

At 30 June 2021, loans to retail customers accounted for 46% of the Bank's net loans and guarantees.

The Bank's business lending is mainly concentrated within the agricultural and real estate sectors. Loans, advances and guarantees to the agricultural sector accounted for 13% of net loans and guarantees, while real estate accounted for 11%. The Bank's overall exposure to these sectors thus amounted to 24% of total net loans and guarantees. The Bank complies with the internal goal that no individual sector should exceed 15% of total net loans and guarantees.

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

Loans and guarantees by sector	H1 2021	H1 2021	FY 2020	FY 2020
	DKKm	(%)	DKKm	(%)
Public authorities	-	0%	-	0%
Agricult., hunt., forestry	3,396	13%	1,891	13%
Fishing	721	3%	668	5%
Manufac. indus., raw mat. Ext.	865	3%	479	3%
Energy supply	781	3%	301	2%
Constr., civil engin. contract.	1,051	4%	488	3%
Trade	1,169	5%	639	5%
Transp., restaur., hotel busin.	704	3%	478	3%
Information and comm.	130	0%	79	1%
Financing and insurance	1,108	4%	510	4%
Real estate	2,916	11%	1,776	12%
Other industries	1,356	5%	779	5%
Retail	12,172	46%	6,445	44%
Loans and guarantees, Total	26,369	100%	14,534	100%

The credit quality of the Bank's total loans and guarantees is illustrated in the table below.

Loans, guarantees and unutilised credit lines by credit quality	H1 2021		H1 2021	
	DKKm	(%)	DKKm	(%)
Normal credit quality	23,701	58%	12,747	54%
Some signs of weakness	11,591	28%	6,513	28%
Significant signs of weakness without impairment	1,836	4%	762	3%
Impaired loans	4,083	10%	3,467	15%
Loans, guarantees and unutilised credit lines, Total	41,211	100%	23,489	100%

Management's review

Financial review

Large exposures

The 20 largest exposures represented 87.1% of the Bank's common equity tier 1 capital, which is below the FSA's supervisory diamond benchmark of 175%.

Business volume including custody services

Vestjysk Bank's business volume including custody services and arranged mortgage loans amounted to DKK 134.6 billion at 30 June 2021. This was in line with the goal of DKK 130 billion expressed in connection with the merger.

The positive trend in arranged mortgage loans continued. Mortgage lending is growing, both to business customers and retail customers. In H1 2021 alone, lending grew by DKK 3 billion reflecting the high level of activity in the housing market.

Business volume	H1 2021	Pro forma FY 2020	FY 2020
	DKKkm.	DKKkm	DKKkm
Net loans	16,429	16,285	9,332
Deposits	24,513	24,377	13,409
Pools	8,696	8,170	5,426
Contingent liabilities	9,940	8,270	5,202
Custody services	18,387	16,574	10,040
Arranged mortgage loans	56,585	53,584	33,447
Business volume, including custody accounts and arranged mortgaged loans	134,550	127,260	76,856

Deferred tax asset

An additional portion of the Bank's unrecognised deferred tax asset was recognised in H1 2021, which was driven by an increase in the Bank's expected future earnings capacity after the merger with Den Jyske Sparekasse. The Bank remains confident that part of the deferred tax asset can be expected to be utilised within the next three years based on cautious earnings expectations. A further deferred tax asset of DKK 82 million was recognised, bringing the total to DKK 180 million. Of this amount, DKK 167 million related to unutilised tax losses set off against total capital.

Management's review

Financial review

Capital and liquidity

Equity

Vestjysk Bank's equity stood at DKK 5,049 million at 30 June 2021, against DKK 3,245 million at 31 December 2020. The positive development in equity since 31 December 2020 was attributable to the merger with Den Jyske Sparekasse and the recognition of its profit in H1 2021. Developments in equity since 1 January 2020 are detailed in the statement of changes in equity.

Common equity tier 1 capital

At 30 June 2021, the Bank's common equity tier 1 capital stood at DKK 4,094 million. Combined with the total risk exposure of DKK 22,817 million, this equalled a common equity tier 1 capital ratio of 17.9%.

Additional tier 1 capital

The Bank's subordinated debt amounted to DKK 301 million at 30 June 2021 and was eligible for full inclusion in total capital.

Tier 2 capital

The Bank's tier 2 capital amounted to DKK 597 million at 30 June 2021 and was eligible for full inclusion in total capital.

Total capital

Overall, total capital amounted to DKK 4,991 million at 30 June 2021. Combined with the total risk exposure of DKK 22,817 million, this equalled a total capital ratio of 21.9%.

Total capital is specified in note 20 to the financial statements.

Capital requirements

Adequate total capital amounted to DKK 2,406 million at 30 June 2021. Combined with the total risk exposure of DKK 22,817 million, this equalled an individual solvency need of 10.5%. At 30 June 2021, the capital conservation buffer stood at 2.5 percentage points and the countercyclical buffer had been reduced to 0% due to the COVID-19 pandemic.

The capital requirements amounted to 13.0% in aggregate, corresponding to DKK 2,976 million.

Accordingly, Vestjysk Bank's excess total capital cover was 8.9 percentage points or DKK 2,037 million.

As shown below in the section XXXX, as of the end of May 2021, Vestjysk Bank is a part of the Arbejdernes Landsbank Group. In connection with Arbejdernes Landsbank acquiring the shareholding majority of Vestjysk Bank, Arbejdernes Landsbank has been designated a SIFI. As a result of the SIFI designation, Arbejdernes Landsbank and each bank of the Group must comply with a special SIFI buffer requirement of 1 percentage point. The SIFI buffer requirement must be met by the end of 2022 with common equity tier 1 capital. For Vestjysk Bank, the effect of the SIFI designation means that the target for common equity tier 1 capital must be raised to 15.5% from the existing level of 14.5%. At 30 June 2021, the Bank's common equity tier 1 capital ratio was 17.9%.

Minimum requirement for eligible liabilities (MREL requirement)

The Danish FSA and Finansielt Stabilitet have prepared plans for the resolution of failing banks pursuant to the Danish Financial Business Act. In relation to these plans, the authorities must for each bank lay down a minimum requirement for the amount of eligible liabilities (MREL requirement) in accordance with the specific resolution principle determined by the authorities for each individual bank.

Vestjysk Bank's current MREL add-on has been determined at 6% of risk-weighted exposures. The MREL add-on is phased in successively over the period from 1 January 2019 to 1 July 2023, and full compliance is thus not required until 1 July 2023. At 30 June 2021, the Bank's MREL add-on was 1.9 percentage points. With the addition of the solvency need ratio, the Bank's total MREL requirement at 30 June 2021 was 12.4% of risk-weighted exposures plus the combined capital buffer requirement.

Due to the above-referenced designation of Arbejdernes Landsbank as a SIFI, Vestjysk Bank must comply with the other capital adequacy requirements for SIFI banks. Initially, this means Vestjysk Bank will be allocated an MREL add-on equal to the sum of the individual solvency need, the capital conservation buffer and the SIFI buffer. Given the current individual solvency need of 10.5%, this would mean an MREL add-on of 14.0 percentage points. This would mean the Bank's combined MREL requirement incl. the SIFI buffer at 30 June 2021 would have been 28.0%. At 30 June 2021, the Bank's MREL capital ratio was 23.5%. The Bank must initially phase in the current MREL add-on of 8% by 1 July 2023. During autumn 2021, the total phasing in process is expected to [[be in place]].

The Bank's capital plans provide for the issue of adequate non-preferred senior debt to cover the MREL requirement plus a comfortable buffer. Some of the planned issues in the amount of DKK 140 million and DKK 180 million, respectively, took place in March and June 2021.

Liquidity

At 30 June 2021, the Bank's Liquidity Coverage Ratio (LCR) stood at 291.9%, relative to the LCR requirement of 100%.

The Bank's Net Stable Funding Ratio (NSFR) was 136.1% at 30 June 2021 relative to the NSFR requirement of 100%.

Share capital

Vestjysk Bank's share capital totalled DKK 1,234 million at 30 June 2021. The share capital consists of 1,233,573,501 shares with a nominal value of DKK 1 each, and the Bank has some 59,000 registered shareholders.

As mentioned in the Bank's interim report for Q1 2021, Vestjysk Bank stated in a company announcement dated 24 March 2021 on inside information – "Potential mandatory public offer", that Nykredit Realkredit A/S will transfer 11.5% of the share capital of Vestjysk Bank A/S, and AP Pension Livsforsikringsaktieselskab will transfer 16.8% of the share capital in Vestjysk Bank A/S to Aktieselskabet Arbejdernes Landsbank.

The transaction was completed on 31 May 2021, after which Arbejdernes Landsbank held around 60.8% of Vestjysk Bank's share capital. As a result, Vestjysk Bank became a subsidiary of the Arbejdernes Landsbank Group.

On 7 June 2021, Arbejdernes Landsbank announced a mandatory offer to all shareholders of Vestjysk Bank. The offer price in the offer was DKK 3.45 per share.

The final result of the mandatory takeover offer was available on 9 July 2021. The result showed that during the offer period Arbejdernes Landsbank had received valid acceptances regarding 79,356,644 shares, corresponding to 6.4% of the share capital. In addition, Arbejdernes Landsbank has acquired an additional 67,087,891 shares in the market during the offer period, corresponding to 5.5% of the share capital. Overall, Arbejdernes Landsbank thus holds 72.7% of the share capital and is now the only major shareholder of Vestjysk Bank.

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

Management's review

Financial review

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.

Supervisory Diamond Benchmarks	Danish FSA's requirements	Vestjysk Bank
Sum of large exposures	< 175%	87.1%
Lending growth	< 20%	72.8%
Real estate exposure	< 25%	11.6%
Funding ratio	< 1	0.43
Liquidity benchmark	>100%	300.9%

Lending growth exceeds the Danish FSA's benchmark requirement because of the merger with Den Jyske Sparekasse.

Other matters

The strongest local bank in Denmark

After the merger with Den Jyske Sparekasse, Vestjysk Bank has become one of the largest banks in Denmark, and our ambitious goal is to become the strongest local bank in Denmark for the benefit of customers, shareholders and employees.

Our goals are to:

- create a leading Group 2 bank delivering strong financial results;
- offer valuable customer services and competitive products on the basis of deep knowledge of and proximity to our customers;
- continue the strong commitment to the Bank's local communities;
- be an attractive and stimulating workplace with highly skilled employees.

The merger will build the Bank's scale and thus improve its ability to develop and offer customers new services and products. Following the merger, the business volume is expected to be around DKK 130 billion.

2021 is expected to be the year in which the Bank achieves the synergies made possible by the merger, so as to achieve the following goals in 2022 and the following years:

- Profitability – a return on equity after tax of at least 9.0%;
- Efficiency – a cost ratio below 55%;
- Capital – a common equity tier 1 capital ratio of at least 14.5%;
- Dividend capacity – a payout ratio of between 25% and 50% of the profit for the year.

Achieving the Bank's goals will lead to high profitability and a strong capital base, creating a foundation for additional growth and geographical expansion.

With the financial statements for H1 2021, the Bank is well on the way to achieving these goals.

Outlook for 2021

In connection with its annual report for 2020, the Bank guided for a profit after tax in the range of DKK 500-550 million for 2021, adjusted for non-recurring items resulting from the merger with Den Jyske Sparekasse. The Bank also announced expectations for an overall profit including non-recurring items after tax of about DKK 800-900 million.

On 9 August 2021, Vestjysk Bank upgraded its guidance for 2021. The Bank raised its forecast net of non-recurring items relating to the merger with Den Jyske Sparekasse to a profit after tax of DKK 575-625 million. The Bank also raised its expectations for an overall profit including non-recurring items after tax to DKK 900-1,000 million.

Financial calendar 2021

- 18 November Quarterly Report, Q3

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 if they are a common denomination of several items. The Bank is aware of the need for these to be applied consistently and with comparative figures.

The applied performance measures are defined below.

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 and arranged mortgage loans	The sum of Loans, Guarantees, Deposits, including pooled funds, Customer services and arranged mortgage loans.

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 2021 of Vestjysk Bank A/S.

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

In our opinion, the accounting policies applied are appropriate and the financial statements present a true and fair view of the Company's assets and liabilities and financial position as at 31 March 2021, and of the results of the Bank's activities for the reporting period 1 January – 30 June 2021.

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 interim report has not been audited or reviewed, but the external auditor has verified the profit. This verification included procedures consistent with the requirements relating to a review. Hence, it was ascertained that the conditions for ongoing recognition of the profit for the period in common equity tier 1 capital were met.

Herning, 17 August 2021

Directors

.....
Jan Ulsø Madsen
Chief Executive Officer

.....
Claus E. Petersen
Deputy Chief Executive Officer

.....
Michael Nelander Petersen
Managing Director

.....
Torben Sørensen
Managing Director

Management's statement

Board of Directors

.....
Kim Duus
Chairman

.....
Niels Fessel
Deputy Chairman

.....
Lars Langhoff

.....
Jan Nordstrøm

.....
Lars Holst

.....
Bent Simonsen

.....
Claus Jensen

.....
Bolette van Ingen Bro

.....
Hanne Træholt Odegaard

.....
Jacob Møllgaard

.....
Mette Holmegaard Nielsen

.....
Karsten Westergård Hansen

.....
Steen Louie

Half-year report

Statements of income and comprehensive income

Note	H1 2021 DKK'000	H1 2020 DKK'000	Q1 2021 DKK'000	Q2 2020 DKK'000	FY 2020 DKK'000
Statement of Income					
2 Interest income	387,814	245,943	204,536	123,286	490,237
2a Negative interest income	10,862	4,313	6,415	1,957	7,642
3 Interest expenses	27,975	15,259	14,798	7,387	30,247
3a Negative interest expenses	45,608	14,298	23,679	9,099	33,820
Net interest income	394,585	240,669	207,002	123,041	486,168
Dividends on shares etc.	12,963	8,691	12,482	8,468	8,840
4 Income from fees and commissions	319,361	176,052	166,364	84,065	359,496
Fees and commissions paid	24,549	15,268	13,417	7,705	33,256
Net interest and fee income	702,360	410,144	372,431	207,869	821,248
5 Value adjustments	43,974	14,338	12,144	18,359	64,659
Other operating income	484,148	235	5,259	37	686
6 Staff costs and administrative expenses	553,402	241,041	259,487	117,946	510,253
Depreciation, amortisation and impairment of tangible assets	23,001	5,365	10,436	2,681	17,489
Other operating expenses	3,181	1,283	2,523	626	2,534
7 Impairment of loans and receivables, etc.	-34,480	23,633	-56,409	11,740	28,533
Income from investments in associates	13,827	0	12,544	0	0
Profit/loss from operations in the process of being wound up	-46	0	-26	0	0
Profit before tax	699,159	153,395	186,315	93,272	327,784
Tax	-24,544	10,960	10,938	7,924	25,233
Profit after tax	723,703	142,435	175,377	85,348	302,551
Statement of comprehensive income					
Profit after tax	723,703	142,435	175,377	85,348	302,551
Other comprehensive income:					
Change in the value of owner-occupied properties	3,170	0	1,994	0	0
Changes in the value of pension obligations	0	0	0	0	-661
Other comprehensive income after tax	3,170	0	1,994	0	-661
Total comprehensive income	726,873	142,435	177,371	85,348	301,890

Half-year report

Statement of financial position

Note	30 June 2021 DKK'000	30 June 2020 DKK'000	31 Dec. 2020 DKK'000
Assets			
	4,679,116	404,752	364,364
	325,507	523,302	569,359
	16,428,605	9,507,294	9,331,543
	8,585,161	5,293,131	6,159,587
	829,562	514,431	546,932
	121,702	0	0
	8,696,358	4,962,217	5,426,277
11 Intangible assets	109,729	0	0
Land and buildings, total	471,533	274,943	235,986
12 Investment property	80,534	0	0
13 Owner-occupied property	325,705	261,075	235,986
13 Owner-occupied property, leased	65,294	13,868	28,967
Other property, plant and equipment	5,257	3,722	2,545
Current tax assets	0	0	1,193
14 Deferred tax assets	180,000	98,000	98,000
Assets held for sale	3,171	963	0
15 Other assets	594,371	269,594	323,294
Prepayments	31,147	18,978	17,005
Assets total	41,061,219	21,871,327	23,105,052

Financial statements

Statement of financial position

Note	30 June 2021 DKK'000	30 June 2020 DKK'000	31 Dec. 2020 DKK'000
Equity and liabilities			
Debts			
	436,263	114,492	22,445
	24,512,774	12,681,455	13,409,203
	8,696,358	4,962,217	5,426,277
16	377,970	0	0
	55,890	8,565	0
17	1,172,670	576,646	550,630
	27,398	8	15
	35,279,323	18,343,383	19,408,570
Provisions			
	26,813	15,265	15,316
8	28,238	18,896	22,176
8	80,486	54,245	66,133
	135,537	88,406	103,625
18	596,884	347,488	347,961
Equity			
19	1,233,574	895,982	895,982
	64,446	47,449	47,449
	599,492	0	0
	1,247,284	551,600	551,600
	1,597,712	1,442,019	1,594,865
	4,742,508	2,937,050	3,089,896
	306,967	155,000	155,000
	5,049,475	3,092,050	3,244,896
	41,061,219	21,871,327	23,105,052

Financial statements

Statement of changes in equity

DKK'000	Share capital	Share premium	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Retained earnings	Shareholder equity, total	Additional tier 1 capital holders *)	Equity, total
Equity, 1 January 2021	895,982	0	47,449	551,600	1,594,865	3,089,896	155,000	3,244,896
Profit after tax for the period					712,733	712,733	10,970	723,703
Revaluation reserve, associates			13,827		-13,827	0		0
Other comprehensive income after tax			3,170		0	3,170		3,170
Total comprehensive income	0	0	16,997	0	698,906	715,903	10,970	726,873
Issue of shares on merger	337,592	599,492				937,084		937,084
Additions on merge						0	100,000	100,000
Reclassification of reserves on merger				695,684	-695,684	0		0
Issue of additional tier 1 capital					-375	-375	95,700	95,325
Redemption of additional tier 1 capital						0	-50,000	-50,000
Interest on additional tier 1 capital						0	-4,703	-4,703
Additions relating to sale of own shares					41,340	41,340		41,340
Disposals relating to purchase of own shares					-41,340	-41,340		-41,340
Equity, 30 June 2021	1,233,574	599,492	64,446	1,247,284	1,597,712	4,742,508	306,967	5,049,475
Equity, 1 January 2020	895,982	0	47,449	551,600	1,306,136	2,801,167	155,000	2,956,167
Profit after tax for the period					135,883	135,883	6,552	142,435
Total comprehensive income	0	0	0	0	135,883	135,883	6,552	142,435
Interest on additional tier 1 capital							-6,552	-6,552
Additions relating to sale of own shares					29,527	29,527		29,527
Disposals relating to purchase of own shares					-29,527	-29,527		-29,527
Equity, 30 June 2020	895,982	0	47,449	551,600	1,442,019	2,937,050	155,000	3,092,050
Equity, 1 January 2020	895,982	0	47,449	551,600	1,306,136	2,801,167	155,000	2,956,167
Profit after tax for the period					289,390	289,390	13,161	302,551
Other comprehensive income after tax					-661	-661		-661
Total comprehensive income	0	0	0	0	288,729	288,729	13,161	301,890
Interest on additional tier 1 capital							-13,161	-13,161
Additions relating to sale of own shares					49,924	49,924		49,924
Disposals relating to purchase of own shares					-49,924	-49,924		-49,924
Equity, 31 December 2020	895,982	0	47,449	551,600	1,594,865	3,089,896	155,000	3,244,896

Financial statements

Statement of changes in equity

The reserves provided in the Bank's Articles of Association, amounting to DKK 551.6 million arose in connection with Vestjysk Bank's capital reduction in 2013. The DKK 695.7 million addition to reserves stems from the merger with Den Jyske Sparekasse. The non-distributable reserve consists of DKK 568.7 million transferred on Den Jyske Sparekasse's conversion into a limited liability company in June 2018 and DKK 127 million relating to a transfer from guarantee capital to reserves provided for in the Articles of Association in connection with amendments made to the Articles of Association in the spring of 2015. The reserves provided for in the Bank's Articles of Association are not distributable as dividends but may be used to cover losses that cannot be covered by distributable elements.

***) 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 capital meets the tier 2 capital requirements under CRR/CRD IV.

Additional tier 1 capital DKK 155 million

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

Additional tier 1 capital DKK 50 million

There is an option of early redemption, subject to approval by the Danish Financial Supervisory Authority, on 26 June 2023. The capital accrues interest at 7,5% until 26 June 2023, 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.

Additional tier 1 capital DKK 50 million

There is an option of early redemption, subject to approval by the Danish Financial Supervisory Authority, on 12 March 2026. The capital accrues interest at 4,75% until 12 March 2026, 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.

Additional tier 1 capital DKK 45,7 million

There is an option of early redemption, subject to approval by the Danish Financial Supervisory Authority, on 25 January 2026. The capital accrues interest at 5,75% until 25 January 2026, 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.

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Note

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3a	Negative interest expenses
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Notes

Note

1 **Accounting policies**

Vestjysk Bank's interim report for the period 1 January - 30 June 2021 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, etc.

Except for the changes below the accounting policies are consistent with those applied in the 2020 Annual Report, which contains a full description of those policies.

Measuring certain assets and liabilities requires Management estimates of how future events will affect the value of such assets and liabilities. Estimates material to the financial reporting are for example made in connection with the determination of impairment allowances according to an expected loss model, fair values of unlisted financial instruments and provisions. For more details, see the 2019 Annual Report. The applied estimates are based on assumptions that Management considers reasonable, but which are inherently uncertain.

The Bank's significant risks and external conditions that may affect the Bank are described in greater detail in the 2020 Annual Report.

New accounting policies

In connection with the merger with Den Jyske Sparekasse at 14 January 2021, the Bank has applied new accounting policies regarding items that were not previously part of the Bank's financial statements.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the date of acquisition or establishment. Enterprises disposed of or wound up are recognised in the statement of income until the date of disposal or winding up. Acquisitions are accounted for using the purchase method, according to which the identifiable assets and liabilities of acquired enterprises are measured at fair value at the date of acquisition. The tax effect of revaluations is taken into account.

Any positive difference between the cost of an acquired investment over the fair value of the acquired assets and liabilities (goodwill) is recognised as an asset under intangible assets and written down on evidence of impairment. Any negative difference (badwill) is recognised as income in the statement of income.

Impairment losses taken over

In connection with business combinations, the Bank amortises impairment on acquired stage 3 exposures (exposures that were credit-impaired on initial recognition) over the expected remaining term to maturity.

Investments in associates

Investments in associates are recognised and measured according to the equity method, which means that the investments are measured at the proportionate share of the company's net asset value.

Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
2 Interest income			
Receivables from credit institutions and central banks	5	44	53
Loans and other receivables	377,565	239,458	474,544
Bonds	7,820	6,246	14,335
Derivative financial instruments	2,394	195	1,304
Other interest income	30	0	1
Total	387,814	245,943	490,237
2a Negative interest income			
Receivables from credit institutions and central banks	6,467	1,314	2,730
Bonds	4,395	2,999	4,912
Total	10,862	4,313	7,642
3 Interest expenses			
Deposits and other debt	9,116	5,071	9,683
Issued bonds	1,809	0	0
Subordinated debt	16,690	10,076	20,226
Other interest expenses	360	112	338
Total	27,975	15,259	30,247
3a Negative interest expenses			
Credit institutions and central banks	0	147	163
Deposits and other debt	45,608	14,151	33,657
Total	45,608	14,298	33,820
4 Income from fees and commissions			
Securities trading and custody services	73,781	41,898	86,163
Payment services	40,676	24,801	49,366
Loan processing fees	70,697	20,227	46,082
Guarantee commission	49,711	27,598	56,808
Other fees and commissions	84,496	61,528	121,077
Total	319,361	176,052	359,496
5 Value adjustments			
Other loans and receivables at fair value	-3,247	0	0
Bonds	-9,254	2,344	16,053
Shares, etc,	34,867	5,541	33,872
Investment property	-7	0	0
Foreign currency	13,610	5,590	12,330
Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial in- struments	5,224	1,515	3,324
Assets related to pooled schemes	643,683	-434,595	-11,989
Deposits with pooled schemes	-643,683	434,595	11,989
Other assets	-533	-652	-920
Other liabilities	3,314	0	0
Total	43,974	14,338	64,659

Financial statements

Notes

Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
6 Staff costs and administrative expenses			
Staff costs:			
Wages and salaries	234,256	113,703	237,300
Pensions	29,376	13,712	28,329
Payroll tax	34,620	19,266	39,289
Expenses relating to social security contributions etc.	5,018	790	2,259
Total	303,270	147,471	307,177
Average number of employee (FTE)	678.9	393.9	394.7
Other administrative expenses:			
IT expenses	174,686	67,834	139,795
Rent, electricity and heat	12,543	4,357	9,208
Postage, telephone etc.	2,024	764	1,679
Other administrative expenses	60,879	20,615	52,394
Total	250,132	93,570	203,076
Total	553,402	241,041	510,253
Salaries and remuneration of the Board of Directors and Executive Board are included in staff costs in the following amounts			
Board of directors			
Fixed remuneration	1,786	1,322	2,755
Executive board			
Fixed remuneration	7,004	3,274	6,590
Pension	171	163	329
Total	7,175	3,437	6,919
Value of benefits executive board	242	142	279

No bonus programmes, incentive programmes or similar remuneration programmes have been agreed with the members of the Executive Board.

Jan Ulsø Madsen, Chief Executive Officer

The Bank does not make contributions to any pension schemes.

Jan Ulsø Madsen may resign giving 6 months' notice, and the Bank may terminate his employment giving 12 months' notice.

If the Bank terminates Jan Ulsø Madsen's employment in connection with a merger, a transfer of shares or the voting majority, or the transfer of all assets and activities, Jan Ulsø Madsen will be entitled to a special severance payment equal to 12 months' salary in addition to his salary during the notice period.

Claus E. Petersen, Deputy Chief Executive Officer

The Bank does not make contributions to any pension schemes.

Claus E. Petersen may resign giving 6 months' notice, and the Bank may terminate his employment giving 12 months' notice. If the Bank terminates Claus E. Petersen's employment, he will receive severance pay equal to 12 months' salary in addition to his salary during the notice period.

If the Bank terminates Claus E. Petersen's employment in connection with a merger, a transfer of shares or the voting majority, or the transfer of all assets and activities, Claus E. Petersen will be entitled to special a special severance payment equal to 12 months' salary in addition to his salary during the notice period and the above-mentioned severance pay.

Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000	
6	Staff costs include remuneration of the Board of Directors and the Executive Board in the following amounts (continued)			
<u>Torben Sørensen, Managing Director</u>				
The Bank does not make contributions to any pension schemes.				
Torben Sørensen's employment expires without notice at the end of June 2022. His employment is non-terminable by the Bank, but Torben Sørensen may resign giving 6 months' notice.				
<u>Michael Nelander Petersen, Managing Director</u>				
The Bank contributes 12.25% of Michael Nelander Petersen's salary to a defined contribution plan.				
Michael Nelander Petersen may resign giving 6 months' notice, and the Bank may terminate his employment giving 12 months' notice.				
If the Bank terminates Michael Nelander Petersen's employment in connection with a merger, a transfer of shares or the voting majority, or the transfer of all assets and activities, Michael Nelander Petersen will be entitled to a special severance payment equal to 12 months' salary in addition to his salary during the notice period.				
7	Impairment of loans and receivables, etc.			
	Impairment of loans and other receivables in the statement of income	490,112	368,051	572,166
	Reversal of impairment charges in prior financial years	-489,736	-324,946	-517,045
	Loans with no prior individual impairment/provisions, written off	5,728	1,274	28,315
	Recovered on previously written off debts	-15,562	-8,660	-58,242
	Total	-9,458	35,719	25,194
	Provisions for losses on guarantees and unused credit commitments in the financial statement			
	Impairments for the period	46,539	29,582	61,277
	Reversal of provisions in prior financial years	-71,561	-41,668	-57,938
	Total	-25,022	-12,086	3,339
	Impairment of loans and other receivables, end of the reporting period	-34,480	23,633	28,533
	Interest income on impaired loans is offset against impairment in the amount of	27,279	25,083	40,739

Financial statements

Notes

Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
8			
Impairments of loans and receivables and provisions on guarantees and unutilised credit lines			
Impairment of loans and receivables.			
Stage 1 (absence of significant increase in risk assessment)			
Impairment, beginning of the reporting period	25,381	45,111	45,111
New impairments, new exposures	20,784	8,020	10,388
Reversed impairments repaid accounts	-66,513	-76,723	-71,655
Change in impairments, beginning of period to/from stage 1	-2,964	-7,651	-14,215
Change in impairments, beginning of period to/from stage 2	19,765	28,740	21,584
Change in impairments, beginning of period to/from stage 3	40,775	27,807	28,144
Impairments due to change in credit risk	10,450	8,247	6,024
Impairment, end of the reporting period	47,678	33,551	25,381
Stage 2 (significant increase in risk assessment)			
Impairment, beginning of the reporting period	63,689	75,845	75,845
Impairment, addition from merger	51,943	-	-
New impairments, new exposures	20,110	8,038	15,572
Reversed impairments repaid accounts	-78,107	-67,574	-70,043
Change in impairments, beginning of period to/from stage 1	2,574	6,461	11,570
Change in impairments, beginning of period to/from stage 2	-31,679	-30,372	-28,043
Change in impairments, beginning of period to/from stage 3	38,421	45,570	37,161
Impairments due to change in credit risk	228,558	24,863	21,627
Impairment, end of the reporting period	295,509	62,831	63,689
Stage 3 (credit-impaired)			
Impairment, beginning of the reporting period	2,001,640	2,198,643	2,198,643
New impairments, new exposures	76,504	128,961	155,037
Reversed impairments repaid accounts	-362,336	-336,109	-472,599
Change in impairments, beginning of period to/from stage 1	390	1,190	2,645
Change in impairments, beginning of period to/from stage 2	11,914	1,632	6,459
Change in impairments, beginning of period to/from stage 3	-79,196	-73,376	-65,305
Impairments due to change in credit risk	340,712	346,562	459,715
Impairments lost	-127,126	-166,580	-323,695
Other movements	27,279	25,083	40,740
Impairment, end of the reporting period	1,889,781	2,126,006	2,001,640
Loans, credit-impaired at initial recognition			
Impairment, beginning of the reporting period (acquired impairment)	35,877	52,246	52,246
Impairment, addition from merger	865,022	-	-
New impairments	0	149	2,060
Reversed impairments	-189,786	-1,329	-1,006
Impairments lost	-44,011	-12,567	-17,423
Impairment, end of the reporting period	667,102	38,499	35,877

Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
8 Provisions for losses on guarantees			
Provisions, beginning of the reporting period	22,176	25,762	25,762
Addition from merger	13,705	-	-
New provisions, new exposures	4,402	181	2,274
Reversed provisions for losses at repaid accounts	-14,146	-8,212	-14,571
Provision during the period due to change in credit risk	2,101	1,165	8,968
Provisions, lost	0	0	-257
Provisions, end of the reporting period	28,238	18,896	22,176
Overall accumulated impairment of loans and receivables and provisions for losses on guarantees	2,261,206	2,279,783	2,148,763
Accumulated impairment ratio	7.9%	14.6%	12.9%
Provisions for losses on unused credit commitments		-14,020	
Provisions beginning of the reporting period	66,133	59,466	59,466
Addition from merger	31,399	-	-
New provisions, new exposures	4,604	2,359	4,462
Reversed provisions for losses at repaid accounts	-60,274	-35,317	-45,949
Provision during the period due to change in credit risk	38,291	27,737	48,154
Provisions, end of the reporting period	80,153	54,245	66,133
9 Receivables for which accrual of interest has been discontinued			
Receivables for which accrual of interest has been discontinued, end of the reporting period	1,558,955	1,000,884	1,209,302
Total impairment charge thereon	1,160,914	826,074	758,278
Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	8.4%	8.5%	10.6%
10 Tax			
Current tax	60,068	10,960	25,152
Deferred tax	-82,000	0	0
Adjustment of current tax for prior years	-2,612	0	81
Total	-24,544	10,960	25,233
Applicable tax rate reduced from 22% to -3.5%			
Current tax rate	22.0%	22.0%	22.0%
Use of losses from previous years	-13.0%	-11.3%	-12.1%
Tax-free value adjustments	-0.3%	-1.2%	-1.7%
Deferred tax asset	-11.7%	0.0%	0.0%
Other adjustment	-0.1%	-2.4%	-0.5%
Adjustments of taxes prior year	-0.4%	0.0%	0.0%
Effective tax rate	-3.5%	7.1%	7.7%

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Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
11 Intangible assets			
Customer relationships and goodwill			
Total acquisition price, beginning of the period	14,964	14,964	14,964
Additions on merger	119,613	0	0
Total acquisition price, end of the period	134,577	14,964	14,964
Amortisation and impairment, beginning of the period	14,964	14,964	14,964
Amortisation and impairment for the period	9,884	0	0
Amortisation and impairment, end of the period	24,848	14,964	14,964
Carrying amount, end of the period	109,729	0	0
Other intangible assets			
Total acquisition price, beginning of the period	1,416	1,416	1,416
Additions	0	0	0
Total acquisition price, end of the period	1,416	1,416	1,416
Amortisation and impairment, beginning of the period	1,416	1,399	1,399
Amortisation and impairment for the period	0	17	17
Amortisation and impairment, end of the period	1,416	1,416	1,416
Carrying amount, end of the period	0	0	0
Total	109,729	0	0
12 Investment property			
Fair value, beginning of the period	0	425	425
Additions on merger	33,014	0	0
Additions	48,405	0	0
Disposals	885	425	425
Fair value, end of the period	80,534	0	0
13 Owner-occupied property			
Revalued amount, beginning of the period	235,986	261,684	261,684
Additions from merge	153,650	0	0
Additions	0	1,496	1,496
Disposals	64,955	0	16,851
Depreciations	2,868	2,105	4,044
Changes in value recognised in other comprehensive income	3,170	0	0
Changes in value recognised in the statement of income	722	0	-6,299
Revalued amount, end of the period	325,705	261,075	235,986
The Bank's uses a return-based model to value its owner-occupied properties, based on estimated prices per square metre and return requirements. A return requirement of between 4.8% and 9% has been applied to properties in Jutland.			
Leased owner-occupied property			
Value of leases, beginning of the period	28,967	0	0
Value of leases recognised, change in accounting treatment	0	15,316	15,316
Recognised in statement of financial position, beginning period	28,967	15,316	15,316
Additions from merge	6,718	0	0
Depreciations	38,849	0	17,418
Changes in value recognised in the statement of income	9,240	1,448	3,767
Value of leases, end of the period	0	0	0
Total	65,294	13,868	28,967
Recognised in statement of financial position, beginning period	390,999	274,943	264,953

Note	H1 2021	H1 2020	FY 2020
	DKK'000	DKK'000	DKK'000
14 Deferred tax asset			
In 2012, the Bank reassessed the likelihood of utilising its deferred tax asset, following which the tax asset was written off.			
Vestjysk Bank assesses that part of the deferred tax asset can expectedly be utilised within the next three years based on cautious earnings expectations. Accordingly, an additional amount of DKK 82 million was recognised at 30 June 2021 for a total recognised amount of DKK 180 million. 167 mio. kroner af det skattemæssige underskud modregnes i kapitalopgørelsen (31.12.2020: 85 mio. kroner). The unrecognised tax asset amounted to DKK 371 million at 30 June 2021.			
15 Other assets			
Positive market value of derivative financial instruments	80,803	19,655	19,804
Interest and commission receivable	80,694	76,553	118,440
Investments in BEC	292,196	143,595	143,595
Other assets	140,678	29,791	41,455
Total	594,371	269,594	323,294
16 Issued bonds			
DKK 60 million fixed rate 3.00%, September 2024	60,000		
DKK 60 million accrued establishment costs	-210		
DKK 140 million floating rate 1.647%, March 2025	140,000		
DKK 140 million accrued establishment costs	-498		
DKK 180 million fixed rate 2.035%, June 2025	180,000		
DKK 180 million accrued establishment costs	-1,322		
Total	377,970	0	0
Issued bonds are classified as non-preferred debt, which may be included as MREL capital.			
17 Other liabilities			
Negative market value of derivative financial instruments	101,530	20,275	20,126
Various creditors	776,838	481,967	459,237
Interest and commission payable	30,423	31,524	15,295
Lease liabilities	76,058	14,280	32,393
Other liabilities	187,821	28,600	23,579
Total	1,172,670	576,646	550,630
18 Subordinated debt			
Tier 2 capital	596,884	347,488	347,961
Total	596,884	347,488	347,961
Charged as an expense under interest expenses/subordinated debt:			
Interest expenses	15,828	9,603	19,280
Costs related to incurrence and repayment	668	473	946
Total	16,496	10,076	20,226
Subordinated debt that can be included in the total capital	596,884	347,488	347,961
A nominal DKK 225 million will fall due on 16 August 2027 with an option for early redemption on 16 August 2022 subject to the Financial Supervisory Authority's approval. The capital accrues interest at a fixed 6.50% until 16 August 2022, after which it accrues interest at a floating rate of CIBOR6 plus a credit spread. The capital meets the tier 2 capital requirements under CRR/CRD IV.			
A nominal DKK 125 million will fall due on 28 August 2029 with an option for early repayment on 28 August 2024 subject to the Financial Supervisory Authority's approval. The capital accrues interest at a fixed 3.75% until 28 August 2028, after which it accrues interest at a floating rate of CIBOR6 plus a credit spread. The capital meets the requirements under CRR/CRD IV.			
A nominal DKK 250 million will fall due on 26 June 2028 with an option for early repayment on 26 June 2023 subject to the Financial Supervisory Authority's approval. The capital accrues interest at a fixed 3.75% until 28 August 2028, after which it accrues interest at a floating rate of CIBOR6 plus a credit spread at 5.5% currently 5.39%. The capital meets the requirements under CRR/CRD IV.			

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Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
19			
Share capital			
Share capital	1,233,574	895,982	895,982
Number of shares (units of DKK 1)	1,233,573,501	895,981,517	895,981,517
Number of own shares, beginning of the period			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	0
Percentage of the share capital	0.0%	0.0%	0.0%
Additions			
Purchase of own shares (thousands)	12,971	9,502	16,541
Nominal value DKK'000	12,971	9,502	16,541
Percentage of the share capital	1.1%	1.1%	1.8%
Total purchase price DKK'000	41,340	29,527	49,924
Disposals			
Sold own shares (thousands)	12,971	9,502	16,541
Nominal value DKK'000	12,971	9,502	16,541
Percentage of the share capital	1.1%	1.1%	1.8%
Total selling price DKK'000	41,340	29,527	49,924
Number of own shares, end of reporting period			
Number of own shares (thousands)	173	173	173
Nominal value DKK'000	173	173	173
Percentage of the share capital	0.0%	0.0%	0.0%
Own shares are intermediated, purchased and sold through the securities exchange as part of Vestjysk Bank's normal customer banking transactions. The Bank is not a direct counterparty in such transactions.			
Vestjysk Bank has a constant holding of own shares.			

Note	H1 2021	H1 2020	FY 2020
	DKK'000	DKK'000	DKK'000
20 Capital			
Shareholders' Equity	5,049,475	3,092,050	3,244,896
Tier 1 Capital	-300,700	-155,000	-155,000
Interest Tier 1 Capital	-6,267	0	0
Prudent valuation	-10,069	-8,069	-6,489
Intangible assets	-109,729	0	0
Deferred tax assets	-166,853	-83,707	-85,434
Investments in the sector	-283,125	-196,594	-215,841
Non Performing Exposures (NPE-deduction)	-79,186		
Common equity tier 1 capital	4,093,546	2,648,680	2,782,132
Additional tier 1 capital	300,700	155,000	155,000
Tier 1 capital	4,394,246	2,803,680	2,937,132
Tier 2 capital	596,884	347,488	343,598
Total capital	4,991,130	3,151,168	3,280,730
- Credit risk	19,686,818	10,691,303	10,376,551
- Market risk	1,467,823	1,139,034	1,264,788
- Operational risk	1,662,041	1,717,740	1,662,041
Total risk exposure	22,816,682	13,548,077	13,303,380
Common equity tier 1 capital ratio	17.9%	19.6%	20.9%
Tier 1 capital ratio	19.3%	20.7%	22.1%
Total capital ratio	21.9%	23.3%	24.7%
MREL- capital			
Total capital	4,991,130	3,151,168	3,280,730
MREL-capital	377,970	0	4,363
MREL- total capital	5,369,100	3,151,168	3,285,093
MREL-capital ratio	23.5%	23.3%	24.7%
21 Contingent assets			
Deferred tax asset at a tax rate of 22%	270,552	459,987	436,091
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 deferred tax asset presently. Therefore, the deferred tax is partly recognised at DKK 180 million in the financial statement.			
The remaining deferred tax asset is treated as a contingent asset which is not recognised in the Statement of Financial Position.			

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Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
22 Contingent liabilities			
Guarantees			
Financial guarantees	3,157,175	335,449	1,143,146
Loss guarantees on mortgage loans	3,871,608	2,122,370	2,209,108
Registration and remortgaging guarantees	951,747	234,003	450,655
Other contingent liabilities	1,959,598	1,138,180	1,399,149
Total	9,940,128	3,830,002	5,202,058
Other contingent liabilities' include, among other things, performance bonds, delivery guarantees as well as provisions of indemnity in relation to the Guarantee Fund.			
Other commitments			
Irreversible credit commitments	53,983	117,824	116,262
Other liabilities	16,303	0	0
Total	70,286	117,824	116,262
The Bank's membership of the BEC data centre means that in case of termination of the Bank's membership, it is liable to pay an exit fee of DKK 1,123 million.			
Security pledged			
Credit institutions:			
Margin accounts pledged as security in relation to financial derivatives	12,855	15,449	13,643
Deposited in the Danish Growth Fund	404	406	404
Bonds:			
Pledged as security for credit facility with Danmarks Nationalbank			
Total nominal value	1,088,863	1,233,882	1,098,139
Total market value	1,094,187	1,239,592	1,103,746
23 Hedge accounting			
To manage interest rate risk, the following are hedged: (fair value hedge):			
Loans at amortised cost	59,810	35,676	32,214
Hedged with interest rate swaps, maturity 2021-2039:			
Notional principal	44,302	34,567	31,661
Fair value	-15,508	-1,109	-553
Total fair value adjustment of hedging instruments	-3,197	613	1,169
Total fair value adjustment of hedged items	3,197	-613	-1,169
Ineffectiveness recognised in the statement of income	0	0	0

24 **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 price that will be received on sale of an asset or that must be paid to transfer an obligation in a normal market transaction at the time of measurement. In absence is the most advantageous market value at the time used.

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 is involving estimates, based on financial reports from the enterprise, previous trading of shares in the enterprise and input from qualified external party. The banks most essential investments in level 3 are: shares in PRAS A/S. The fair value in PRAS is based on net asset value. This share represents shareholdings in Nykredit and DLR kredit. The shares in Nykredit is not valued at net asset value, but at valuation per share the investors bought the shares for in 2017. The bank assesses the net asset value corresponds to the fair value. 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 17.5 million.

For udlån vurderes nedskrivningerne på stadie 2 og 3 at svare til ændringer i kreditkvaliteten. Forskellen til dagsværdier vurderes at være nedskrivninger på stadie 1, modtagne gebyrer og provisioner, tilgodehavende renter, som først falder til betaling efter regnskabsperiodens afslutning samt for fastforrentede udlån tillige den renteniveauafhængige kursregulering.

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 are 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 as well as costs amortised over the term of the loan 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.

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Notes

Note					
24 Fair value of financial assets and liabilities (continued)					
30 June 2021 (DKK'000)					
	Carrying amount	Fair value	Listed Prices level 1	Observable prices level 2	Non-observable prices level 3
Financial assets					
Cash on hand and demand deposits with central banks	4,679,116	4,679,116	19,582	4,659,534	0
Receivables from credit institutions and central banks	325,507	325,507	0	325,507	0
Loans at amortised cost	16,428,605	16,528,056	0	0	16,528,056
Bonds at fair value	8,585,161	8,585,161	8,537,456	47,705	0
Shares, etc,	829,562	829,562	70,191	567,970	191,401
Assets related to pooled schemes	8,696,358	8,696,358	8,696,358	0	0
Derivative financial instruments	80,803	80,803	0	80,803	0
Total	39,625,112	39,724,563	17,323,587	5,681,519	16,719,457
Financial liabilities					
Debts to credit institutions and central banks	436,263	436,263	0	436,263	0
Deposits	24,512,774	24,511,733	0	0	24,511,733
Deposits in pooled schemes	8,696,358	8,696,358	0	0	8,696,358
Issued bonds	377,970	382,213			382,213
Subordinated debt	596,884	616,840	0	0	616,840
Derivative financial instruments	101,530	101,530	0	101,530	0
Total	34,721,779	34,744,937	0	537,793	34,207,144
Shares measured at fair value based on non-observable inputs (level 3)					
Carrying amount, beginning of the period					123,047
Additions					68,163
Disposals					7,821
Value adjustment					8,012
Value, end of the period					191,401
Period's value adjustments relating to financial assets in the portfolio, total					8,012

Note

24	Fair value of financial assets and liabilities (continued)				
30 June 2020 (DKK'000)					
	Carrying amount	Fair value	Listed Prices level 1	Observable prices level 2	Non- observable prices level 3
Financial assets					
Cash on hand and demand deposits with central banks	404,752	404,752	68,737	336,015	0
Receivables from credit institutions and central banks	523,302	523,302	0	523,302	0
Loans at amortised cost	9,507,294	9,572,780	0	0	9,572,780
Bonds at fair value	5,293,131	5,293,131	5,245,297	47,834	0
Shares, etc,	514,431	514,431	46,078	355,605	112,748
Assets related to pooled schemes	4,962,217	4,962,217	4,962,217	0	0
Derivative financial instruments	19,655	19,655	0	19,655	0
Total	21,224,782	21,290,268	10,322,329	1,282,411	9,685,528
Financial liabilities					
Debts to credit institutions and central banks	114,492	114,492	0	114,492	0
Deposits	12,681,455	12,682,649	0	0	12,682,649
Deposits in pooled schemes	4,962,217	4,962,217	0	0	4,962,217
Subordinated debt	347,488	365,305	0	0	365,305
Derivative financial instruments	20,275	20,275	0	20,275	0
Total	18,125,927	18,144,938	0	134,767	18,010,171
Shares measured at fair value based on non-observable inputs (level 3)					
Carrying amount, beginning of the period					111,319
Additions					0
Disposals					359
Value adjustment					1,788
Value, end of the period					112,748
Period's value adjustments relating to financial assets in the portfolio, total					1,842

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Notes

Note					
24	Fair value of financial assets and liabilities (continued)				
	31 December 2020 (DKK'000)				
	Carrying amount	Fair value	Listed Prices level 1	Observable prices level 2	Non-observable prices level 3
Financial assets					
Cash on hand and demand deposits with central banks	364,364	364,364	54,604	309,760	0
Receivables from credit institutions and central banks	569,359	569,359	0	569,359	0
Loans at amortised cost	9,331,543	9,389,785	0	0	9,389,785
Bonds at fair value	6,159,587	6,159,587	6,111,764	47,823	0
Shares, etc,	546,932	546,932	50,224	373,661	123,047
Assets related to pooled schemes	5,426,277	5,426,277	5,426,277	0	0
Derivative financial instruments	19,804	19,804	0	19,804	0
Total	22,417,866	22,476,108	11,642,869	1,320,407	9,512,832
Financial liabilities					
Debts to credit institutions and central banks	22,445	22,445	0	22,445	0
Deposits	13,409,203	13,409,934	0	0	13,409,934
Deposits in pooled schemes	5,426,277	5,426,277	0	0	5,426,277
Subordinated debt	347,961	362,007	0	0	362,007
Derivative financial instruments	20,126	20,126	0	20,126	0
Total	19,226,012	19,240,789	0	42,571	19,198,218
Shares measured at fair value based on non-observable inputs (level 3)					
Carrying amount, beginning of the period					111,319
Additions					8,936
Disposals					6,387
Value adjustment					9,179
Value, end of the period					123,047
Period's value adjustments relating to financial assets in the portfolio, total					5,494

Note

25 Risk and risk management

Vestjysk Bank is exposed to various types of risk. These risks are as well as the Bank's policies and goals for managing such risks described in the Annual report 2020.

26 Loans and guarantees, by sector

	H1 2021 DKK'000	H1 2021 (%)	H1 2020 DKK'000	H1 2020 (%)	FY 2020 DKK'000	FY 2020 (%)
Public authorities	0	0%	0	0%	0	0%
Business:						
Agriculture, hunting, forestry and fishery	4,117,035	16%	2,732,879	21%	2,558,808	18%
Manufacturing industry and raw material extraction	865,362	3%	448,307	3%	479,457	3%
Energy supply	780,812	3%	312,052	2%	301,180	2%
Construction and civil engineering contractors	1,051,152	4%	497,590	4%	487,888	3%
Trade	1,168,844	5%	685,559	5%	638,933	5%
Transportation, hotels and restaurant businesses	703,632	3%	426,932	3%	477,962	3%
Information and communication	130,400	0%	50,277	0%	78,858	1%
Credit and financing institutes and insurance businesses	1,107,866	4%	570,655	4%	510,094	4%
Real estate	2,915,564	11%	1,611,638	12%	1,776,461	12%
Other businesses	1,355,843	5%	720,290	6%	778,643	5%
Business, total	14,196,510	54%	8,056,179	60%	8,088,284	56%
Retail	12,172,223	46%	5,281,117	40%	6,445,317	44%
Total	26,368,733	100%	13,337,296	100%	14,533,601	100%

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Note

27 Loans by rating, sectors and IFRS9- stages

Loans at amortised cost, unused credit commitments and financial guarantees, by rating and IFRS 9 stages H1 2021 DKK'

	Stage 1	Stage 2	Stage 3	Credit-impaired at initial recognition	Total
Normal credit quality	22,488,354	1,204,991	0	7,855	23,701,200
Some signs of weakness	8,408,046	3,173,338	0	9,565	11,590,949
Significant signs of weakness	776,877	979,407	0	80,034	1,836,318
Impaired loans	0	0	3,203,016	879,383	4,082,399
Total	31,673,277	5,357,736	3,203,016	976,837	41,210,866

H1 2020 DKK'000

	Stage 1	Stage 2	Stage 3	Credit-impaired at initial recognition	Total
Normal credit quality	11,062,531	488,511	0	0	11,551,042
Some signs of weakness	4,639,750	1,653,331	0	0	6,293,081
Significant signs of weakness	312,311	456,861	0	0	769,172
Impaired loans	0	0	3,714,413	78,111	3,792,524
Total	16,014,592	2,598,703	3,714,413	78,111	22,405,819

FY 2020 DKK'000

	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Normal credit quality	12,380,243	366,899	0	0	12,747,142
Some signs of weakness	4,887,893	1,624,717	0	0	6,512,610
Significant signs of weakness	322,159	439,505	0	0	761,664
Impaired loans	0	0	3,392,279	75,008	3,467,287
Total	17,590,295	2,431,121	3,392,279	75,008	23,488,703

The Bank's credit risk in relation to retail customers is managed by rating customers from 1 to 11 using a rating system developed by the BEC datacentral together with member banks. The Bank's credit risk in relation to business customers is managed using an internal segmentation model classifying customers according to credit risk.

Both models are directly compatible with the Danish FSA's classification model. The correlation between the models is set out in the table below.

	Normal credit quality	Some signs of weakness	Significant signs of weakness	Credit-impaired customers
The Bank's segmentation model (business)	E1+E2	E3+E4	E5	E6
The Bank's customer rating model (retail)	1-3	4-6	7-8	9-11
The Danish FSA's classification model	3-2a	2b	2c	1

Note

27	Loans at amortised cost, unused credit commitments and financial guarantees, by sector and IFRS 9 stage				
	H1 2021 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	3,702,484	1,399,822	1,465,457	519,036	7,086,799
Manufacturing industry and raw material extraction	1,143,797	180,800	63,316	75,844	1,463,757
Energy supply	749,474	252,154	83,233	47,212	1,132,073
Construction and civil engineering contractors	1,617,259	435,161	90,370	10,309	2,153,099
Trade	1,754,536	488,106	191,631	71,204	2,505,477
Transportation, hotels and restaurant businesses	744,949	164,650	161,095	59,621	1,130,315
Information and Communications	195,481	21,779	8,223	1,277	226,760
Credit and financing institutes and insurance businesses	1,297,355	84,074	167,751	59,966	1,609,146
Real estate	3,152,671	775,536	346,463	83,718	4,358,388
Other businesses	1,722,470	473,226	136,288	11,037	2,343,021
Business, total	16,080,476	4,275,308	2,713,827	939,224	24,008,835
Retail	15,592,801	1,082,428	489,189	37,613	17,202,031
Total	31,673,277	5,357,736	3,203,016	976,837	41,210,866
	H1 2020 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	2,247,919	701,243	1,552,117	64,223	4,565,502
Manufacturing industry and raw material extraction	616,989	108,680	105,275	0	830,944
Energy supply	445,737	38,600	118,475	0	602,812
Construction and civil engineering contractors	842,719	176,050	67,924	0	1,086,693
Trade	977,226	239,260	207,803	248	1,424,537
Transportation, hotels and restaurant businesses	420,830	116,808	200,877	0	738,515
Information and Communications	100,995	13,089	4,879	0	118,963
Credit and financing institutes and insurance businesses	510,386	54,791	238,099	36	803,312
Real estate	1,740,402	495,640	794,639	10,233	3,040,914
Other businesses	860,927	251,585	123,618	265	1,236,395
Business, total	8,764,130	2,195,746	3,413,706	75,005	14,448,587
Retail	7,250,462	402,957	300,707	3,106	7,957,232
Total	16,014,592	2,598,703	3,714,413	78,111	22,405,819

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Note					
27	Loans at amortised cost, unused credit commitments and financial guarantees, by sector and IFRS 9 stage (continued)				
	FY 2020 DKK'000				
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recogni- tion	Total
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	2,133,633	775,524	1,457,694	65,419	4,432,270
Manufacturing industry and raw material extraction	809,545	96,705	96,659	0	1,002,909
Energy supply	296,035	138,435	97,879	0	532,349
Construction and civil engineering contractors	922,978	121,723	71,275	0	1,115,976
Trade	1,136,349	150,148	214,232	246	1,500,975
Transportation, hotels and restaurant businesses	478,328	141,159	151,300	0	770,787
Information and Communications	123,456	23,815	6,084	0	153,355
Credit and financing institutes and insurance businesses	557,272	64,930	207,674	24	829,900
Real estate	1,977,716	352,996	688,548	5,286	3,024,546
Other businesses	1,080,385	174,984	108,022	242	1,363,633
Business, total	9,515,697	2,040,419	3,099,367	71,217	14,726,700
Retail	8,074,598	390,702	292,912	3,791	8,762,003
Total	17,590,295	2,431,121	3,392,279	75,008	23,488,703

Note	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
28 Maximum credit exposure before impairment and allowances			
Loans measured at amortised cost	18,661,573	11,768,181	11,458,130
Unused credit commitments	15,493,978	7,928,316	8,657,605
Guarantees	9,968,366	3,848,898	5,224,234
Loans, guarantees etc.	44,123,917	23,545,395	25,339,969
Receivables from credit institutions and central banks	4,985,040	859,317	879,119
Bonds at fair value	8,585,161	5,293,131	6,159,587
Positive market value of derivative financial instruments	80,803	19,655	19,804
Total	57,774,921	29,717,498	32,398,479
Maximum credit exposure after impairment and allowances			
Loans measured at amortised cost	16,428,605	9,507,294	9,331,543
Unused credit commitments	15,413,825	7,874,071	8,591,472
Guarantees	9,940,128	3,830,002	5,202,058
Loans, guarantees etc.	41,782,558	21,211,367	23,125,073
Receivables from credit institutions and central banks	4,985,040	859,317	879,119
Bonds at fair value	8,585,161	5,293,131	6,159,587
Positive market value of derivative financial instruments	80,803	19,655	19,804
Total	55,433,562	27,383,470	30,183,583
Collateral for loans, credit commitments and guarantees			
Bank accounts	257,785	74,885	83,637
Securities	1,881,037	939,717	1,093,870
Mortgages on properties and wind turbines	15,412,640	8,692,364	8,759,773
Right of subrogation for mortgages secured in real property	4,617,819	2,129,941	2,221,921
Charges held in movable property, motor vehicles, operating equipment, ships etc.	4,293,830	2,765,622	2,760,342
Other	586,547	292,710	284,841
Total	27,049,658	14,895,239	15,204,384
Of this amount collateral for loans, credit commitments and guarantees (stage 3)	2,007,511	1,498,893	1,484,302

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

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Note

29 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 after tax of DKK 61 million 30 June 2021.

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.

	H1 2021 DKK'000	H1 2020 DKK'000	FY 2020 DKK'000
Interest rate risk inside the Bank's trading book:			
Securities	74,803	57,890	56,549
Futures/forward contracts/forward rate agreements	-9,314	-2,029	-1,657
Swaps	1,193	13	12
Total	66,682	55,874	54,904
Interest rate risk outside the Bank's trading book:			
Loans	10,780	3,398	2,812
Deposits	0	-134	0
Issued bonds	-8,732	0	0
Subordinated debt	-6,479	-10,023	-8,034
Equity	-7,752	-3,362	-2,445
Total	-12,183	-10,121	-7,667
Total interest rate risk	54,499	45,753	47,237
Measured in relation to the tier 1 capital, the interest rate risk corresponds to	1.2%	1.6%	1.6%
Interest rate risk, by modified duration			
Up to 1 year	2,349	543	1,810
1 year to 2 years	-3,456	-1,267	-1,612
2 year to 3.6 years	4,261	21,966	17,618
More than 3.6 years	51,345	24,511	29,421
Total	54,499	45,753	47,237

Note			
30	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).		
		H1 2021 DKK'000	H1 2020 DKK'000
			FY 2020 DKK'000
	Assets in foreign currency, total	378,146	407,603
	Liabilities in foreign currency, total	270,272	102,206
			190,151
	Foreign exchange indicator 1	20,300	7,447
	Foreign exchange indicator 1 in percent of tier 1 capital	0,5%	0,3%
	The foreign exchange position consists primarily of positions in EUR, GBP, NOK, SEK 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	-842	-692
			-594
31	Share risk		
	The Bank's share risk is derived from shares and derivatives in the Bank's investment and trading books		
		H1 2021 DKK'000	H1 2020 DKK'000
			FY 2020 DKK'000
	Shares, etc.		
	Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	51,738	30,876
	Shares/unit trust certificates listed on other exchanges	18,453	13,472
	Unlisted shares recognised at fair value	759,371	470,083
	Total	829,562	514,431
	Of which, shares in the sector	754,941	468,177
			493,546
	Sensitivity		
	An increase in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	74,829	47,791
	of which sector shares	68,008	43,494
	of which other shares	6,821	4,297
			4,928
	A decrease in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	-75,829	-47,791
	of which sector shares	-69,008	-43,494
	of which other shares	-6,821	-4,297
			-50,483
			-45,555
			-4,928

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Note			
32	Liquidity risk		
	<p>The 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.</p> <p>The liquidity buffer consists of liquid government and mortgage bonds categorised as level 1a, level 1b or level 2a assets and deposits held with the Danish central bank.</p>		
		H1 2021 DKK'000	H1 2020 DKK'000
	Liquidity buffer		FY 2020 DKK'000
	LCR values	11,990,863	5,408,264
	LCR values after adjustment on level 1a assets	11,990,863	3,580,690
	Net outflow	4,108,196	1,828,903
			2,197,146
	Liquidity Coverage Ratio - LCR	291.9%	195.8%
			180.3%
	Net Stable Funding (NSFR)		
	<p>As part of the planning of Vestjysk Bank's funding, it is ensured that the Bank complies with the Net Stable Funding Ratio and that it maintains a comfortable excess cover relative to the 100% requirement.</p>		
	NSFR	135.6%	114.6%
			120.6%
	As the method of calculation was revised on 30 June 2021, the comparative figures are not directly comparable.		
33	Other risks		
	Operational risks		
	<p>The general responsibility for operational risk resides with the Bank's Middle Office.</p> <p>Vestjysk Bank is focused on mitigating operational risks by maintaining clear organisational responsibilities with the necessary and adequate segregation of duties, control and business procedures in all significant activity areas.</p> <p>Vestjysk Bank continually enhances policies and contingency plans regarding physical disasters and IT breakdowns. The Bank is a member of Bankernes EDB Central (BEC), which handles day-to-day IT system operations. The Bank complies with the directions and recommendations it receives from BEC and does not develop proprietary IT systems.</p> <p>The Bank's IT contingency plans address breakdowns at the head office and parts of the branch network. In case of a breakdown at one or more branches, operations can be maintained from the remaining branches, and in case of a long-lasting breakdown at the head office, vital functions can be maintained from a branch. The Bank's contingency plan is reviewed by the Board of Directors at least annually.</p>		
	Total capital risk		
	<p>Total capital is monitored on an ongoing basis and monthly reporting to the Board of Directors takes place according to established guidelines.</p>		
	Compliance		
	<p>Vestjysk Bank has an independent compliance function, whose area of responsibility is to monitor the bank is compliant with existing legislation, market standards and internal rules.</p> <p>There is an instruction and annual plan for the compliance function approved by the Executive Board.</p>		
34	Pending litigation		
	<p>Vestjysk Bank is a part in various lawsuits. The proceedings are evaluated on an ongoing basis, and requisite provisions are made based on an assessment of the risk of losses.</p> <p>The pending proceedings are not expected to have material influence on the bank's financial position.</p>		

Note	14. January 2021 DKK ' 000
35 Merger	
<p>The merger with Den Jyske Sparekasse was completed effective at 14 January 2021 applying the purchase method of accounting. The table below sets out a breakdown of the purchase price by net assets. The stated carrying amounts have been determined at fair value at the acquisition date in accordance with Vestjysk Bank's accounting policies.</p>	
<p>Breakdown of purchase price by net assets at 14 January 2021</p>	
<p>Assets</p>	
Cash in hand and demand deposits with central banks	231.473
Receivables from credit institutions and central banks	1,086,890
Loans and other receivables at amortised cost	6,919,578
Bonds at fair value	3,786,337
Shares, etc.	263,201
Investments in associates	107,960
Assets related to pooled schemes	2,732,073
Intangible assets	4,613
Land and buildings, total	195,895
Investment property	33,014
Owner-occupied property	153,650
Owner-occupied property, leased	9,231
Other property, plant and equipment	1,807
Current tax assets	474
Deferred tax assets	103,793
Assets held for sale	4,276
Other assets	260,314
Prepayments	5,592
Assets total	15,704,276

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Notes

Note	14 January 2021 DKK' 000
35 Equity and liabilities	
Debts	
Debts to credit institutions and central banks	131,763
Deposits and other debt	10,414,161
Deposits with pooled schemes	2,732,073
Issued bonds	59,743
Other liabilities	252,882
Prepayments	19,595
Debts, total	13,610,217
Provisions	
Provision for pensions and similar liabilities	10,073
Provisions for losses on guarantees	20,402
Other provisions	30,163
Provisions, total	60,638
Subordinated debt	248,060
Tier 1 Capital	102,324
Debts, total	14,021,239
Acquired net assets	1,683,037
Purchase price	
Acquired net assets	1,683,037
Negative goodwill	-477,455
Customer relationships	115,000
Deferred tax on customer relationships	-103,793
Total purchase price	1,216,789
Transferred to reserve under equity:	
Issue of 337,591,984 shares at a price per share of 2.776	937,084
Cash distribution	279,705
Total purchase price	1,216,789

The Bank has incurred non-recurring costs in connection with the merger, which are recognised in the statement of income under "Administrative expenses" and "Depreciation, amortisation and impairment"

The Bank has recognised negative goodwill in the amount of DKK 477 million in "Other operating income". The negative goodwill income is subject to taxation, and a non-recurring expense of DKK 37 million has been recognised in tax in this respect.

Note	H1 2021	H1 2020	FY 2020
36			
Financial highlights			
Key figures			
Statement of income (DKKm)			
Net interest income	395	123	486
Net fee income	294	77	326
Dividends on shares etc.	13	9	9
Value adjustments	44	18	65
Other operating income	484	-	1
Core income	1,230	227	887
Staff costs and administrative expenses	553	118	510
Other operating expenses as well as depreciation, amortisation and impairment charges on intangible and intangible assets	26	4	20
Operating expenses and operating depreciation and amortisation	579	122	530
Core earnings before impairment	651	105	357
Impairment of loans and receivables, etc.	-34	12	29
Income from investments in associates	14	-	-
Profit/loss from operations in the process of being wound up	-	-	-
Profit before tax	699	93	328
Tax	-25	8	25
Profit after tax	724	85	303
	H1 2021	H1 2020	FY 2020
Statement of financial position (DKKm)			
Assets, total	41,061	21,871	23,105
Loans	16,429	9,507	9,332
Deposits	24,513	12,682	13,409
Deposits in pooled schemes	8,696	4,962	5,426
Guarantees	9,940	3,830	5,202
Custody accounts	18,387	8,562	10,040
Arranged mortgages	56,585	31,696	33,447
Business volume	59,578	30,981	33,369
Business volume including custody services and arranged mort-	134,550	71,239	76,856
Equity	5,049	3,092	3,245

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Notes

Note	H1 2021	H1 2020	FY 2020
Financial highlights (continued)			
Financial ratios			
Solvency			
Total capital ratio	21.9%	23.3%	24.7%
Tier 1 capital ratio	19.3%	20.7%	22.1%
Common equity tier 1 capital ratio	17.9%	19.6%	20.9%
MREL -Capital ratio	23.5%	23.3%	24.7%
Earnings			
Return on equity before tax, annually ¹	28.6%	12.3%	10.6%
Return on equity after tax, annually ¹	29.6%	11.3%	9.8%
Income/cost ratio	2.29	1.70	1.59
Cost ratio ²	46.5%	53.6%	59.8%
Return on assets	2.3%	0.4%	1.3%
Employees converted to full-time (average)	678.9	396.3	394.7
Market risk			
Interest rate risk	1.2%	1.6%	1.6%
Foreign exchange position	0.5%	0.3%	0.2%
Foreign exchange risk	0.0%	0.0%	0.0%
LCR	291.9%	195.8%	180.3%
NSFR ³	135.6%	114.6%	120.6%
Credit risk			
Loans plus impairment of loans relative to deposits			
Loans relative to equity	56.2%	66.7%	60.8%
Growth in loans for the period	3.3	3.1	2.9
Sum of the 20 biggest exposures	76.1%	-4.6%	-8.7%
Accumulated impairment ratio	87.1%	108.7%	109.3%
Impairment ratio for the period	7.9%	14.6%	12.9%
Vestjysk Bank share			
Earnings per share for the period	-0.1%	0.0%	0.1%
Book value per share ⁴	0.7	0.1	0.3
Price of Vestjysk Bank shares, end of the period	3.8	3.3	3.4
Share price/book value per share	3.5	2.9	2.8

Profit/loss / average equity, which is calculated on the basis of opening equity plus capital increase and recognised negative goodwill in connection with the merger with Den Jyske Sparekasse at 14 January 2021

² Operating expenses and operating depreciation and amortization/core income

³ As the method of calculating NSFR was revised on 30 June 2021, the comparative figures are not directly comparable.

⁴ 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.

