Annual Report

1. January – 31. December 2020

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The Vestjysk Bank Annual Report for 2020 is a translation of the
original report in Danish (Vestjysk Bank Årsrapport 2020).
In case of discrepancies, the Danish version prevails

Contents

Summary

2020 Highlights

Vestjysk Bank realised a profit after tax of DKK 303 million in 2020 and the realised profit was at the high end of the range of DKK 260-320 million. The performance was adversely affected by economic uncertainty caused by the coronavirus crisis and African swine fever in Germany. These factors impacted the Bank's impairment provisions based on a management estimate. The Bank has increased the provisions I 2020 with DKK 180 million to total provisions of DKK 310 million in the form of a management estimate in response to the economic uncertainty, corresponding to 3.3% of the Bank's net loans.

In the following, comparative figures for 2019 are affected by the Sparinvest transaction, on which Vestjysk Bank realised a profit of 142 million.

- Profit after tax of DKK 303 million, against DKK 478 million in 2019 (DKK 336 million ex. Sparinvest), for an annualised return on equity after tax of 9.8%.
- Core income of DKK 887 million, against DKK 1,055 million in 2019 (DKK 913 million ex. Sparinvest).
- Value adjustments of DKK 65 million, against DKK 185 million in 2019 (DKK 58 million ex. Sparinvest).
- A cost ratio of 59.8%, against 48.2% in 2019 (55.6% ex. Sparinvest)
- Core earnings before impairment of DKK 357 million, against DKK 547 million in 2019 (DKK 405 million ex. Sparinvest).
- Impairment of loans and receivables, etc. of DKK 29 million (2019: DKK 64 million). Impairment allowances on agriculture amounted to a net reversal.
- The Bank's capital requirements totalled 12.8%, consisting of an individual solvency need of 10.3% and a general capital conservation buffer of 2.5%.
- The Bank's total capital ratio was 24.7%. The excess cover was 11.9 percentage points, or DKK 1,574 million. Adjusted for capital required to cover the 1.9 percentage point MREL add-on at 31 December 2020, the excess cover was 10.0 percentage points, or DKK 1,303 million.

Merger with Den Jyske Sparekasse

In November 2020, the Bank announced plans of a merger with Den Jyske Sparekasse with Vestjysk Bank as the continuing bank.

After a number of challenging years, being in a position to seek a merger with another medium-sized bank marks an important step forward for Vestjysk Bank.

Shareholders finally approved the merger at the extraordinary general meetings held on 13 January 2021. The Danish Financial Supervisory Authority approved the merger on 14 January 2021. Following the merger, the bank is the eighth largest bank in Denmark in terms of business volume, which is expected to be in the region of DKK 130 billion going forward.

Our ambition is to be the strongest local bank in Denmark.

Future synergies from the merger are expected to amount to DKK 150 million annually. Non-recurring costs in relation to the merger are expected to total DKK 200 million.

Special circumstances affecting the Bank during the period, including impact so far of the coronavirus crisis

In 2020, the Bank was particularly impacted by the coronavirus crisis, which took hold in March 2020 and continued throughout 2020 and into 2021.

Despite the coronavirus crisis, the Bank has so far been able to maintain operations, and the level of customer activity has been high.

Summary

The Bank's advisers have been in regular contact with business customers to ascertain what the Bank can do to help them through the coronavirus crisis and to advise them in regard to the rescue packages provided by the Danish government and parliament. So far, the crisis has not had any major direct impact on the Bank's loans or individual impairment losses.

Vestjysk Bank has made a range of facilities available to retail customers in the form of loan repayment holidays, temporary overdraft facilities and increased credit facilities to support customers directly hit by the lockdown. So far, these measures have also had a limited impact on the Bank.

The sector distribution of the Bank's lending has proved advantageous during the crisis. Most of the Bank's lending is in sectors that have not been particularly badly affected by the coronavirus crisis. The hotel, restaurant, transport and retail sectors are the hardest hit, and these sectors only account for some 10% of the Bank's total lending.

Vestjysk Bank's two main sectors, agriculture and real estate, have so far been relatively unaffected by the coronavirus crisis. The pandemic has devastated the mink industry, however, bringing an end to mink farming in Denmark. From an overall financial perspective, the Danish government's compensation package for mink farmers is considered adequate, and the package had a positive effect on the Bank's impairment losses relating to this industry in 2020. The Bank's exposure to the mink industry is 0.7% of total gross lending, or DKK 112 million.

In the real estate sector, the bank are so far seeing an effect on commercial leases, where agreements have been made to defer rent payments as a result of the coronavirus crisis. Depending on the duration and depth of the crisis, this effect could widen. Private residential rentals have not been significantly affected at this point, and this is not expected to change significantly.

Our retail customers are generally doing well and are in a strong position to withstand the consequences of the coronavirus crisis. In the long term, the Bank expect to see an increase in losses, but on a manageable level overall.

Until now, the crisis has not affected dairy farmers. Pork settlement prices declined over the course of the year, however, and at the end of 2020 stabilised at a acceptable level. Because of the relatively high pork prices in the first half, pig farmers, some of which are credit-impaired, were able to repay debt to the Bank. This resulted in reversals of impairment allowances within this sector during 2020. The current outbreak of African swine fever in Germany has made it difficult for the Bank's piglet producing customers to sell their output in Germany. This caused prices of piglets to fall sharply, and a downward trend was also seen in prices of pigs for slaughter.

Brexit ended with a trade agreement between the United Kingdom and the EU, under which Danish fishing boats are allowed to fish in UK waters under temporary licenses that are expected to expire in 2026. The agreement stipulates a shift in quotas, with up to 25% of total EU fishing quotas being transferred to the UK. The agreement is considered acceptable to the Bank's customers in the fishing industry compared with the dreaded no-deal Brexit scenario.

Vestjysk Bank is closely monitoring coronavirus pandemic and African swine fever developments.

The Bank's DKK 310 million impairment provision for economic uncertainty is assessed to be sufficient. Projections about the future consequences of the coronavirus crisis and African swine fever are naturally subject to considerable uncertainty.

Outlook for 2021

Vestjysk Bank guides a profit after tax for 2021 of around DKK 500-550 million adjusted for non-recurring costs and earnings.

Introduction

Satisfactory performance in 2020

In 2020, Vestjysk Bank successfully completed a large portion of the business plan for the year, and the year concluded with the positive news of the merger with Den Jyske Sparekasse.

Throughout the year, the Bank continued to work on improving the credit quality of its weak and impaired customers, and the Bank's exposure to the real estate and agricultural sectors was also reduced due to the favourable conditions enjoyed by these sectors during the year. The effect of this work was further evidenced by a reduction of the Bank's impairment losses in 2020 relative to previous years.

In 2020, Vestjysk Bank continued to increase its business volume including custody services and arranged mortgage loans. The increase amounted to just over DKK 4.9 billion, or 7%, and was mainly due to growth in mortgage loans arranged by the Bank. Vestjysk Bank arranges mortgage loans from Totalkredit for retail customers and mainly from DLR-kredit for business customers. In 2020, the Bank saw an increase in arranged mortgage loans for both customer groups, and the overall volume of arranged mortgage loans grew by DKK 2.3 billion in 2020. During the same period, the Bank's lending declined by DKK 0.9 billion. The drop should be seen in the context of the rescue packages implemented in connection with the coronavirus crisis. Deposits including pools were up DKK 0.5 billion in 2020, and custody account deposits were up DKK 1.3 billion. This was another area in which the Bank accomplished the business plan goal of a growing business volume.

Merger with Den Jyske Sparekasse

After the merger with Den Jyske Sparekasse, Vestjysk Bank will be Denmark's eighth largest bank, 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 with strong financial results;
- offer valuable customer services and competitive products on the basis of deep knowledge of and proximity to our customers;
- continue the Bank's strong commitment to our 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 phases in the synergies created 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 pay-out ratio of between 25% and 50% of profit after taxes.

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

Follow-up on outlook for 2020 and Vestjysk Bank's outlook for 2021

Vestjysk Bank's 2020 financial statements show a satisfactory performance despite the impact of the coronavirus crisis.

Introduction

Profit guidance after tax was upgraded several times during the year. The most recent guidance for profit after tax was a range of DKK 260-320 million, and the realised profit was at the high end of this range.

The Bank's profit guidance for 2021 is subject to uncertainties, primarily linked to the Bank's agricultural exposure and future developments in the coronavirus crisis.

Currently, there is uncertainty as to the global economic outlook and, in particular, the settlement price trend for agricultural products. The risk of African swine fever spreading could have a significant adverse impact on the Bank's impairment losses.

Vestjysk Bank guides a profit after tax for 2021 of around DKK 500-550 million adjusted for non-recurring costs and earnings.

Kim Duus
Chairman of the Board

Jan Ulsø Madsen
Chief Executive Officer

Management's review

Financial highlights

Key figures	2020	2019	2018	2017	2016
Statement of income (DKKm)					
Net interest income	486	510	548	573	595
Net fee income	326	329	297	338	312
Dividends on shares, etc.	9	29	12	4	3
Value adjustments	65	185	35	23	65
Other operating income	1	2	17	7	29
Core income	887	1,055	909	945	1,004
Staff costs and administrative expenses	510	477	470	482	489
Other operating expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets	20	31	11	22	16
Operating expenses and operating depreciation and amortisation	530	508	481	504	505
Core earnings before impairment	357	547	428	441	499
Impairment of loans and receivables, etc.	29	64	186	270	416
Profit before tax	328	483	242	171	83
Tax	25	5	-54	8	3
Profit after tax	303	478	296	163	80
Statement of financial position (DKKm)					
Total assets	23,105	22,192	21,198	21,902	19,895
Loans	9,332	10,221	10,797	11,629	12,529
Deposits, including pooled schemes	18,835	18,276	17,583	18,396	16,971
Contingent liabilities	5,202	3,966	3,487	3,608	3,358
Custody services	10,040	8,708	7,585	8,713	9,860
Arranged mortgage loans	33,447	30,749	29,122	28,381	28,025
Business volume	33,369	32,463	31,867	33,633	32,858
Business volume including custody services and arranged mortgage loans	76.856	71,920	68,574	70,727	70,743
Equity	3,245	2,956	2,589	2,515	1,487

In accordance with the accounting policies, the comparative figures 2016-2017 have not been restated in connection with the implementation of IFRS 9 at 1 January 2018.

Management's review

Financial highlights

Financial ratios	2020	2019	2018	2017	2016
Solvency					
Total capital ratio	24.7%	21.1%	19.7%	19.2%	13.0%
Tier 1 capital ratio	22.1%	18.6%	17.4%	16.8%	11.2%
Common equity tier 1 capital ratio	20.9%	17.6%	15.7%	15.2%	8.7%
Earnings					
Return on equity before tax, p.a.	10.6%	17.4%	9.9%	8.5%	5.7%
Return on equity after tax, p.a.	9.8%	17.2%	12.1%	8.2%	5.5%
Income-cost ratio	1.59	1.84	1.36	1.22	1.09
Cost ratio [1]	59.8%	48.2%	52.9%	53.3%	50.3%
Return on assets	1.3%	2.2%	1.4%	0.8%	0.4%
Average number of employees (FTE)	394.7	377.9	385.8	421.9	458.6
Market risk					
Interest rate risk	1.6%	0.7%	-0.5%	-1.2%	-3.0%
Foreign exchange position	0.2%	0.4%	0.3%	0.2%	0.3%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	180.3%	259.2%	195.3%	255.4%	318.1%
Credit risk					
Loans plus impairment on loans relative to deposits	60.8%	68.9%	76.3%	79.4%	91.7%
Loans relative to equity	2.9	3.5	4.2	4.6	8.4
Lending growth for the period	-8.7%	-5.3%	-5.6%	-7.2%	-6.4%
Sum of 20 largest exposures	109.3%	102.7%	116.4%	-	-
Accumulated impairment ratio	12.9%	14.5%	15.6%	16.5%	16.1%
Impairment ratio	0.1%	0.3%	1.0%	1.5%	2.2%
Vestjysk Bank share					
Earnings per share for the year	0.3	0.5	0.3	0.3	0.5
Book value per share [3]	3.4	3.1	2.6	2.6	9.4
Price of Vestjysk Bank shares, end of the year [4]	2.8	3.1	2.0	2.7	13.0
Share price/earnings per share	8.2	5.8	5.9	8.7	24.6
Share price/book value per share	0.8	1.0	0.7	1.1	1.4

In accordance with the accounting policies, the comparative figures for 2016-2017 have not been restated in connection with the implementation of IFRS 9 at 1 January 2018.

1 Operating expenses and operating depreciation and amortisation/core income
2 As from 2018, this financial ratio is calculated according to new rules, see page 91
3 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.
4 Due to the share issue in 2017, the 2016 figure is not comparable, see page 91.

Management's review

Financial highlights by quarter

Financial highlights	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Statement of income (DKKm)					
Net interest income	123	122	123	118	131
Net fee income	87	78	77	84	85
Dividends on shares, etc.	0	0	9	0	0
Value adjustments	23	28	18	-4	12
Other operating income	1	0	0	0	0
Core income	234	228	227	198	228
Staff costs and administrative expenses	141	128	118	123	122
Other operating expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets	10	3	4	3	19
Operating expenses and operating depreciation and amortisation	151	131	122	126	141
Core earnings before impairment	83	97	105	72	87
Impairment of loans and receivables, etc.	25	-20	12	12	20
Profit before tax	58	117	93	60	67
Tax	5	9	8	3	-14
Profit after tax	53	108	85	57	81
Statement of financial position (DKKm)					
Total assets	23,105	22,308	21,871	21,102	22,192
Loans	9,332	9,684	9,507	9,966	10,221
Deposits, including pooled schemes	18,835	18,000	17,644	16,602	18,276
Contingent liabilities	5,202	4,118	3,830	3,791	3,966
Custody services	10,040	9,169	8,562	7,720	8,708
Arranged mortgage loans	33,040	32,663	31,696	31,297	30,749
Business volume	33,369	31,802	30,981	30,359	32,463
Business volume including custody services and arranged mortgaged loans	76,449	73,634	71,239	69,376	71,920
Equity	3,245	3,196	3,092	3,010	2,956

Management's review

Financial highlights by quarter

Financial ratios	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Solvency					
Total capital ratio	24.7%	23.8%	23.3%	22.1%	21.1%
Tier 1 capital ratio	22.1%	21.1%	20.7%	19.5%	18.6%
Common equity tier 1 capital ratio	20.9%	20.0%	19.6%	18.4%	17.6%
Earnings					
Return on equity before tax, p.a.	7.2%	14.7%	12.3%	8.1%	9.1%
Return on equity after tax, p.a.	6.5%	13.6%	11.3%	7.7%	11.0%
Income-cost ratio	1.33	2.03	1.70	1.43	1.42
Cost ratio [1]	64.5%	57.7%	53.6%	63.7%	61.5%
Return on assets	0.2%	0.5%	0.4%	0.3%	0.4%
Average number of employees (FTE)	392.3	398.7	396.3	391.5	390.2
Market risk					
Interest rate risk	1.6%	1.4%	1.6%	0.8%	0.7%
Foreign exchange position	0.2%	0.4%	0.3%	0.4%	0.4%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
LCR	180.3%	219.2%	195.8%	170.8%	259.2%
Credit risk					
Loans plus impairment of loans relative to deposits	60.8%	66.2%	66.7%	74.3%	68.9%
Loans relative to equity	2.9	3.0	3.1	3.3	3.5
Lending growth	-3.6%	1.9%	-4.6%	-2.5%	-5.0%
Sum of 20 largest exposures	109.3%	110.2%	108.7%	113.9%	102.7%
Accumulated impairment ratio	12.9%	14.0%	14.6%	14.8%	14.5%
Impairment ratio	0.0%	-0.1%	0.0%	0.1%	0.1%
The Vestjysk Bank share					
Earnings per share	0.1	0.1	0.1	0.1	0.1
Book value per share [2]	3.4	3.4	3.3	3.2	3.1
Share price at 31 December	2.8	2.8	2.9	2.8	3.1
Share price/book value per share	0.8	0.8	0.9	0.9	1.0

1 Operating expenses and operating depreciation and amortisation/core income
2 The ratio "Book value per share" is adjusted for the portion of equity (additional tier 1 capital), that is not part of the shareholders’ share of equity.

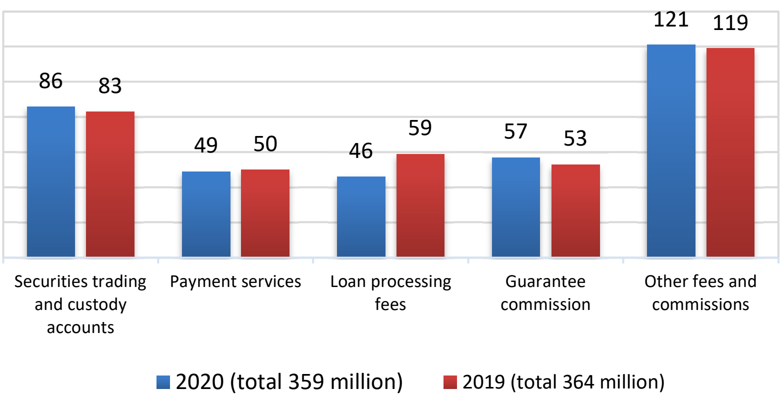
Statement of income

Profit after tax
For 2020, the Bank's profit after tax was DKK 303 million, compared with DKK 478 million for 2019.

Core income
In 2020, Vestjysk Bank realised core income of DKK 887 million, against DKK 1,055 million in 2019. The lower core income was mainly due to the fact that the financial performance for 2019 was lifted by DKK 142 million due to the sale of shares in Sparinvest Holdings SE. The lower core income was moreover affected by a drop in interest income as a consequence of a lower lending volume and a drop in dividends received after the sale of shares in Sparinvest Holdings SE in 2019.

Net interest income amounted to DKK 486 million in 2020, against DKK 510 million in 2019. The drop resulted from a DKK 69 million decline in interest income from the Bank's loans and advances and other receivables as a result of the lower lending volume and increased price pressure. The Bank's interest expenses were down DKK 11 million as a result of the expiry of fixed-term deposits and the redemption of subordinated capital at the end of 2019. Furthermore, the Bank recorded a DKK 34 million income from negative deposit rates.

Fee and commission income for 2020 amounted to DKK 359 million, compared with DKK 364 million in 2019. The decline was principally driven by lower remortgaging activity in 2020 compared with the exceptionally high level of activity in 2019. The level remained higher than anticipated, however. The distribution of the Bank's fee income is shown in the figure below.



Share dividends amounted to DKK 9 million in 2020, against DKK 29 million in 2019. The decline was due to lower dividends after the Bank reduced its ownership interest in Sparinvest Holdings SE and extraordinary dividend of DKK 15 million in 2019.

Value adjustments amounted to DKK 65 million in 2020, against DKK 185 million in 2019. In 2019, a profit from the sale of shares in Sparinvest Holdings SE lifted value adjustments by DKK 127 million.

The negative value adjustments of DKK 4 million in Q1 2020 resulting from financial market turmoil related to the coronavirus crisis were replaced by positive adjustments of DKK 65 million for the year. The Bank's investment portfolio did not see any significant value adjustments in 2020, whereas the portfolio of sector shares generated a positive return of DKK 34 million. Securities trading activities and currency transactions with the Bank's customers contributed DKK 30 million.

Operating expenses, depreciation and amortisation

Total operating expenses, depreciation and amortisation amounted to DKK 530 million in 2020, against DKK 508 million in 2019.

The increase was mainly attributable to IT investments related to stricter statutory requirements in the banking sector, primarily in the anti-money-laundering area, and an increased headcount.

The number of employees in 2020 was 394.7 FTEs, compared with 377.9 FTEs in 2019. The increase of 16.8 FTEs caused staff costs to increase by DKK 22 million compared with 2019. Of this amount, some DKK 7.5 million was due to annual pay increases according to the collective agreement and increased payroll tax rates. Extra work in connection with the merger with Den Jyske Sparekasse also drove costs up. The number of FTEs increased due to the hiring of temporary staff to handle the remortgaging activity. Also, Vestjysk Bank hired more trainees in the Bank's branches to secure a pool of skilled staff and a recruitment base for the future.

Other administrative expenses excluding IT costs amounted to DKK 63 million in 2020, against DKK 67 million in 2019. These expenses included fees for external assistance in connection with the merger with Den Jyske Sparekasse.

The expense ratio for 2020 was 59.8%, compared with 48.2% in 2019.

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

DKKm	2020	2019
Staff costs	307	285
IT costs	140	125
- Of this amount BEC	130	115
Other administrative expenses	63	67
Operating depreciation and	17	30
Other operating expenses	3	2
Total	**530**	**509**

Core earnings before impairment

For 2020, the Bank's core earnings before impairment amounted to DKK 357 million, compared with DKK 547 million in 2019. The change was mainly attributable to the transaction with Sparinvest in 2019.

Impairment of loans and guarantees etc.

Net impairment allowances amounted to DKK 29 million in 2020, compared with DKK 64 million in 2019. The impairment ratio for 2020 was 0.1%, compared with 0.3% in 2019.

Favourable agricultural market conditions – particularly in the early months of the year – resulted in a reversal of impairment losses in 2020. Pork settlement prices started the year at a high level as a result of an outbreak and subsequent spread of African swine fever in Asia and Eastern and Central Europe. Market turmoil in the wake of the coronavirus crisis drove down pork prices towards the end of Q1 2020, and this trend persisted in Q2 2020. Since Q3 2020, prices have settled at a relatively stable and acceptable level.

The settlement prices throughout 2020 led to extraordinary debt repayment by pig farmers, which resulted in a significant reduction of agricultural customers' debt and a reversal of impairment allowances in the amount of DKK 61 million in 2020.

However, the long-term financial outlook for pig farmers is still subject to significant risk and uncertainty in light of the ongoing coronavirus crisis and the outbreak of African swine fever in Germany.

The coronavirus pandemic has devastated the mink industry, bringing an end to mink farming in Denmark. From an overall financial perspective, the Danish government's compensation package for mink farmers is considered adequate, and the package had a positive effect on the Bank's impairment losses relating to this industry in 2020. The Bank's exposure to the mink industry is 0.7% of total gross lending, or DKK 112 million.

At 45%, or approximately DKK 956 million, the agricultural sector accounted for the greater part of Vestjysk Bank's accumulated impairment allowances. The Bank has recorded impairment allowances on some 34% of gross loans and guarantees to the agricultural sector. The Bank continues to focus on developments in this industry.

Brexit ended with a trade agreement between the United Kingdom and the EU, under which Danish fishing boats are allowed to fish in UK waters under temporary licenses that are expected to expire in 2026. The agreement stipulates a shift in quotas, with up to 25% of total EU fishing quotas being transferred to the UK. The agreement is considered acceptable to the Bank's customers in the fishing industry compared with the dreaded no-deal Brexit scenario.

At 31 December 2020, the Bank had made impairment provisions of DKK 310 million based on a management estimate in response to the economic uncertainty, corresponding to 3.3% of the Bank's net loans.

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

Distribution of loans and guarantees at 31 December 2020 (DKKm)	**Loans and guarantees before impairment**	**Acc. impairment**	**Loans and guarantees after impairment**	**Impairment for the period**
Dairy farmers	1,442	530	912	-31
Pig breeders	909	317	592	-11
Other agriculture	496	109	387	-19
Agriculture, total	**2,847**	**956**	**1,891**	**-61**
Real estate	1,971	195	1,776	-54
Other business	5,158	736	4,422	112
Business, total	**9,976**	**1,887**	**8,089**	**-3**
Retail	6,707	262	6,445	32
Total	**16,683**	**2,149**	**14,534**	**29**

The Bank's accumulated impairment ratio at 31 December 2020 stood at 12.9%, compared with 14.5% at 31 December 2019.

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

Accumulated Impairments and provisions by sector	**2020** DKKm	**2020** (%)	**2019** DKKm	**2019** (%)
Public authorities	-	0%	-	0%
Agricult., hunt., forestry	956	45%	1,099	46%
Fishing	114	5%	48	2%
Manufac. indus., raw mat. Ext.	46	2%	91	4%
Energy supply	56	3%	69	3%
Constr., civil engin. contract.	44	2%	61	3%
Trade	92	4%	126	5%
Transp., restaur., hotel busin.	99	5%	155	6%
Information and comm.	5	0%	5	0%
Financing and insurance	196	9%	119	5%
Real estate	195	9%	281	12%
Other industries	83	4%	92	4%
Retail	262	12%	251	10%
Accumulated Impairments and provisions total	**2,148**	**100%**	**2,397**	**100%**

Statement of financial position

Vestjysk Bank's total assets stood at DKK 23.1 billion at 31 December 2020, against DKK 22.2 billion at 31 December 2019.

Loans

At 31 December 2020, Vestjysk Bank's net loans amounted to DKK 9.3 billion, down DKK 0.9 billion from DKK 10.2 billion at 31 December 2019. The drop in net lending in 2020 was mainly attributable to the agricultural segment due to extraordinary repayment of debt driven by favourable settlement prices, to the real estate segment due to reduced exposure to foreign properties and to the trade segment.

At 31 December 2020, loans to retail customers accounted for 44% of the Bank's net loans and guarantees.

The Bank's business lending is mainly concentrated within the agricultural and real estate sectors. Of total net loans and guarantees, agriculture accounted for 13% and real estate accounted for 12%. The Bank's overall exposure to these sectors thus amounted to 25% of total net loans and guarantees. At 31 December 2020, the Bank met the overall business plan target that no individual sector is to exceed 15% of total net loans and guarantees.

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

Loans and guarantees by sector **Loans and guarantees by sector**	**2020** **DKKm**	**2020** **(%)**	**2019** **DKKm**	**2019** **(%)**
Public authorities	-	0%	-	0%
Agricult., hunt., forestry	1,891	13%	2,144	15%
Fishing	668	5%	749	5%
Manufac. indus., raw mat. Ext.	479	3%	493	4%
Energy supply	301	2%	359	3%
Constr., civil engin. contract.	488	3%	503	4%
Trade	639	5%	882	6%
Transp., restaur., hotel busin.	478	3%	456	3%
Information and comm.	79	1%	59	0%
Financing and insurance	510	4%	602	4%
Real estate	1,776	12%	1,861	13%
Other industries	779	5%	700	5%
Retail	6,445	44%	5,379	38%
Loans and guarantees, Total	**14,533**	**100%**	**14,187**	**100%**

The credit quality of the Bank's total loans and guarantees improved from 31 December 2019 to 31 December 2020. At 31 December 2020, 54% of the Bank's customers were of normal credit quality, against 45% in 2019. The proportion of credit-impaired customers was 15%, against 19% at 31 December 2019. The distribution is illustrated in the table below. This development is satisfactory, and the Bank will continue to focus on individual customers in the challenged segments.

	2020		**2019**	
Loans and guarantees by credit quality	DKKm	(%)	DKKm	(%)
Normal credit quality	12,747	54%	10,127	45%
Some signs of weakness	6,513	28%	7,006	31%
Significant signs of weakness without impairment	762	3%	1,179	5%
Impaired loans	3,467	15%	4,261	19%
Total	23,489	100%	22,573	100%

At 30 June 2020, Vestjysk Bank replaced the previous internal segmentation model with a behavioural rating model for retail customers. 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 data centre together with member banks. As a result of the change, the distribution in credit quality categories is not fully comparable between 2019 and 2020. The Bank's credit risk in relation to business customers is managed using an internal segmentation model classifying customers according to credit risk.

As a result, customers showing some signs of weakness were recategorised to customers with normal credit quality.

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

Large exposures

The 20 largest exposures represented 109.3% 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 76.4 billion at 31 December 2020, against DKK 71.9 billion at 31 December 2019.

The Bank's deposits at 31 December 2020 were up DKK 0.4 billion on 31 December 2019.

Pooled schemes and custody accounts increased by a total of DKK 1.5 billion despite the negative impact that the coronavirus crisis had on securities prices early in the year.

The positive trend in arranged mortgage loans continued. The volume of mortgage loans to business customers and retail customers is growing, and for 2020 the increase amounted to DKK 2.7 billion.

Business volume	**2020** DKKm	**2020** DKKm
Net loans	9,332	10,221
Deposits	13,409	13,043
Pools	5,426	5,233
Contingent liabilities	5,202	3,966
Custody services	10,040	8,708
Arranged mortgage loans	33,447	30,749
Business volume, including custody accounts and arranged mortgaged loans	**76,856**	**71,920**

Deferred tax asset

In 2020, Vestjysk Bank remained confident that part of the deferred tax asset can expectedly be utilised within the next three years based on cautious earnings expectations, and DKK 98 million of the deferred tax asset was therefore recognised.

Under the applicable financial reporting regulations, earnings from the activities of Den Jyske Sparekasse may not be included in earnings expectations. Of the DKK 98 million, DKK 85 million related to unutilised tax losses set off against total capital. The deferred tax asset not recognised subsequently amounted to DKK 436 million.

Capital and liquidity

Impact of IFRS 9 impairment allowances on capital

In order to prevent an unintended impact on total capital and thus on banks' ability to support credit-granting, the Capital Requirements Regulation (CRR) includes transitional provisions allowing banks to reverse the impact on capital of the impairment rules under IFRS 9 during a transition period and according to a specified calculation method.

Vestjysk Bank has chosen not to apply the transitional provisions, and Vestjysk Bank's total capital and capital ratios thus already reflect the full impact of the impairment rules under IFRS 9.

Equity
Vestjysk Bank's equity stood at DKK 3,245 million at 31 December 2020, against DKK 2,956 million at 31 December 2019. The changes in equity since 31 December 2019 were positively affected by consolidation via the Bank's profit for 2020. The equity development since 1 January 2019 is detailed in the statement of changes in equity.

In connection with the merger, the Bank issued additional tier 1 capital in the amount of DKK 46 million. According to the Bank's capital plan, further additional tier 1 capital is to be raised in 2023.

Subordinated debt
The Bank's subordinated debt amounted to DKK 348 million at 31 December 2020 and was eligible for inclusion in total capital.

Total capital
Overall, total capital amounted to DKK 3,281 million at 31 December 2020. With a total risk exposure of DKK 13,303 million, this equals a total capital ratio of 24.7%. At 31 December 2019, the Bank's total capital ratio was 21.1%.

Capital requirements
Adequate own funds amounted to DKK 1,374 million at 31 December 2020. With a total risk exposure of DKK 13,303 million, this equalled an individual solvency need of 10.3%. At 31 December 2020, the capital conservation buffer stood at 2.5 percentage points and the countercyclical buffer had been reduced to 0% due to the coronavirus crisis.

The aggregate capital requirements amounted to 12.8%, corresponding to DKK 1,703 million.

With a total capital ratio of 24.7%, Vestjysk Bank's excess cover relative to the individual solvency need was thus 14.4 percentage points, or DKK 1,916 million, while the excess cover relative to the aggregate capital requirements was 11.9 percentage points, or DKK 1,583 million. Adjusted for capital required to cover the 1.9 percentage point MREL add-on at 31 December 2020, the excess cover was 10.0 percentage points, or DKK 1,303 million.

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

Effective from 28 December 2020, the Danish FSA has fixed Vestjysk Bank's MREL add-on 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. As the Bank's total assets will be in excess of EUR 3 billion, the MREL add-on is expected to be raised by a further 2.5 percentage points as of 1 January 2024, after which date the MREL add-on will be 8.5 percentage points. The Bank's capital plans provide for an issue in 2021 of DKK 580 million in senior non-preferred debt to cover the MREL add-on. Additional issues are expected in 2022 and 2023.

At 31 December 2020, the MREL add-on was 1.9 percentage points. When adding the solvency need ratio, the Bank's total MREL requirement at 31 December 2020 was 12.2% of risk-weighted exposures.

Vestjysk Bank's MREL ratio was equal to the total capital ratio of 24.7% at 31 December 2020. The excess cover was thus 12.5%, or DKK 1,663 million.

Capital position

DKKm	2020	2019
Equity	3,245	2,956
Deductions:		
- prudent valuation	-6	-4
- holdings in financial sector entities	-216	-199
- deferred tax assets	-85	-84
Subordinated debt	344	347
Total capital	3,281	3,016
MREL capital	3,285	3,016
- Credit risk	10,377	11,684
- Market risk	1,265	861
- Operational risk	1,662	1,771
Total risk exposures	13,303	14,316
Common equity tier 1 capital ratio	20.9%	17.6%
Tier 1 capital ratio	22.1%	18.6%
Total capital ratio	24.7%	21.1%
MREL capital ratio	24.7%	21.1%

Total capital was positively impacted by the profit for the year and negatively impacted by investments in shares in sector companies. Accordingly, total capital increased by DKK 265 million from 31 December 2019 to 31 December 2020.

Vestjysk Bank's capital targets at 31 December 2020:

- A common equity tier 1 capital ratio of 14.5%;
- A total capital ratio of 19.5%;
- An MREL ratio of 21.25%.

As can be seen above, the Bank met these targets.

At the merger date, the Bank's estimated total capital ratio and MREL capital ratio were 20.2% and 20.5% respectively. The estimated solvency need ratio at the merger date was 10.3%, and the MREL add-on is expected to remain unchanged at 6.0%, phased in at 1.9% at the merger date. Based on this, an unchanged total capital requirement of 14.7% and excess covers of 5.5% and 5.8% respectively can be calculated at the merger date.

After the merger with Den Jyske Sparekasse, the Bank's capital targets for 2021 are:

- A common equity tier 1 capital ratio of 14.5%;

- A total capital ratio of 19.5%;
- An MREL ratio of 21.25%.

The targets, set on the basis of various stress scenarios, are to ensure that the Bank's capital is in compliance with regulatory requirements. The Bank has defined 5-year capital plans and, subject to completion of the planned issues (primarily SNP capital issues, see above), the Bank expects to be able to meet its capital targets throughout the projection period.

The Bank's capital expectations at 31 December 2021 are as follows:
- A common equity tier 1 capital ratio of 14.5%;
- A total capital ratio of 20.5%;
- An MREL ratio of 23.1%.

Liquidity
At 31 December 2020, the Bank's Liquidity Coverage Ratio (LCR) stood at 180.3%, relative to the LCR requirement of 100%.

Uncertainty in recognition and measurement

The most significant uncertainty factors in relation to recognition and measurement concern loan impairment and provisions for guarantees. Other uncertainty factors concern the valuation of the Bank's domicile property, financial instruments and the measurement of deferred tax assets.

In 2020, the Bank was particularly impacted by the coronavirus crisis, which took hold in March 2020 and continued throughout 2020 and into 2021. The future consequences of the coronavirus crisis are uncertain.

Management believes that assessments made in relation to the determination of impairment allowances at 31 December 2020 reflect FSA's financial reporting rules and guidelines.

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%	109.3%
Lending growth	< 20%	-8.7%
Real estate exposure	< 25%	12.4%
Funding ratio	< 1	0.42
Liquidity benchmark	>100%	292.6%

Other matters

Remuneration policy
Vestjysk Bank's policy in this area is described in the Bank's remuneration policy, which is available at https://www.vestjyskbank.dk/english/organisation

Financial reporting process
The Board of Directors and the Executive Board have the overall responsibility for the Bank's control and risk management in relation to the financial reporting process, including compliance with applicable legislation and other rules and regulations relating to financial reporting. The Board of Directors has established an audit committee, which meets at least four times a year. The Bank's control and risk management systems can provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions in the financial reporting are avoided.

The Board of Directors assesses the Bank's organisational structure, the risk of fraud and the existence of internal rules and guidelines. The Board of Directors and the Executive Board are responsible for approving general procedures and controls in key areas in relation to the financial reporting process. The Executive Board monitors compliance with relevant legislation and other financial reporting regulations and provisions on an ongoing basis and reports its findings to the Board of Directors.

The Board of Directors makes a general assessment of risk in relation to the financial reporting process. As part of its risk assessment, the Board of Directors assesses the risk of fraud and the measures to be taken to reduce and/or eliminate such risks. In connection with this, the Board discusses any incentive/motive Management may have to commit fraudulent financial reporting or other types of fraud

Special circumstances applying to the Bank for the year, including the impact of the coronavirus crisis so far
In 2020, the Bank was particularly impacted by the coronavirus crisis, which took hold in March 2020 and continued throughout 2020 and into 2021.

Despite the coronavirus crisis, the Bank has so far been able to maintain operations during both periods, and the level of customer activity has been high.

The Bank's advisers have been in regular contact with business customers to ascertain what the Bank can do to help them through the coronavirus crisis and to advise them in regard to the rescue packages provided by the Danish government and parliament. So far, the crisis has not had any significant direct impact on the Bank's lending or individual impairment losses.

Vestjysk Bank has made a range of facilities available to retail customers in the form of loan repayment holidays, temporary overdraft facilities and increased credit facilities to support customers directly hit by the lockdown. These measures have also had a limited impact on the Bank, so far.

The sector distribution of the Bank's lending has proved advantageous during the crisis. Most of the Bank's lending is in sectors that have not been particularly badly affected by the coronavirus crisis. The hotel, restaurant, transport and retail sectors are the hardest hit, and these sectors only account for some 10% of the Bank's total lending.

Vestjysk Bank's two main sectors, agriculture and real estate, have so far been relatively unaffected by the coronavirus crisis. The pandemic has devastated the mink industry, however, bringing an end to mink farming in Denmark. From an overall financial perspective, the Danish government's compensation package for mink farmers is considered adequate, and the package had a positive effect on the Bank's impairment losses relating to this industry in 2020. The Bank's exposure to the mink industry is 0.7% of total gross lending, or DKK 112 million.

In the real estate sector, the bank are so far seeing an effect on commercial leases, where agreements have been made to defer rent payments as a result of the coronavirus crisis. Depending on the duration and depth of the crisis, this effect could widen. Private residential rentals have not been significantly affected at this point, and this is not expected to change significantly.

Our retail customers are generally doing well and are in a strong position to withstand the consequences of the coronavirus crisis. In the long term, the Bank expect to see an increase in losses, but on a manageable level overall.

Management's review
Financial review

Until now, the crisis has not affected dairy farmers. Pork settlement prices declined over the course of the year, however, and at the end of 2020 stabilised at a low, but acceptable level. Because of the relatively high pork prices in the first half, pig farmers, some of which are credit-impaired, were able to repay debt to the Bank. This resulted in reversals of impairment allowances within this sector during 2020. The current outbreak of African swine fever in Germany has made it difficult for the Bank's piglet producing customers to sell their output in Germany. This caused prices of piglets to fall sharply, and a downward trend was also seen in prices of pigs for slaughter.

Brexit ended with a trade agreement between the United Kingdom and the EU, under which Danish fishing boats are allowed to fish in UK waters under temporary licenses that are expected to expire in 2026. The agreement stipulates a shift in quotas, with up to 25% of total EU fishing quotas being transferred to the UK. The agreement is considered acceptable to the Bank's customers in the fishing industry compared with the dreaded no-deal Brexit scenario.

Vestjysk Bank is closely monitoring coronavirus pandemic and African swine fever developments.

The Bank's DKK 310 million impairment provision for economic uncertainty is assessed to be sufficient. Projections about the future consequences of the coronavirus crisis and African swine fever are naturally subject to considerable uncertainty.

Events after the reporting date

Having been approved by the respective banks' shareholders in general meeting on 13 January 2021 and by the Danish FSA on 14 January 2021, the merger of Vestjysk Bank and Den Jyske Sparekasse has been concluded with Vestjysk Bank as the continuing bank.

Merger with Den Jyske Sparekasse

After the merger with Den Jyske Sparekasse, Vestjysk Bank will be Denmark's eighth largest bank, 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 with strong financial results;
- offer valuable customer services and competitive products on the basis of deep knowledge of and proximity to our customers;
- continue the Bank's strong commitment to our 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 realises the synergies created 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 pay-out ratio of between 25% and 50% of the profit after taxes.

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

Follow-up on outlook for 2020 and Vestjysk Bank's outlook for 2021
Vestjysk Bank's 2020 financial statements show a satisfactory performance despite the impact of the coronavirus crisis.

Profit guidance after tax was upgraded several times during the year. The most recent guidance for profit after tax was a range of DKK 260-320 million, and the realised profit was at the high end of this range.

The Bank's profit guidance for 2021 is subject to uncertainties, primarily linked to the Bank's agricultural exposure and future developments in the coronavirus crisis.

Currently, there is uncertainty as to the global economic outlook and, in particular, the settlement price trend for agricultural products. The risk of African swine fever spreading could have a significant adverse impact on the Bank's impairment losses.

Vestjysk Bank guides a profit after tax for 2021 of around DKK 500-550 million adjusted for non-recurring costs and the recognised negative goodwill in connection with the merger with Den Jyske Sparekasse.

Risk management

Vestjysk Bank defines risk as any event that may have a material adverse impact on the Bank's ability to achieve its business objectives. The Bank is exposed to various types of risk, which are monitored and managed at various levels in the organisation.

Risk exposure is a key consideration in all the Bank's transactions.

Vestjysk Bank's Board of Directors establishes the overall framework for risk and capital structure and policies under which the Bank's Executive Board and other executives manage the Bank's risks. The Board of Directors is briefed regularly on risk developments and utilisation of allocated risk limits. Day-to-day risk management is performed by Finance, Markets, Treasury and Credit. Middle Office performs independent controls, and Risk Management and Compliance perform independent monitoring.

Moreover, the Bank's risk management is handled by the Risk Committee and the Audit Committee. The Audit Committee's duties include examining accounting and audit-related matters as well as monitoring the Bank's internal control system. The Risk Committee's duties include monitoring the Bank's internal risk management systems, advising the Board of Directors on the general present and future risk profile and strategy and assisting the Board of Directors in ensuring that the Board of Directors' risk strategy is correctly implemented.

The Bank has established a risk management function and appointed a general manager with specific responsibility for the risk management function as the Bank's Risk Officer. Organisationally, it has been ensured that the Risk Officer is sufficiently independent of the Bank's functions, in order for the Risk Officer to have the means to appropriately execute his duties. As needed, and at least once annually, the risk management function prepares a report to the Board of Directors on the Bank's risk management. The Risk Officer may express opinions and concerns and warn the Board of Directors, to the extent relevant, when specific risks affect or may affect the Bank. The Risk Officer moreover assists the Risk Committee by providing it with independent analyses and information.

The Executive Board has drafted a brief for the Risk Officer. The Risk Officer is charged with preparing an annual plan for the risk areas that the function wishes to focus on.

Vestjysk Bank categorises risk as follows:

Market risk
The risk of changes to the market value of the Bank's financial assets and liabilities as a result of changes in market conditions is collectively referred to as "market risk". Assuming market risk exposure is a natural part of the Bank's activities and it affects the Bank's total earnings.

Vestjysk Bank defines the following risks as market risks: interest rate risk, foreign exchange risk, equity risk and other price risks, including in relation to commodities.

Vestjysk Bank's policy is to maintain a low overall level of market risk.

Vestjysk Bank's ambition is to only assume limited market risks not directly linked to the Bank's ordinary operations.

Vestjysk Bank accepts market risks related to the Bank's ordinary operations. However, where possible, the Bank will endeavour to mitigate a given risk or hedge it to such an extent that it cannot be characterised as high.

In specific areas, the Bank uses derivative financial instruments to hedge and manage market risks. The Bank's customers also use derivative financial instruments. Derivative financial instruments are included in the determination of the Bank's market risk for the underlying risk areas.

The Board of Directors has defined limits for the Bank's market risk. Market risk is monitored and the defined risk limits controlled on a daily basis by Middle Office, which performs the following controls:

- daily follow-up on compliance with the Board of Directors' instructions to the Executive Board
- daily follow-up on compliance with the Executive Board's delegated instructions to the Markets Director and Treasury
- price verification relative to market prices for in securities and financial instruments trading
- ongoing evaluation and reporting of potential risks related to the Bank's in securities and financial instruments trading

The Board of Directors is briefed regularly on risk developments and utilisation of allocated risk limits.

The Executive Board receives daily reports on developments in material market risks as well as cases where the framework provided by the Board of Directors to the Executive Board has been exceeded. Trades to and from the trading book are monitored daily. Instances of limits being exceeded are reported to the Board of Directors.

Interest rate risk
Interest rate risk is defined as the loss incurred by the Bank in the event of a 1 percentage point rise in general interest rate levels.

In connection with its ordinary operations, the Bank assumes interest rate risks in relation to the following activities: deposits, lending, raising of tier 2 capital and funding as well as investing the Bank's liquidity reserves and trading book in interest-bearing instruments. The Bank may use financial instruments to hedge all or part the interest rate risk from these activities.

The Bank accepts a certain degree of interest rate risk on activities related to deposits, lending and raising of tier 2 capital and funding.

However, it is the Bank's policy that the interest rate risk derived from investment of the Bank's liquidity reserves and trading book in interest rate-dependent instruments must not be so high as to significantly affect profit/loss.

The Bank's overall interest rate exposure amounted to DKK 47.2 million at 31 December 2020. The Bank is thus exposed to a general increase in interest rates.

Outside the trading book, Vestjysk Bank has negative interest rate risk of DKK 7.7 million, primarily related to subordinated debt, which contributed a negative interest rate risk of DKK 8 million, while fixed-rate loans contributed a positive interest rate risk of DKK 2.8 million.

All other things being equal, the direct profit/loss effect of a change in interest rates will solely be related to the interest rate risk related to the trading book, which was a loss of DKK 54.9 million at 31 December 2020 and DKK 29.9 million at 31 December 2019.

Outside the trading book, a change in interest rates would impact future earnings and equity, as a change in interest rates would affect alternative funding and investment options.

The Bank based its calculation of interest rate risk on the FSA's guidelines.

Foreign exchange risk
The Bank assumes foreign exchange risk related to assets and liabilities in foreign currencies.

Vestjysk Bank's policy is to maintain a low overall level of foreign exchange risk. The Bank therefore makes extensive use of financial instruments to hedge foreign exchange risk.

Exchange rate indicators are simplified measures of the amount of the Bank's positions relative to tier 1 capital. Exchange rate indicators in respect of foreign currency amounted to DKK 6.3 million at 31 December 2020, against DKK 9.9 million at 31 December 2019.

Equity risk
The Bank's equity risk arises from shares and derivative instruments in its trading book and outside its trading book.

Positions outside the trading book mainly comprise shares in financial sector companies with which the Bank has a strategic partnership. They are typically shares in companies in which the Bank has an ownership interest equal to its proportionate share of the partnership. The Bank accepts the risk associated with ownership interests in sector companies, less risk is accepted on the trading book.

31 December 2020, equity risk as expressed in terms of the invested amount was DKK 547 million. Of this amount, sector company shares amounted to DKK 497 million.

Other market risks
It is the Bank's policy not to assume market risks via financial instruments other than those specified above. It is therefore the Bank's policy not to assume commodity risk via financial instruments.

The most important aspects of the Bank's market risks are set out in notes 36-39 to the financial statements.

Credit risk
Extending credit is a key element of Vestjysk Bank's business.

Credit risk is defined as the risk of a counterparty being unable or unwilling to meet an obligation and of any collateral being insufficient to cover the obligations. A reduction of the value of collateral or illiquidity may result in losses and an increase of impairment and provisions.

An increase of the Bank's credit risks may result in losses for the Bank or impairment allowances, ultimate write-offs of already impaired exposures or it may increase its need for capital coverage.

The Bank's calculation of credit risk greatly relies on case-by-case assessments as to whether customers are able and willing to meet their obligations and whether the requisite value and collateral are present.

In order to ensure adequate risk diversification across sectors and customers, the Bank does not accept exposures to individual sectors in excess of 15% of total exposures. Similarly, the Bank does not accept exposures in excess of 10% of its total capital. Approved exposures in excess of the 10% must be accompanied by an action plan setting out when and how the amount can be brought below 10%. This way, Vestjysk Bank seeks to continually ensure that no individual exposure, including to groups, poses a threat to the Bank's future operations. At 31 December 2020, there were no exposures exceeding 10% of total capital.

The Bank's credit policy comprises targets for a number of measures related to the Bank's exposures.

When performing credit analyses, it is important to Vestjysk Bank that credit decisions are based on a thorough analysis of the customer's financial position and the collateral provided, so that adequate information is available for the assessment of the customer's creditworthiness and the risk attached to the exposure. Decisions should generally be based on the robustness of the customer's future earnings and liquidity, and less so on the provided collateral, which may decrease in value. Another highly weighted factor is the trustworthiness and competences of the customer.

For business customers, this means that the Bank must follow the following basic principles when deciding whether to extend credit:

- obtain the customer's financial statements and budgets, including quarterly reporting and other follow-up
- in groups, gain an insight into all significant financial statements, including personal financial information, on a transparent basis
- in limited partnerships, gain an insight into the incomes and assets of all limited partners and an overview of their liabilities
- critically assess their equity, addressing and describing any matters of doubt
- finance losses only if the customer can substantiate that the financial difficulties are of a temporary nature, or if it serves the purpose of settling the customer's exposure

For business customers, the bank assumes that:

- their current and future earnings are expected to result in positive consolidation
- their cash flows reasonably match their repayment commitments seen in relation to the economic lives of the financed assets
- their equity reasonably matches their assets If the equity is small or negative, the earnings of and collateral provided by business customers are given particular weighting

In order to ensure an overview of business customer relationships, the Bank files minutes of meetings, discussions with customers and other documentation electronically. Minutes must be taken of all meetings, and all significant agreements with customers must be confirmed in writing.

For retail customers, the Bank must follow the following basic principles when deciding whether to extend credit:

- have an insight into the customer's annual tax assessment notice

- know the customer’s actual disposable amount and stressed disposable amount and loan-to-income
- know and critically assess the size of the customer’s assets
- have insight into the customer’s historical financial situation, which includes assessing the customer’s past payment record and pattern of consumption
- be cautious of new customers’ motive when they contact Vestjysk Bank on their own initiative to obtain credit
- both spouses/cohabiting partners must be jointly liable if the financed asset is for their joint use or if settlement is based on their combined income

Segmentation is an important element in the Bank’s credit risk management.

It is the Bank’s ambition to have exposure strategies for all significant exposures, both retail and business.

Of Vestjysk Bank’s loans and guarantees at 31 December 2020, 56% were to business customers and 44% to retail customers.

The Bank’s evaluation of collateral in real estate is based on an individual assessment of the property’s market value, primarily through a cost-benefit analysis with an estimated factor based on, among other things, the property’s location, use as well as potential alternative uses, layout, tenant credit quality and lease duration. The value of the Bank’s collateral in real estate is therefore subject to uncertainty, as changes in market conditions may lead to a need to reassess the value of the collateral provided. Even for exposures where the collateral provided is adequate according to the Bank’s present evaluation, the Bank’s loans and guarantees to the real estate segment are subject to considerable risk going forward, as the value of the collateral provided and any impairment allowances may change if the market changes.

A drop in real estate prices, general economic conditions or other circumstances causing prices of securities or other collateral to decline may cause the value of the collateral provided vis-a-vis the Bank to deteriorate and thus not be sufficient to cover the customer’s liabilities. Where collateral is illiquid, it may not be possible to realise the collateral to cover the customer’s liabilities.

The Bank is also exposed to significant risk on loans and guarantees to the agricultural sector. Agriculture is cyclical in nature, and changes in settlement prices affecting the debtor’s ability to pay can cause major fluctuations in exposure over a span of years.

Generally, the Bank wishes to keep the proportion of agricultural customers in the lending portfolio in line with its target, while continuing to help existing skilled and efficient customers based on an objective risk assessment of the individual farmer’s operational capability and earnings.

Vestjysk Bank wishes to maintain the overall exposure to real estate and will increase its credit exposure to customers based on an objective overall risk assessment. The Bank will also continue to finance property purchases for customers’ own use (primarily single-family and holiday houses for retail customers and domicile properties for business customers) if the customer’s future earnings and assets are assessed to be stable.

The Bank engages in project financing with great caution, carefully assessing each project and the investors behind it. It also imposes stricter requirements for collateral and self-financing.

Weak and potentially impaired exposures must be identified on a timely basis, and any impairment loss recognised must be appropriate. Any warning signs must immediately prompt measures to reduce risk. For all weak and impaired exposures, the Bank must prepare an operational action plan for effective management of the exposure.

Evidence of individual impairment and provisions for credit exposures are assessed on an ongoing basis. The Bank complies with the impairment provisions of IFRS 9.

At Vestjysk Bank, credit approval authority is based on a cautious delegation policy. The authority issued by the Board of Directors to the Executive Board is delegated to the Credit Director, who in turn delegates authority to individual employees. In addition, each branch manager is granted credit approval authority according to whether the branch is a retail or a business banking branch. Commitments that exceed the branch manager's credit approval authority are transferred to the Credit Department for processing. Depending on the amount of the commitment, the credit inquiry will be approved by the Credit Department, the Credit Director, the Credit Committee, the Executive Board or, ultimately, the Board of Directors.

An annual review of commitments is carried out according to defined criteria pre-approved by the Board of Directors. In addition to this, Middle Office on a quarterly basis reports to the Executive Board and the Board of Directors on developments and the status of credit-related risks. Middle Office furthermore regularly verifies compliance with the Bank's credit policy.

Operational risk

Operational risk is defined as the risk of losses associated with internal and external conditions resulting from inadequate or failed internal processes, human or system errors as well as external events, including legal risk.

The general responsibility for operational risk resides with the Bank's Middle Office. Vestjysk Bank considers dependence on key employees a focus area. The Bank continually strives to minimise the dependence on key employees, for example by establishing written business procedures, centralising tasks and outsourcing areas that do not affect the Bank's competitiveness.

In an operational risk policy, the Board of Directors has defined procedures for identification, assessment, monitoring and management of operational risks. The Bank's goal is for operational risks to be continually limited taking into account associated costs.

Vestjysk Bank's policies and contingency plans concerning physical disasters and IT breakdowns are improved on an ongoing basis. 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.

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.

Among other things, operational risk is minimised by organisational segregation of the performance and control of activities.

The Bank has established a system for registering, categorising and reporting areas that the function wishes to focus on operational risks. Middle Office submits quarterly reports to the Executive Board, and the risk management function annually reports on operational risks to the Board of Directors.

Liquidity risk
Liquidity risk is defined as the risk of the Bank not being able to meet its payment obligations by drawing on its normal liquidity reserves.

Vestjysk Bank pursues a cautious liquidity policy setting out a number of requirements as to the size and composition of the liquidity reserve and Vestjysk Bank's overall financing structure.

The liquidity buffer must be sufficiently robust to provide adequate liquidity under Vestjysk Bank's basic stress scenario to maintain an LCR of 100% month by month over a 12-month period. The Bank's basic stress scenario must consider a standard LCR stress situation for the first 30 days as well as additional stress elements relevant to the Bank. The Bank's liquidity risk and cash resources are detailed in note 39 to the financial statements.

The overriding purpose of Vestjysk Bank's liquidity management is to monitor and manage the development of the Bank's short-term and long-term liquidity and to ensure that the Bank has sufficient liquidity at its disposal at all times in Danish kroner as well as in foreign currency.

The Bank aims to maintain a sound asset structure and focus on strong liquidity. The liquidity must be adequate and sufficiently cautious and support the selected business model.

The liquidity need is planned in both the long and the short term for the purpose of ensuring a sufficient and stable level of cash resources. Liquidity is primarily raised via the Bank's deposit account customers.

Business risk
Business risk is defined as the risk of losses caused by changes in external conditions or events that harm the Bank's reputation or earnings.

Strong relationships with all its stakeholders – shareholders, customers, suppliers, employees and thus also the local communities in which the Bank operates – are considered the foundation of Vestjysk Bank's continued success and opportunities for growth.

Total capital risk
Total capital risk is defined as the risk of losses due to the Bank not having sufficient capital to meet the higher of the total capital requirement and the solvency need. The Board of Directors has adopted a capital coverage policy establishing capital targets for the Bank, with ongoing reporting to the Executive Board and monthly reporting to the Board of Directors.

The Bank's total capital is determined in accordance with the Danish Executive Order on the Calculation of Risk Exposures, Own Funds and Solvency Need (Bekendtgørelse om opgørelse af risikoeksponeringer, kapitalgrundlag og solvensbehov), and at 31 December 2020 total capital amounted to DKK 3,281 million. Risk-weighted exposures amounted to DKK 13.3 billion, resulting in a total capital ratio of 24.7%.

Risk report 2020

Pursuant to the Danish Financial Business Act, the CRR disclosure requirements (Pillar III) and other executive orders and guidelines, Vestjysk Bank is required to publish detailed disclosures on risks, capital structure, capital coverage, risk management, etc. To meet these requirements, Vestjysk Bank has prepared "Risk Report 2020". The report is published at the same time as the Annual Report and is available at vestjyskbank.dk/english/reports.

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.

Through its Investor Relations (IR) activities, Vestjysk Bank aims to communicate a true and fair view of the Bank's activities and prospects to investors, analysts and other stakeholders in the capital markets.

Disclosure of information is subject to the rules of Nasdaq Copenhagen.

IR portal at Vestjysk Bank's website

An IR portal is found at Vestjysk Bank's website, where shareholders and other stakeholders can find relevant and up-to-date information. Here, published company announcements, investor presentations, share price data, financial reports and other IR information are available. Vestjysk Bank's IR policy is accessed at vestjyskbank.dk/english/announcements/ir-policy

The Vestjysk Bank share

The Vestjysk Bank share is listed on Nasdaq Copenhagen. The 2020 year-end closing price was DKK 2.77 The share price/book value ratio was 0.8. The transaction volume for 2020 was just over 104 million shares at a total market value of DKK 315.8 million.

Share capital

Vestjysk Bank's share capital totalled DKK 896 million at 31 December 2020. The share capital consists of 895,981,517 shares with a nominal value of DKK 1 each.

Vestjysk Bank has some 37,000 registered shareholders. The Bank's major shareholders are:

Aktieselskabet Arbejdernes Landsbank	32.44%
AP Pension Livsforsikringsselskab	19.71%
Nykredit Realkredit A/S	13.97%

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

Capital position

At the annual general meeting on 10 June 2020, the Board of Directors was authorised to acquire own shares at a nominal value of up to 10% of the share capital until 20 March 2024. At 31 December 2020, Vestjysk Bank held 173,000 own shares, equivalent to 0.02% of the share capital, which was in line with 2019.

Dividend policy

The Board of Directors proposes that no dividend be distributed in 2021 on the basis of the profit for 2020. The explanation is the prospect of future capital requirements, not least the MREL requirements and additional implementation of the countercyclical buffer. Each year, the Board of Directors considers the possibility of distributing dividend in consideration of the financial results for the year, future capital requirements, etc.

From the 2022 financial year, it is the Bank's goal to distribute dividends of between 25% and 50% of profit for the year.

Management's review
Investor relations

Annual General Meeting

Vestjysk Bank expects to hold a virtual AGM on Monday, 22 March 2021 at 3 p.m.

Financial calendar 2021

5 February	Deadline for receipt of shareholders' request for items for inclusion on agenda for the AGM
23 February	Annual Report 2020
22 March	Annual General Meeting
19 May	Quarterly report, Q1 2021
17 August	Half-year report
18 November	Quarterly report, Q3 2021

Investor relations

The Bank's Executive Board is responsible for Vestjysk Bank's investor relations activities. Shareholders and other interested parties are welcome to contact the Executive Board with questions or comments. The Bank's communications with equity market stakeholders and inquiries regarding the Bank's IR policy are primarily handled by:

Jan Ulsø Madsen, Chief Executive Officer
Vestjysk Bank
Torvet 45
DK-7620 Lemvig, Denmark
Tel: (+45) 96 63 21 04
jum@vestjyskbank.dk

Company announcements 2020

In 2020, Vestjysk Bank issued the following company announcements:

17 December	Managers' transactions in Vestjysk Bank A/S
17 December	Notification and public disclosure of transactions with shares in Vestjysk Bank A/S
17 December	Merger between Vestjysk Bank A/S and Den Jyske Sparekasse A/S
11 December	Approval of merger between Vestjysk Bank A/S and Den Jyske Sparekasse A/S
10 December	Notice calling an extraordinary general meeting of Vestjysk Bank A/S
26 November	Merger between Vestjysk Bank A/S and Den Jyske Sparekasse A/S
18 November	Vestjysk Bank's Q1-Q3 2020 Quarterly Report
8 October	Vestjysk Bank upgrades profit guidance for 2020
19 August	Vestjysk Bank's Half-Year Report 2020
14 July	Upward adjustment and clarifying of Vestjysk Bank's expectations for 2020
10 June	Resolutions at Vestjysk Bank A/S' Annual General Meeting on 10 June 2020
19 May	Notice of Annual General Meeting from the Board of Directors of Vestjysk Bank A/S
13 May	Vestjysk Bank's Q1 2020 Quarterly Report
8 April	State aid case closed
25 March	Suspension of full-year 2020 profit guidance of Vestjysk Bank
18 March	Postponement of Vestjysk Bank' Annual General Meeting called for 23 March 2020
16 March	Annual General Meeting 2020 – new location
20 February	Notice of Annual General Meeting from the Board of Directors of Vestjysk Bank A/S
20 February	Vestjysk Bank's 2019 Annual Report
17 January	Upgrade of profit guidance for 2019

Management's review

Corporate Governance

Corporate Governance

Corporate governance report

Vestjysk Bank's corporate governance is based on the recommendations of the Committee on Corporate Governance in Denmark (Komitéen for god Selskabsledelse) and is thus in line with the principles which listed companies must consider under the rules of Nasdaq Copenhagen. Moreover, the Bank considers its position on the corporate governance code of Finance Denmark.

Vestjysk Bank has decided to publish its statutory corporate governance report on the Bank's website – see https://www.vestjyskbank.dk/english/organisation.

The report provides details on the Bank's status on each of the recommendations issued by the Committee on Corporate Governance and in the corporate governance code of Finance Denmark.

Corporate social responsibility report

Vestjysk Bank's corporate social responsibility work focuses on three key areas: Customers, the local communities in which the Bank wishes to play an active part, and employees. Through the Bank's vision, mission and values, its social responsibility platform has been an integral part of its business for several years.

Vestjysk Bank supports the Danish government's commitment to giving a high priority to human rights and climate change, including Denmark's backing of the UN's Sustainable Development Goals. The Bank sees these goals as a strategic benchmark that guides its efforts.

As a local and regional bank, it is relevant for Vestjysk Bank to focus on the following Sustainable Development Goals:

Goal 5: Gender equality
Goal 8: Decent Work and Economic Growth
Goal 11: Sustainable Cities and Communities

Vestjysk Bank prioritises involvement in the local community. This is reflected in Vestjysk Bank's many sponsorships of sports, culture and charitable causes. The Bank's sponsorships cover a wide array of organisations – from local sports clubs to elite sports – and employees and executives complement the Bank's donations by performing volunteer work in the various clubs.

It is important to Vestjysk Bank that young people looking for a future in the financial sector are given the opportunity to complete their studies and subsequently find employment in the sector. It is therefore a priority for the Bank to each year give a number of financial economist students and finance undergraduates the opportunity to become trainees with the Bank when they finish their studies. It is the Bank's intention to recruit finance and business trainees once they have completed their financial economist or finance bachelor studies.

The Bank sees diversity as a strength that has the capacity to contribute positively to the Bank's growth, robustness as well as to meet its established strategies and plans. Diversity in age, gender, experience and expertise has a high priority.

Vestjysk Bank has decided to publish its statutory corporate social responsibility report on the Bank's website – see https://www.vestjyskbank.dk/english/csr.

Report on the underrepresented gender
It is Vestjysk Bank's ambition to be an attractive workplace for both genders and endeavours to provide equal opportunities to pursue careers and to attain and hold positions of leadership. In relation to this, it is important to the Bank that managers possess the required skills, regardless of gender.

Vestjysk Bank has decided to publish its statutory report on the under-represented gender on the Bank's website – see https://www.vestjyskbank.dk/english/csr.

Rules on the appointment of members of the Board of Directors
After the Extraordinary General Meeting held on 13 January 2021, Vestjysk Bank's Board of Directors will consist of at least four and no more than nine members until the Annual General Meeting 2023. For the period after the Annual General Meeting 2023, the Board of Directors may consists of at least four and no more than seven members elected by the company in general meeting. The chairman and deputy chairman of the Board are also elected by the general meeting. Members are elected for terms of one year and are eligible for re-election.

Board of Directors and Executive Board

Vestjysk Bank's Board of Directors
The Board of Directors of Vestjysk Bank consists of nine members, three of whom are elected by the Bank's employees.

Kim Duus (born 1956), Chairman
- Gender: Male
- First elected to Vestjysk Bank's Board of Directors at the AGM in 2019, when he was also appointed Chairman of the Board
- Expiry of current term: 2022
- Other directorships:
  Deputy chairman of the board of directors of Cobiro A/S
  Member of the board of directors of Investeringsforeningen Sparinvest
  Member of the board of directors of Nærpension Forsikringsformidling A/S
- Committee appointments:
  Chairman of the Board of Directors' nomination committee
  Member of the Board of Directors' remuneration committee
  Member of the Board of Directors' risk committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 150,000
- Number of shares in Vestjysk Bank at 14 January 2021: 150,000
- Change to shareholding for the year: 150,000

Niels Fessel (born 1959), Deputy Chairman
- Gender: Male
- First elected to Vestjysk Bank's Board of Directors in 2021
- Expiry of current term: 2022
- Other directorships:
  None
- Committee appointments:
  Chairman of the Board of Directors' remuneration committee
  Member of the Board of Directors' nomination committee
  Member of the Board of Directors' audit committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 0
- Change to shareholding for the year: 0

Lars Langhoff (born 1969)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors in 2021
- Expiry of current term: 2022
- Other directorships:
  Member of the executive board of Langhoff Family ApS
  Member of the executive board of Codex Advokaters Komplementar Advokatanpartsselskab
  Member of the board of directors and the executive board of B&P af 17.2.12 A/S
  Member of the board of directors and the executive board of CA af 31/12 2012 A/S
  Chairman of the board of directors of O.M. Holding. Horsens A/S
  Chairman of the board of directors of Højfyns Gruppen ApS
  Chairman of the board of directors of Odense Byg og Bo ApS
  Chairman of the board of directors of Svend Erik Lind A/S
  Chairman of the board of directors of O.M. Invest, Glud A/S
  Chairman of the board of directors of Print Production A/S
  Chairman of the board of directors of Odense Byg og Bo Invest ApS
  Chairman of the board of directors of Teglgaarden Agro ApS
  Chairman of the board of directors of Thygesen Transport A/S
  Chairman of the board of directors of Allégården A/S
  Chairman of the board of directors of O.M. Glud I A/S
  Chairman of the board of directors of O.M. Glud II A/S
  Chairman of the board of directors of OL Biogas ApS
  Member of the board of directors of J.C. Finans A/S
  Member of the board of directors of Jorl Holding ApS
  Member of the board of directors of Codex Advokater Advokatpartnerselskab
  Member of the board of directors of Dansk Farmland K/S
  Member of the board of directors of Gram Green Energy ApS
- Committee appointments:
  Member of the Board of Directors' risk committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 29,920
- Change to shareholding for the year: 0

Jan Nordstrøm (born 1960),

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors in 2021
- Expiry of current term: 2022
- Other directorships:
  Vice President of Danish Crown A/S
- Committee appointments:
  Chairman of the Board of Directors' risk committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 74,732
- Change to shareholding for the year: 0

Lars Holst (born 1952)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors at the AGM in 2014
- Expiry of current term: 2022
- Other directorships:
  Member of the board of directors of Vækstfonden
  Member of the board of directors of Grønlandsbanken A/S
  Chairman of the board of directors of AG Gruppen A/S and the following subsidiaries:
  Chairman of the board of directors of AG Construction A/S
  Chairman of the board of directors of AG Development A/S
  Chairman of the board of directors of Amager Erhvervsforening A/S
  Chairman of the board of directors of Amager Strandvej 100 A/S
  Chairman of the board of directors of Ørestad Syd 2015 A/S
  Chairman of the board of directors of Ørestad Syd A/S
  Chairman of the board of directors of AG Investments A/S
- Committee appointments:
- Member of the Board of Directors' risk committee
  Member of the Board of Directors' audit committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 15,000
- Number of shares in Vestjysk Bank at 14 January 2021: 15,000
- Change to shareholding for the year: 0

Bent Simonsen (born 1961)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors at the AGM in 2013
- Expiry of current term: 2022
- Other directorships:
  Member of the executive board of Hazel Invest ApS
  Chairman of the board of directors of Viborg Håndboldklubs Venner ApS
  Member of the board of directors of A/S Plantningsselskabet Sønderjylland
  Member of the board of directors of Den Sønderjyske Plantagefond
- Committee appointments:
  Chairman of the Board of Directors' audit committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 125,000
- Number of shares in Vestjysk Bank at 14 January 2021: 125,000
- Change to shareholding for the year: 75,000

Claus Jensen (born 1964)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors in 2020
- Expiry of current term: 2022
- Other directorships:
  Chairman of the Danish Metalworkers' Union
  Chairman of CO-Industri
  Chairman of Industriansatte i Norden, IN
  Deputy chairman of IndustriALL, Europe
  Member of the board of directors of A/S A-Pressen
  Member of the board of directors of AKF Holding
  Member of the board of directors and board of representatives of Arbejdernes Landsbank
  Member of the board of directors of Industriens Pensionsforsikring A/S
  Member of the board of directors of Industriens Pension Holding A/S
  Member of the board of directors of Industriens Pension Service A/S
  Member of the board of directors of LINDØ port of ODENSE A/S
  Member of the board of directors of Sund & Bælt Holding A/S
  Member of the board of directors of Øresundsbro Konsortiet
  Committee appointments: None
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 0
- Change to shareholding for the year: 0

Bolette van Ingen Bro (born 1965)

- Gender: Female
- First elected to Vestjysk Bank's Board of Directors in 2018
- Expiry of current term: 2022
- Other directorships:
  CEO of Navigators
  CEO of Cluster Excellence Denmark / Danish Clusters ApS
  CEO of Netweavers ApS
  Chairman of the board of directors of Fonden West Coast Center Jutland
  Chairman of the board of directors of Kystcentret A/S
  Member of the board of directors of Det Danske Hedeselskab
  Member of the board of directors of Dalgasgroup A/S
- Committee appointments: None
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 129,500
- Number of shares in Vestjysk Bank at 14 January 2021: 129,500
- Change to shareholding for the year: 100,000

Hanne Træholt Odegaard (born 1969),

- Gender: Female
- First elected to Vestjysk Bank's Board of Directors in 2021
- Expiry of current term: 2022
- Other directorships:
  None
- Committee appointments:
  Member of the Board of Directors' audit committee
- Independent: Yes
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 10,200
- Change to shareholding for the year: 0

Jacob Møllgaard (born 1976)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors as an employee representative in 2013
- Expiry of current term: 2023
- Other directorships:
  Deputy Chairman of the Financial Services Union Denmark, District West
- Committee appointments: None
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2020: 2,946
- Number of shares in Vestjysk Bank at 14 January 2021: 2,946
- Change to shareholding for the year: None

Mette Holmegaard Nielsen (born 1976)

- Gender: Female
- First elected to Vestjysk Bank's Board of Directors as an employee representative in 2019
- Expiry of current term: 2025
- Committee appointments:
  Member of the Board of Directors' audit committee
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2020: 14,885
- Number of shares in Vestjysk Bank at 14 January 2021: 14,885
- Change to shareholding for the year: 0

Karsten Westergård Hansen (born 1960)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors as an employee representative in 2021
- Expiry of current term: 2025
- Øvrige ledelsesposter:
  Member of the Board of Directors' of Fonden Magion
  Member of the Board of Directors' of Badminton Danmark
  Member of the Board of Directors' of Badminton Midtjylland
  Member of the Board of Directors' of Grindsted Badmintonklub
- Committee appointments:
  Member of the Board of Directors' remuneration committee
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 20,400
- Change to shareholding for the year: 0

Steen Louie Pedersen (born 1964)

- Gender: Male
- First elected to Vestjysk Bank's Board of Directors as an employee representative in 2021
- Expiry of current term: 2023
- Other directorships:
  Member of the board of directors of Hedensted Golfklub
  Member of the board of directors of Den Jyske Sparekasses Støttefond
- Committee appointments:
  Member of the Board of Directors' risk committee
- Independent: No
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 14.620
- Change to shareholding for the year: 0

Vestjysk Bank's Executive Board

Jan Ulsø Madsen, Chief Executive Officer (born 1960)

Appointed Chief Executive Officer of Vestjysk Bank on 1 February 2015

- Other directorships:
  Member of the board of directors of Sparinvest Holdings SE
  Member of the board of directors of Opendo A/S
- Number of shares in Vestjysk Bank at 31 December 2020: 124,000
- Number of shares in Vestjysk Bank at 14 January 2021: 124,000
- Change to shareholding for the year: 70,000

Claus E. Petersen, Deputy Chief Executive Officer (born 1961)

Appointed Deputy Chief Executive Officer of Vestjysk Bank on 14 January 2021

- Other directorships:
  Chairman of the board of directors of Foreningen Lokale Pengeinstitutter
  Chairman of the board of directors of PRAS A/S
  Member of the board of directors of Nykredit A/S
  Member of the board of directors of Den Jyske Sparekasses Støttefond
  Member of the board of directors of Finans Danmark
  Member of the board of directors of FR I af 16. september 2015 A/S
  Member of the board of directors of HN Invest Tyskland 1 A/S
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 307,292
- Change to shareholding for the year: 0

Michael Nelander Petersen, Managing Director (born 1963)

Appointed Managing Director of Vestjysk Bank on 25 September 2012

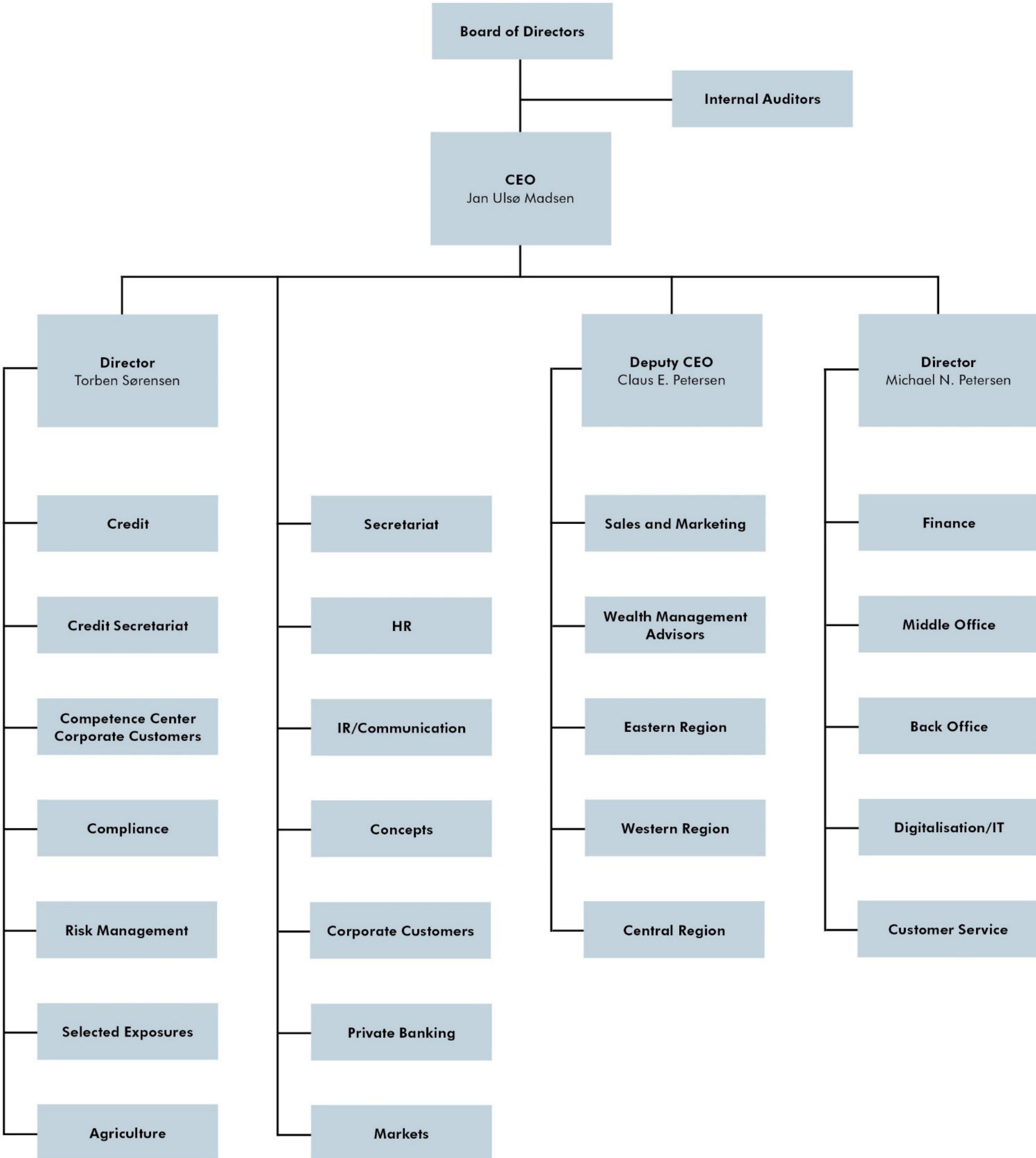
- Other directorships:
  Member of the board of directors of BEC (Bankernes EDB Central)
  Member of the board of directors of Lokal Pulje Invest
  Expert assessor at the Danish Maritime and Commercial High Court
- Number of shares in Vestjysk Bank at 31 December 2020: 90,000
- Number of shares in Vestjysk Bank at 14 January 2021: 90,000
- Change to shareholding for the year: 30,667

Torben Sørensen, Managing Director (born 1957)

Appointed Managing Director of Vestjysk Bank on 14 January 2021

- Other directorships:
  Member of the board of directors of Opendo A/S
- Number of shares in Vestjysk Bank at 31 December 2020: 0
- Number of shares in Vestjysk Bank at 14 January 2021: 28,288
- Change to shareholding for the year: 0

Management's review
Organisation



Organisation of the Bank

Vestjysk Bank's goal is to be the strongest local bank in Denmark, offering valuable customer service and competitive products on the basis of deep knowledge of and proximity to the customers. The Bank will thus maintain its strong commitment to its local communities. Furthermore, Vestjysk Bank aims to be an attractive and stimulating workplace for existing and future employees.

Based on the Bank's values – Presence, Simplicity and Action, Vestjysk Bank aims to maintain its strength as a provider of classic banking services to both retail and business customers. The Bank use our strong professional and personal competences to focus on the (current and potential) needs of our revenue-generating customers. The Bank will do this on the strength of our motivated and adaptable employees and with a strong emphasis on personal contact and service. To the greatest possible extent, customers and employees are supported by digital processes, such as digital signatures, video conferences, communication via eBanking, centralised production, etc.

Vestjysk Bank's strategy is to be a business-oriented bank offering products and services in response to our customers' demands and needs. The Bank's aim is to realise a satisfactory return on equity, combined with focus on a healthy sector distribution of the Bank's credit exposures.

Credit management is to continually improve the quality of the Bank's credit book through stringent management of existing vulnerable exposures, focus on increasing business volume with existing financially sound customers and growth through the intake of financially sound new retail and business customers. In the business customer segment, the Bank focuses particularly on customers with a business volume of DKK 3-75 million.

The objective of increasing the business volume must continually be balanced against the Bank's liquidity and capital structure.

The Bank consider central, western and eastern Jutland our core market area. The market strategy is adapted to the general opportunities in the individual market areas. The number of branches is regularly evaluated against current and anticipated market developments.

Vestjysk Bank's core business is conventional retail and business banking with special expertise in lending and financing for agriculture, fishery, real estate, and small and medium-sized enterprises.

The Bank aim to provide a portfolio of products and services designed to meet the needs of ordinary retail and business customers in all core market areas. This portfolio is to ensure a sound business platform for customers as well as the Bank.

The business segment will continue to be the Bank's primary business segment, with agriculture, fishery and real estate as the largest sectors. Considering the Bank's geographical locations and history, the strategy is to continue to have significant business in these areas. The Bank wants to maintain a 65%/35% ratio of business and retail banking.

The Board of Directors annually defines limits of maximum business volume within individual sectors, and no individual sector may exceed 15% of the Bank's total lending portfolio.

The Bank previously built up a certain portfolio outside its market area in Denmark. Going forward, Vestjysk Bank will seek to primarily retain existing customers and attract new customers within its geographical market area. The Bank will therefore actively maintain the proportion of loans outside our market area at the current level of about 12%.

The Bank has also built up a portfolio abroad. Over a period of several years, the Bank has reduced the proportion of loans abroad, and will now strive to maintain the current level of about 3%.

The Bank's lending portfolio must be characterised by financially sound exposures and a continued healthy diversification on sectors, geography and business areas. Only in exceptional cases and for limited time periods will the Bank accept exposures that exceed 10% of its total capital.

After the merger with Den Jyske Sparekasse, the Executive Board has four members, and the areas of responsibility are distributed among them.

Management's review
Organisation

Organisation

The Bank's organisation is based on four business areas – Business, Retail, Markets and Agriculture – which are responsible for sales, management and close customer contact in the credit area.

The customer-facing functions are organised in three regions: East, West and Central.

The customer-facing functions and the central corporate functions are linked through a number of committees and management fora.

The committees are:

- The investment committee
- The price/product committee
- The price/credit committee
- The risk committee

The management fora are:

- A staff forum
- A business forum

Enhancing the competencies of Management and employees

Vestjysk Bank aims to maintain a consistently high level of expertise for management and employees alike. With our ambition of doing things right, skill building is a key strategic development area.

This focus is one of the reasons that the Bank is able to retain and attract competent employees with strong general and specialist competencies. The average age and seniority of the Bank's employees are 48.9 and 14.9 years respectively. The average number of FTEs in 2020 was 395.

Management's statement

The Bank's Board of Directors and Executive Board have today considered and approved the Annual Report of Vestjysk Bank A/S for the period 1 January – 31 December 2020.

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

In our opinion, the accounting policies applied are appropriate and the Financial Statements present a true and fair view of the Company's assets and liabilities and financial position as at 31 December 2020, and of the results of the Bank's activities for the reporting period 1 January – 31 December 2020.

In our opinion, the Management's review includes a fair review of the development and performance of the Bank and a fair description of the principal risks and uncertainty factors that the Bank faces.

We recommend the annual report for adoption by the shareholders at the annual general meeting.

Lemvig, 23 February 2021

…………………………………………	…………………………………………
Jan Ulsø Madsen	Claus E. Petersen
Chief Executive Officer	*Deputy Chief Executive Officer*
…………………………………………	…………………………………………
Michael Nelander Petersen	Torben Sørensen
Managing Director	*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

Auditors' report

Report by the Internal Audit Department

To the Shareholders of Vestjysk Bank A/S

Opinion
In our opinion, the Financial Statements of Vestjysk Bank A/S give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of its operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

Basis of opinion
We have audited the Financial Statements of Vestjysk Bank A/S for the financial year 1 January - 31 December 2020, which comprise a statement of income and a statement of comprehensive income, a statement of financial position, a statement of changes in equity and notes to the financial statements, including accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Business Act.

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Enterprises and Financial Groups and in accordance with International Standards on Auditing with respect to the planning and performing of audits.

We planned and performed the audit to obtain reasonable assurance as to whether the Financial Statements are free from material misstatement. We participated in the audit of all critical audit areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the Financial Statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatements of the Management's review.

Lemvig, 23 February 2021

Mikael Flohr Hansen
Chief Audit Executive

Auditors' report

Independent Auditor's Report

To the Shareholders of Vestjysk Bank A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Bank at 31 December 2020 and of the results of the Bank's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
Vestjysk Bank A/S' Financial Statements for the financial year 1 January to 31 December 2020 comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the Financial Statements, including summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of Vestjysk Bank A/S on 4 July 1989 for the financial year 1989. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 32 years including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Auditors' report

Key audit matter	*How our audit addressed the key audit matter*
Loan impairment charges Loans are measured at amortised cost less impairment charges. Impairment of loans constitutes Management's best estimate of expected losses on loans at the balance sheet date in accordance with the provisions of IFRS 9 as incorporated in the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. We refer to note 1 for a detailed description of the accounting policies applied. As a result of the covid-19 situation, Management has made a significant addition to the loan impairment charges based on an accounting estimate ("Management's estimate"). The consequences of covid-19 for the Bank's customers are largely unclear, resulting in an increased estimation uncertainty relating to the calculation of the required impairment charges. Financial challenges continue to face certain segments of the agricultural sector, and a material part of the Bank's loan impairment charges are related to these loans. The situation for the agricultural sector implies increased uncertainty with respect to the assessment of the required impairment charges for loans relating to the agricultural sector. Impairment of loans constitutes a key focus area as Management makes material estimates in an area, which is inherently complex and subjective. Estimates are made both with respect to whether impairment charges are to be recorded on loans and with respect to the amount of the impairment charges. The following areas are central to the calculation of loan impairment charges: • Determination of credit classification on initial and subsequent recognition. • Model-based impairment charges in stages 1 and 2, including Management's determination of model variables adapted to the Bank's loan portfolio. • The Bank's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2). • Material assumptions and estimates applied by Management in the calculations of impairment charges, including principles for the assessment of various outcome of the customer's financial position (scenarios) and for the assessment of collateral values of e.g. agricultural land, stables and other properties included in the calculations of impairment. • Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in	We reviewed and assessed the impairment charges recognised in the income statement in 2020 and in the balance sheet at 31 December 2020. Our review included an assessment of the impairment model applied prepared by the data centre BEC, including division of responsibilities between BEC and the Bank. An independent auditor appointed by BEC has provided the model with a reasonable assurance report as to whether the descriptions comply with the interpretation options regarding the impairment principles according to IFRS 9, and whether the model calculates in accordance with the model descriptions. We assessed whether the contents of the report uncovered a need for adjustment of the Bank's use of the impairment model.t We assessed and tested the Bank's model-based calculation of impairment charges in stages 1 and 2, including our assessment of Management's determination and adaptation of model variables to own circumstances. The review and assessment moreover included the Bank's validation of the methods applied for the calculation of expected credit losses as well as the procedures designed to ensure that credit-impaired loans in stage 3 and in stage 2, underperforming, are identified and recorded on a timely basis. We assessed and tested the principles applied by the Bank for the determination of impairment scenarios and for the measurement of collateral values of e.g. agricultural land, stables and other properties included in the calculations of impairment of credit-impaired loans, and loans that are significantly underperforming. We tested a sample of credit-impaired loans in stage 3 and in stage 2, underperforming, by testing the calculations of impairment charges and applied data to underlying documentation. We tested a sample of other loans by making our own assessment of stage and credit classification. This included samples targeted at large loans as well as loans relating to segments with generally increased exposure, including the agricultural segments and segments particularly affected by the covid-19 situation. We reviewed and challenged significant assumptions on which Management's estimate of expected credit losses are based and which are not included in the model-based calculations or individually assessed impairment charges based on our knowledge of the portfolio, the sector and current market conditions. We had particular focus on the Bank's calculation of Management's estimate to cover expected credit losses as a result of the covid-19 situation.

Auditors' report

market conditions and other matters, and which are not included in the model-based calculations or individually assessed impairment charges, including in particular the consequences for the Bank's customers of the covid-19 situation as well as in relation to the current and expected earnings of agricultural customers. We refer to the Financial Statements, "Accounting Estimates and Assessments" in note 2, note 32, "Risks and Risk Management", and credit notes 33 - 35, where conditions that may affect loan impairment charges are described	

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used by Management and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Herning, 23 February 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Jesper Edelbo
State Authorised Public Accountant
mne10901

Carsten Jensen
State Authorised Public Accountant
mne10954

Financial Statements

Statements of Financial Position

Note		2020 DKK' 000	2019 DKK' 000
	Statement of Income		
3	Interest income	490,237	554,382
3a	Negative interest income	7,642	6,781
4	Interest expenses	30,247	40,797
4a	Negative nterest expenses	33,820	3,393
	Net interest income	486,168	510,197
	Dividends on shares etc.	8,840	29,017
5	Income from fees and commissions	359,496	363,594
	Fees and commissions paid	33,256	34,520
	Net interest and fee income	821,248	868,288
6	Value adjustments	64,659	184,939
	Other operating income	686	2,433
7	Staff costs and administrative expenses	510,253	477,417
	Depreciation, amortisation and impairment of tangible and intangible assets	17,489	29,547
	Other operating expenses	2,534	1,569
9	Impairment of loans and receivables, etc.	28,533	64,425
	Profit before tax	327,784	482,702
12	Tax	25,233	4,957
	Profit after tax	302,551	477,745
	Statement of Comprehensive Income		
	Profit after tax	302,551	477,745
	Other comprehensive income:		
	Change in the value of owner-occupied properties	0	-16,955
	Changes in the value of pension obligations	-661	-801
	Other comprehensive income after tax	-661	-17,756
	Total comprehensive income	301,890	459,989
	Proposed distribution of net profit		
	Additional tier 1 capital holders	13,161	18.,359
	Retained earnings	288,729	441,450
	Total	301,890	459,989

Financial Statements

Statements of Financial Position

Note		2020 DKK' 000	2019 DKK' 000
	Assets		
	Cash in hand and demand deposits with central banks	364,364	395,706
13	Receivables from credit institutions and central banks	569,359	775,266
14	Loans and other receivables at amortised cost	9,331,543	10,220,920
	Bonds at fair value	6,159,587	4,268,252
	Shares, etc.	546,932	502,314
15	Assets related to pooled schemes	5,426,277	5,232,977
16	Intangible assets	0	17
	Land and buildings, total	264,953	261,684
17	Investment property	235,986	261,684
17	Owner-occupied property	28,967	0
18	Other property, plant and equipment	2,545	4,831
	Current tax assets	1,193	0
19	Deferred tax assets	98,000	98,000
20	Other assets	323,294	415,928
	Prepayments	17,005	16,004
	Assets Total	23,105,052	22,191,899

Financial Statements

Statements of Financial Position

Note		2020 DKK' 000	2019 DKK' 000
	Equity and liabilities		
	Debts		
21	Debts to credit institutions and central banks	22,445	13,001
22	Deposits and other debt	13,409,203	13,042,817
	Deposits with pooled schemes	5,426,277	5,232,977
	Current taxobligations	0	3,715
23	Other liabilities	550,630	495,429
	Prepayments	15	18
	Debts, total	19,408,570	18,787,957
	Provisions		
	Provision for pensions and similar liabilities	15,316	15,532
10	Provisions for losses on guarantees	22,176	25,762
10	Other provisions	66,133	59,466
	Provisions, total	103,625	100,760
24	**Subordinated debt**	347,961	347,015
	Equity		
25	Share capital	895,982	895,982
	Revaluation reserves	47,449	47,449
	Reserves provided for in the Bank’s Articles of Association	551,600	551,600
	Retained earnings	1,594,865	1,306,136
	Shareholder equity, total	3,089,896	2,801,167
	Additional tier 1 capital holders	155,000	155,000
	Equity, total	3,244,896	2,956,167
	Equity and liabilities, total	23,105,052	22,191,899

Financial Statements

Statements of Changes in Equity

DKK' 000	Share capital	Revaluation reserves	Reserves provided for in the Bank's Articles of Association	Retained earnings	Total	Additional tier 1 capital*)	Equity total
Equity 1 January 2020	895,982	47,449	551,600	1,306,136	2,801,167	155,000	2,956,167
Profit after tax for the year				289,390	289,390	13,161	302,551
Other comprehensive income after tax		0		-661	-661		-661
Total comprehensive income	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	47,449	551,600	1,594,865	3,089,896	155,000	3,244,896
Equity, 1 January 2019	895,982	64,563	551,600	846,678	2,358,823	230,000	2,588,823
Profit after tax for the year				459,206	459,206	18,539	477,745
Other comprehensive income after tax		-16,955		-801	-17,756		-17,756
Total comprehensive income	0	-16,955	0	458,405	441,450	18,539	459,989
Redemption of additional tier 1 capital						-75,000	-75,000
Interest on additional tier 1 capital						-18,539	-18,539
Tax on interest on additional tier 1 capital				894	894		894
Additions relating to sale of own shares				131,720	131,720		131,720
Disposals relating to purchase of own shares				-131,720	-131,720		-131,720
Profits brought forward		-159		159	0		0
Equity, 31 December 2019	895,982	47,449	551,600	1,306,136	2,801,167	155,000	2,956,167

Reserves provided for in the Bank's Articles of Association at 551.6 million has been obtained in connection with the capital reduction in 2013.

***) Holders of additional tier 1 capital**

The additional tier 1 capital has been provided for an indefinite term and Vestjysk Bank has full discretion at all times to omit interest payments, and it is consequently accounted for as equity.

The additional tier 1 capital meets the conditions under CRR/CRD IV

Additional tier 1 capital DKK 155 million

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

Financial Statements

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8	Auditors' fees
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10	Impairment of loans and receivables and provisions on guarantees and unutilised credit lines
11	I Receivables for whichaccrual of interest has been discontinued
12	Tax
13	Receivables from credit institutions and central banks
14	Loans and other receivables, by term to maturity
15	Assets related to pooled schemes
16	Intangible assets
17	Owner-occupied property
18	Other property, plant and equipment
19	Deffered tax assets
20	Other assets
21	Debts to credit Institutions and central banks
22	Deposits and other debt
23	Other liabilities
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Note

1 **Accounting policies**

General

Vestjysk Bank's annual report for the period 1 January - 31 December 2020 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.

Apart from the changes set out below, the accounting policies are consistent with those applied in the 2019 Annual Report.

Changed statement of income presentation

In the financial statements for 2019, negative interest income and negative interest expenses were presented under interest income and interest expenses, respectively, in the notes to the financial statements. Effective from 2020, negative interest income and negative interest expenses are presented separately in the notes to the financial statements and in the statement of income. The changed presentation has no effect on the net profit.

Changes to the accounting policies due to amendment of the Executive Order on Financial Reporting

As of 1 January 2020, the accounting policies have been changed in accordance with amendment of the Executive Order on Financial Reporting in the form of new provisions on the recognition and measurement of lease assets effective for financial years beginning on 1 January 2020. Under the new lease provisions, the lessee is no longer required to distinguish between finance and operating leases.

All leases are thus treated equally for accounting purposes. The lessee recognises a lease asset representing the right of use (a right-of-use asset), which is depreciated over the term of the lease. On initial recognition, the right-of-use asset is measured at the present value of the lease liability plus costs and any advance payments. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and impairment. In addition, a lease liability is recognised, representing the fair value of future lease payments, which are subsequently treated as interest and instalments on the lease liability.

Right-of-use assets recognised as a consequence of the implementation of the new lease provisions comprise operating leases with Vestjysk Bank as lessee which are property leases concerning properties used by the branch network (domicile property).

When assessing the expected lease term, Vestjysk Bank identified the non-cancellable period of the lease plus extension options which Management reasonably expects to exercise.

In the assessment of the expected lease terms of domicile property leases, the expected lease term is 3-10 years. Right-of-use assets are depreciated on a straight-line basis over the estimated lease terms of 3-10 years, and lease liabilities are settled like annuity loans and measured at amortised cost.

For purposes of discounting lease liabilities to present value, Vestjysk Bank applies its alternative borrowing rate, representing the cost of raising external financing for a similar asset with a maturity corresponding to the term of the lease.

Note

1 **Accounting policies (continued)**

Vestjysk Bank has decided not to recognise low-value lease assets and short-term leases in the statement of financial position. Instead, lease payments on such leases are recognised on a straight-line basis in the statement of income.

For lessors, the rules are unchanged. When accounting for leases, lessors are still required to distinguish between finance and operating leases.

On implementation of the new lease provisions at 1 January 2020, Vestjysk Bank has recognised right-of-use assets in the amount of DKK 15.3 million under domicile property and lease liabilities in a corresponding amount under other liabilities. Accordingly, the equity impact is DKK 0 million.

Previously, rent was recognised under administrative expenses in the statement of income. Now, the expense is instead recognised as depreciation of the right-of-use assets and interest payments on the lease liability. Relative to the previous accounting policy, the change has an insignificant impact on profit for the year.

Classification and measurement
Assets controlled by Vestjysk Bank as a result of past events are recognised in the statement of financial position when it is probable that future economic benefits will flow to the Bank and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when, as a result of a past event, the Bank has a legal or constructive obligation, and it is probable that future economic benefits will flow from the Bank, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, property, plant and equipment are initially measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Recognition and measurement take into account foreseeable risks and losses arising prior to the presentation of the annual report and which confirm or invalidate matters existing at the reporting date.

Income is recognised in the statement of income as earned, while expenses are recognised at the amounts that pertain to the reporting period. However, increases in the value of domicile property are recognised directly in equity.

Financial instruments are recognised at the settlement date and are derecognised when the right to receive, or obligation to pay, cash flows from the financial instrument has expired, or if the financial instrument has been transferred and Vestjysk bank has transferred substantially all risks and rewards of ownership.

Segment information is not provided, as neither the activities nor geographic markets differ substantially from one another.

Note

1 **Accounting policies (continued)**

Description of accounting policies

Foreign currency translation

On initial recognition, transactions denominated in foreign currency are translated at the exchange rates at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the reporting date are translated at the exchange rates at the reporting date. Any foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment or the reporting date, respectively, are recognised in the statement of income as value adjustments.

Determination of fair value for measurement and disclosure purposes

Derivative financial instruments and unsettled spot transactions are recognised and measured at fair value, which is generally based on listed market prices. For unlisted instruments, fair value is determined according to generally accepted principles based on market parameters.

Bonds traded in active, regulated markets are measured at fair value. Fair value is determined using the most recently observed market price at the reporting date.

Shares traded in active, regulated markets are measured at fair value. Fair value is determined using the most recently observed market price at the reporting date.

Unlisted shares in companies that the Bank owns jointly with a number of other banks are measured at fair value. If no current market data are available, fair value is determined on the basis of the companies' most recently presented and adopted financial statements and with due consideration of other available information.

For floating-rate loans, stage 2 and 3 credit impairment is generally assumed to correspond to the fair value of the credit risk with the following adjustments:

Credit margin changes for a given risk are taken into account by adjusting for the difference between the current credit premium and the credit premium that would be required if a loan was granted at the reporting date.

Fixed-rate loans not subject to hedge accounting are furthermore adjusted by the change in value arising from the difference between the fixed interest rate and the current market rate.

The fair value of issued bonds traded in an active market is determined using the most recently observed market price at the reporting date. The fair value of issued bonds and subordinated debt not traded in an active market is determined on the basis of the terms and conditions that would have applied if the loan in question had been raised at the reporting date.

Hedge accounting

The Bank applies the special rules on hedge accounting to avoid the inconsistency of certain financial assets or financial liabilities being measured at amortised cost while derivative financial instruments are measured at fair value when the documentation and effectiveness requirements are met. Hedges have been established for the following items: Fixed-rate loans, foreign currency loans, subordinated debt and fixed-rate deposits.

Note

1 **Accounting policies (continued)**

When hedging the fair value of recognised fixed-rate assets and liabilities, the hedged items are adjusted to fair value as regards the risk.
The hedging instruments used are options, forward contracts, swaps and caps.

Statements of income and comprehensive income
Interest and interest expenses
Interest income and interest expenses are recognised in the statement of income in the period to which they pertain.

Interest includes amortisation of fees and commissions which are an integral part of the effective yield of the financial instrument, including origination fees and document handling fees in connection with the establishment of loans, etc.

Negative interest income is recognised under interest expenses, and negative interest expenses are recognised under interest income. Negative interest is presented as a separate item.

Interest on additional tier 1 capital with an indefinite term to maturity on which the Bank has an unconditional right to defer payment of interest is recognised directly in equity at the payment date as a distribution. The tax effect of the interest payment is recognised in the statement of income under tax.

Fees and commissions
Fees and commissions regarding services rendered over a period of time are accrued over the service period. This includes guarantee commission and portfolio management fees.

Other fees are recognised in the statement of income on completion of the transaction. These include fund charges, custodian fees and payment services fees.

Fees and commissions that are an integral part of the effective interest are recognised in interest.

Fees for arranging mortgage loans on behalf of Totalkredit and DLR Kredit are calculated using a netting model. Loan establishment commissions are recognised on establishment of the loan, and borrower servicing fees are recognised when such services are rendered and the Bank thus earns the fees. Identified losses eligible for set-off are treated as a reduction of income in the period of set-off.

Fees and commissions paid are treated in the same way as fees and commissions received.

Other operating income
Other operating income comprises items of a secondary nature in relation to the Bank's activities, including gains and losses on the sale of acquired assets, as well as investment property and domicile property.

Gains and losses on sales are calculated as the selling price less selling costs and the carrying amount at the date of the sale.

Staff costs and administrative expenses
Staff costs comprise employee salaries and social security costs, pension contributions, etc. Costs of goods and services provided to employees, including anniversary bonuses, are recognised as the employees perform the services that entitle them to the goods and services in question.

Defined contribution plans have been established for most of the employees. For the defined contribution plans, fixed contributions are paid to an independent pension fund, and the Bank has no obligation to make any further contributions.

Note

1 **Accounting policies (continued)**

Other operating expenses
Other operating expenses comprise items of a secondary nature in relation to the Bank's activities, including contributions to the Resolution Fund.

Tax
Tax for the year, consisting of the year's current tax and changes in deferred tax, is recognised in the statement of income with respect to the part that can be attributed to the profit for the year and directly in other comprehensive income and equity, respectively, as regards the part that can be attributed thereto.

Current tax liabilities and current tax receivables are recognised in the statement of financial position as calculated tax on the taxable income for the reporting period adjusted for tax paid on account.

Deferred tax is recognised for all temporary differences between the carrying amount and tax base of assets and liabilities, apart from goodwill and temporary differences arising on acquisition of assets or assumption of liabilities that, at the time of acquisition, affect neither taxable income nor profit for the year.

Deferred tax is recognised in the statement of financial position under Deferred tax liabilities or, if the net value is an asset and it is considered probable that the tax asset will be realised, under Deferred tax assets.

Statement of financial position

Financial assets – general
Purchases and sales of financial assets are recognised at fair value at the settlement date. Between the transaction date and the settlement date, changes are included in the fair value of the financial instrument that has not been settled.

On initial recognition of financial assets not subsequently measured at fair value through profit or loss, transaction costs are added.

Financial assets are measured at fair value through profit or loss.

Loans and receivables are measured at amortised cost, which usually corresponds to nominal value less origination fees constituting part of the effective interest rate and provision for losses.

Cash in hand and demand deposits with central banks
Cash in hand and demand deposits with central banks comprise the Bank's holdings of domestic and foreign physical notes and coin, as well as demand deposits with central banks.

Balances due from credit institutions and central banks
Receivables from credit institutions and central banks comprise amounts receivable from other credit institutions and term deposits with central banks.

Classification and measurement of financial assets
Under IFRS 9-compatible financial reporting rules, classification and measurement of financial assets is based on the business model for the financial assets and the contractual cash flow characteristics of the financial assets. As a result, financial assets are classified in one of the following three categories:

Note

Accounting policies (continued)

- Financial assets held with the objective of collecting contractual cash flows, and where the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, are subsequent to initial recognition measured at amortised cost.

- Financial assets held within a combined business model where some financial assets are held with the objective of collecting contractual cash flows and other financial assets are sold, and where the contractual cash flows from the financial assets in the combined business model are solely payments of principal and interest on the principal amount outstanding, are subsequent to initial recognition measured at fair value through other comprehensive income.

- Financial assets that do not meet the above-mentioned business model criteria, or where the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, are subsequent to initial recognition measured at fair value through profit or loss.

Vestjysk Bank has no financial assets falling within the category of financial assets measured at fair value through other comprehensive income. Vestjysk Bank's bond portfolio is measured at fair value through profit or loss, because they are included in a trading portfolio.

Expected credit loss impairment model
A loss allowance is recognised for expected credit losses on all financial assets measured at amortised cost, and, correspondingly, provision is made for expected credit losses on undrawn credit lines, loan commitments and financial guarantees.

For financial assets recognised at amortised cost, an allowance for expected credit losses is recognised in the statement of income and as a reduction of the carrying amount of the asset in the statement of financial position. Provision for losses on undrawn credit lines, loan commitments and guarantees is recognised as a liability.

Stages of change in credit risk
For all loans, impairment losses are recognised in accordance with the IFRS 9-compatible impairment rules. The impairment model is based on a calculation of expected losses, with losses being divided into three stages, depending on the credit impairment of the individual loan since initial recognition:

- Loans with no significant increase in credit risk
- Loans with significant increase in credit risk
- Credit impaired loans

For loans in stage 1, the Bank recognises an impairment charge equal to 12-month expected credit losses, whereas for loans in stages 2 and 3, the Bank recognises an impairment charge equal to lifetime expected credit losses. Unlike in stages 1 and 2, interest income in stage 3 is recognised only on the impaired value of the asset.

On initial recognition, the individual loans are generally categorised as stage 1, and an impairment charge equal to 12-month expected credit loss is recognised on initial recognition.

The categorisation in stages and calculation of the expected loss are based on the Bank's rating models in the form of probability of default (PD) models, which are developed and maintained by the BEC data centre and Vestjysk Bank's internal credit management department.

Note

1 **Accounting policies (continued)**

Assessment of significant increase in credit risk
The assessment of the change in credit risk assumes a significant increase in credit risk since initial recognition in the following situations:

- A 100% increase in the expected lifetime PD of the financial asset and a 0.5 percentage point increase in the 12-month PD, where the 12-month PD was below 1.0% at initial recognition.

- A 100% increase in the expected lifetime PD of the financial asset or a 2.0 percentage point increase in the 12-month PD, where the 12-month PD was 1.0% or higher at initial recognition.

- If the financial asset is more than 30 days past due by an amount considered to be substantial.

However, if the credit risk of the financial asset is considered to be low at the reporting date, the asset will remain at stage 1, characterised by no significant increase in credit risk. Credit risk is considered to be low when the customer's 12-month PD is lower than 0.2%. In addition to loans and receivables satisfying the PD criterion, the category of assets with low credit risk also comprises receivables from Danish credit institutions.

Definition of default and credit impaired
The determination of when a borrower is in default is key to the calculation of expected credit loss. Vestjysk Bank considers a borrower to be in default if:

- a significant part of the borrower's payments are past due by more than 90 days; or

- the Bank considers it to be more likely than not that the exposure will result in losses and/or forced realisation of security for Vestjysk Bank or other creditors.

The definition of default applied by Vestjysk Bank in the measurement of the expected credit loss is in accordance with the definition applied for internal risk management purposes, and the definition is also aligned with the definition of default in the Capital Requirements Regulation (CRR). For example, customers are deemed to be in default in case of bankruptcy, suspension of payments, debt rescheduling, indication of current or expected future difficulties in balancing income and expenses, etc.

Credit impaired (stage 3)
An exposure may be credit impaired (stage 3), if one or more of the following objective indicators exist:

- The borrower is experiencing significant financial difficulties and Vestjysk Bank assesses that the borrower will not be able to honour his or her obligations as agreed.

- The borrower is in breach of contract, such as default on interest or principal payments or repeated unauthorised overdrafts.

- Vestjysk Bank has granted the borrower concessions that would not have been considered, had it not been for the debtor's financial difficulties.

Note

Accounting policies (continued)

- It is probable that the Borrower will enter into bankruptcy or other financial reconstruction.
- There is no longer an active market for the financial asset due to financial difficulties.
- A financial asset is acquired at a considerable discount reflecting credit losses incurred.
- The exposure is more than 90 days past due/overdrawn by an amount considered to be substantial.

Financial assets where the customer is experiencing significant financial difficulty or where the bank has granted concessions due to the customer's financial difficulties remain in stage 2 if no losses are expected in the most likely scenario.

In connection with Vestjysk Bank's implementation of new guidelines on the application of the definition of default under Article 178 of the Capital Requirements Regulation (EBA/GL/2016/07) taking effect at 1 January 2021, the Bank is seeking to standardise the criteria for occurrence of default, stage 3 and non-performing exposures. As different quarantine periods apply to each of these, the criteria for when an asset is no longer in default also differ.

Calculation of expected loss
The calculation of impairment losses on exposures in stages 1 and 2 is made on the basis of a collective model, whereas the calculation of impairment losses on the remaining part of the exposures is made by means of a manual, individual assessment based on three scenarios (a base case scenario, an upside scenario and a downside scenario) including the likelihood of the scenarios occurring. To the model impairment loss is added a management estimate, which is described in more detail in note 2 to the financial statements.

In the collective model calculation, the expected loss is determined as a function of PD (probability of default), EAD (exposure at default) and LGD (loss given default) on the basis of a PD model developed and maintained by Vestjysk Bank's data centre, supplemented by a forward-looking macroeconomic module developed and maintained by LOPI.

The macroeconomic module is based on a number of regression models that establish the historical correlation between the year's impairment losses in a number of sectors and industries and a number of explanatory macroeconomic variables. Estimates of the macroeconomic variables are then fed into the regression models, based on forecasts from consistent sources, such as the Danish Economic Council, the Danish central bank and others, whose forecasts generally look two years ahead and comprise variables such as increases in public spending, increases in GDP, interest rates, etc. This produces a calculation of expected impairment losses for up to two years ahead in the individual sectors and industries, whereas for maturities of more than two years, linear interpolation is applied between the impairment ratio for year 2 and the impairment ratio in year 10, in which, for purposes of the model, a long-term equilibrium is assumed to occur in the form of a normal level. Maturities beyond ten years are assigned the same impairment ratio as the long-term equilibrium in year 10. Finally, the calculated impairment ratios are transformed into adjustment factors correcting the data centre's estimates for the individual sectors and industries.

However, the coronavirus pandemic has led to an expectation of a sharp decline in GDP in 2020, followed by an almost equivalent rise in 2021. This V-shaped scenario means that a linear adjustment to the long-term equilibrium over 10 years would overestimate a more likely development in the macroeconomic variables, as the macroeconomic module in this situation will presume relatively strong growth in both GDP and public spending over the entire ten-year projection period.

Note

1 ## Accounting policies (continued)

Consequently, the method of adjusting the long-term equilibrium has been changed this year for GDP and public spending, so that these two variables reach their long-term equilibrium already in 2022.

Derecognition of financial assets

Financial assets measured at amortised cost are derecognised in full or in part if Vestjysk Bank no longer reasonably expects to fully or partially recover the outstanding amount. The decision is made on the basis of a specific, case-by-case assessment of the individual exposures. For business customers, the Bank will typically base the assessment on the customer's liquidity, earnings and equity and the collateral security provided for the exposure. For private customers, Vestjysk Bank will typically base the assessment on the customer's liquidity, income and assets as well as any collateral security provided for the exposure. When a financial asset is derecognised in full or in part, any impairment loss on the financial asset is removed from the calculation of accumulated impairment losses, see note 10.

Vestjysk Bank continues its debt collection efforts after the assets have been derecognised, the measures taken depending on the specific situation. Vestjysk Bank generally seeks to enter into a voluntary agreement with the customer, including renegotiation of terms or reconstruction of a business, so that debt collection or petition for bankruptcy is first brought into play when all other measures have been exhausted.

Bonds and shares

On initial recognition at the settlement date, bonds and shares, etc. are measured at fair value excluding transaction costs. Subsequently, bonds and shares, etc. are measured at fair value. Realised and unrealised gains and losses and dividends are recognised in market value adjustments and share dividends in the statement of income.

Where an active market exists, the fair value of bonds and shares etc. is measured on the basis of quoted market prices for the instruments. A market is considered to be active when the instrument is traded with sufficient frequency and in sufficient volume to provide a valid pricing basis. The fair value of such instruments is calculated on the basis of the most recently observed closing prices at the reporting date (Level 1). In the alternative, generally recognised models and observable market data for corresponding assets are used to measure fair value (Level 2).

The fair value of unlisted shares and other equity interests is calculated based on the available information about trades, etc. and taking into account any shareholder agreements. In the alternative, fair value is calculated based on expected cash flows. A minor part of shares is valued under level 3.

Pooled pension funds

Assets forming part of pooled pension funds and customers' deposits in pooled pension funds are presented as separate items in the statement of financial position. Returns on pooled assets and deposits are presented jointly under value adjustments.

Investment property

Investment property is property owned to earn rental income and/or capital gains. Investment property is recognised at cost on acquisition and subsequently measured at fair value. Gains or losses due to changes in the fair value of the investment property are recognised in profit or loss under market value adjustments in the period in which they arise. Fair value is determined on the basis of the rate of return method, according to which external experts are involved in the fair value measurement process at least every three years.

Note	
1	**Accounting policies (continued)**

Domicile property
Domicile property is real property occupied by the Bank's administrative departments, branches and other service units. Domicile property is recognised at cost on acquisition and subsequently measured at revalued amount, corresponding to the property's fair value at the revaluation date less subsequent depreciation and impairment. Revaluations are carried out sufficiently frequently for the fair value to not deviate significantly from the value that would be determined using the fair value at the reporting date. Decreases in the carrying amount resulting from revaluation of land and buildings are recognised to the extent that the amount of the decrease exceeds the balance of the revaluation reserve in equity arising from a previous revaluation of the asset. Increases resulting from revaluation of domicile property are recognised in other comprehensive income and transferred to the revaluation reserve in equity, except for reversals of previously recognised impairment losses on the property in question.

In the ongoing measurement of land and buildings, the individual properties are valued on the basis of the rate of return method according to generally recognised principles. The determination of a property's operating profit comprises rental income less maintenance costs, administrative expenses and other operating expenses. The return requirement on a property is determined in an amount that reflects the transactions taking place in the property market in the period up to the date of valuation, taking into account the nature, location and state of the individual property.

Revaluations are made sufficiently frequently, and at least once annually, according to the market situation and interest rate level, for the carrying amount to be assumed not to deviate materially from the fair value of the domicile property at the reporting date.

Domicile property is depreciated on a straight-line basis over the expected useful life of 50 years, taking into account its expected residual value at the end of the useful life.

Depreciation and impairment is recognised in the statement of income under Depreciation and impairment of property, plant and equipment.

Land is not depreciated.

Leased domicile property

On initial recognition, the right-of-use asset is measured at the present value of the lease liability plus costs and any advance payments. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and impairment. In addition, a lease liability is recognised representing the fair value of future lease payments, which are subsequently treated as interest and instalments on the lease liability. The right-of-use assets recognised as a consequence of the implementation of the new lease provisions comprise operating leases with Vestjysk Bank as lessee which are property leases concerning properties used by the branch network (domicile property).
When assessing the expected lease term, Vestjysk Bank identified the non-cancellable period of the lease plus extension periods which Management reasonably expects to exercise.

In the assessment of the expected lease terms of domicile property leases, the expected lease term is 3-10 years. Right-of-use assets are depreciated on a straight-line basis over the estimated lease terms of 3-10 years, and lease liabilities are settled like annuity loans and measured at amortised cost.

For purposes of discounting lease liabilities to present value, Vestjysk Bank applies its alternative borrowing rate, representing the price of raising external financing for a similar asset with a maturity corresponding to the term of the lease.

Note

1 ## Accounting policies (continued)

Intangible assets
Intangible assets relate to the value of customer relationships acquired in connection with a merger, as well as IT systems and software.

The value of acquired customer relationships is measured at cost less accumulated amortisation and impairment. The value of the acquired customer relationships is amortised on a straight-line basis over their expected useful life, which is 10 years.

IT systems and software are measured at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over the expected useful life, which is 3 years.

Other property, plant and equipment
Other property, plant and equipment is measured at cost less accumulated depreciation and impairment. The assets are depreciated on a straight-line basis, based on the following assessed useful lives of other property, plant and equipment:

- IT equipment 2-3 years
- Machinery and equipment 3 years
- Vehicles 3-4 years

Other property, plant and equipment is tested for impairment when there is evidence of impairment.

Other assets
The item comprises assets not comprised by other asset items, including equity interests in BEC, positive market values of spot transactions and derivative financial instruments, as well as interest receivable.

Financial liabilities
Deposits, issued bonds, subordinated debt and amounts owed to credit institutions, etc. are initially recognised at fair value less directly attributable transaction costs incurred.

Subsequently, deposits, issued bonds, subordinated debt and amounts owed to credit institutions, etc. that are not repo transactions are measured at amortised cost according to the effective interest method, which means that the difference between net proceeds and nominal value is recognised in profit or loss under Interest expenses over the term of the loan.

Other liabilities
The item comprises liabilities not comprised by other liability items, including negative market values of spot transactions and derivative financial instruments, as well as interest payable.

Amounts owed to credit institutions and central banks and deposits
Amounts owed to credit institutions and central banks as well as deposits are measured at amortised cost.

Subordinated debt
Subordinated debt is measured at amortised cost.

Note	
1	**Accounting policies (continued)**

Additional tier 1 capital
The Bank has additional tier 1 capital in the amount of DKK 155 million. The loan is not subject to any contractual obligations to deliver cash and cash equivalents or other financial assets, as the principal amount has an indefinite term, and the Bank has discretion to omit interest payments. Pursuant to the Danish Executive Order on Financial Reporting, the loan is therefore classified as equity rather than as debt. Accordingly, equity has been increased by the amount of the loan proceeds and the loan is accounted for as additional tier 1 capital in the calculation of total capital. If the Bank resolves to repay the loan in full or in part, equity will be reduced accordingly at the repayment date. Interest is accounted for as dividend and taken directly to equity and thus does not impact profit/loss.

Offsetting financial assets and liabilities
Financial assets and liabilities are presented as a net item, provided offsetting is legally permitted and the Bank intends to offset or sell the asset and the liability simultaneously.

Own shares
Purchase and selling prices of and dividends on own shares are recognised directly in equity under retained earnings.

Note	
2	**Accounting estimates and judgments**

The calculation of the carrying amount of certain assets and liabilities is based on an estimate of the effect of future events on the values of such assets and liabilities at the reporting date.
The estimates and judgments applied by Management are based on assumptions that it considers reasonable, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected future events or circumstances may arise. Therefore, estimates and judgments are inherently difficult to make and will always entail uncertainty when they involve transactions with customers and other counterparties. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or as a result of new information or subsequent events.

The principles for making accounting estimates and judgments material to the financial reporting include an assessment of:

- Loan impairment charges and provisions for guarantees
- Revaluation of domicile property
- Fair value measurement of financial instruments
- Measurement of deferred tax assets

Loan impairment charges and provisions for guarantees
Impairment losses on loans and receivables are recognised in accordance with the accounting policies and based on a number of assumptions. Impairment losses are based on an expected loss model, as a result of which Management has made a number of estimates in connection with the calculation of impairment losses.

Provisions for losses on guarantees also entail uncertainty where the quantification of the risk of a payment having to be made on a guarantee is substantially based on estimates.

Calculation and recognition of impairment is based on a number of factors, several of which are estimated, and as such contain an element of uncertainty.
For example, impairment losses are strongly affected by macroeconomic trends, including the following factors:

Scenarios
The determination of losses under the expected loss model is based on Management's forecasts of future economic developments. Preparing such forecasts involves estimates made by Management. The estimates are based on different scenarios (a base case scenario, an upside scenario and a downside scenario), each of which is given a probability weighting reflecting Management's assessment of current forecasts. The determination and probability weighting of scenarios entail uncertainty.

Value of collateral
Determining the value of collateral also involves estimates. Such estimates relate to the assessment of whether all future payments will be received and the determination of the amount of future payments, including realisable values of any collateral and expected dividend payments from estates.

Note

2 **Accounting estimates and judgments (continued)**

Model uncertainty and management estimates
In connection with Vestjysk Bank's implementation of new guidelines on the application of the definition of default taking effect at 1 January 2021, the Bank is seeking to standardise the criteria for occurrence of default, stage 3 and non-performing exposures. As different quarantine periods apply to each of these, the criteria for when an asset is no longer in default also differ.

In addition to the use of forward-looking elements, impairment losses in stages 1 and 2 are also subject to uncertainty due to the fact that the models do not take into account all relevant factors. As the historical data underlying the models is still limited, it has been necessary to apply management estimates in supplement to the model calculations. These management estimates relate particularly to agriculture, fishery and economic uncertainties, including the coronavirus crisis. Management estimates have been based on individual assessments of each segment and the borrowers concerned. Assessing the effects of the long-term probability of default of these borrowers and segments in an upside and a downside scenario, respectively, involves estimates.

The coronavirus pandemic
The coronavirus pandemic has led to an expectation of a sharp decline in GDP in 2020, followed by an almost equivalent rise in 2021 in the impairment model. This V-shaped scenario means that a linear adjustment to the long-term equilibrium over 10 years would overestimate a more likely development in the macroeconomic variables, as the macroeconomic module in this situation will presume relatively strong growth in both GDP and public spending over the entire ten-year projection period.

Consequently, the method of adjusting the long-term equilibrium has been changed this year for GDP and public spending, so that these two variables reach their long-term equilibrium already in 2022.

The Bank is closely monitoring the coronavirus developments and will assess on an ongoing basis whether the model impairment losses are adequate.

Agriculture
We must also stress that, for the agricultural sector in particular, an adverse trend in sales conditions could result in additional impairment losses, including in case of changes in the estimates and assumptions used to calculate impairment allowances in this sector.

The Bank is closely monitoring developments in the agricultural and mink sectors, including milk and pork settlement prices, and will continue to factor the consequences of any changes into the calculation of impairment.

Management is aware that the Bank has a relatively high proportion of credit-impaired customers. Consequently, loan impairment losses and provisions for guarantees are subject to considerable uncertainty. If the economic climate deteriorates significantly, particularly in the agricultural sector, this could have a material adverse impact on the Bank's results of operation and financial position.

Note

2 **Accounting estimates and judgments (continued)**

Revaluation of domicile property
The rate of return method is applied when measuring domicile property at revalued amount. The uncertainty related to the measurement is mainly linked to the rate of return and rental value used in the valuation.

The carrying amount of domicile property is specified in note 18.

Fair value measurement of financial instruments
Vestjysk Bank measures a number of financial instruments at fair value, including all derivative financial instruments, as well as shares and bonds.

Assessments are made in connection with determining the fair value of financial instruments in the following areas:

- Choice of valuation method
- Determination of when available listed prices do not reflect the fair value
- Calculation of fair value adjustments to provide for relevant risk factors, such as credit and liquidity risk
- Assessment of which market parameters are to be monitored
- Estimate of future cash flows and return requirements for unlisted shares.

As part of its operations, Vestjysk Bank has acquired strategic investments. These are measured at fair value based on the available information about trading in the relevant company's shares or, alternatively, a valuation model based on accepted and current market data, including an assessment of expected future earnings and cash flows. The valuation will also be influenced by co-ownership, trading and other available information.

The carrying amount of securities measured at fair value is specified in note 31.

Measurement of deferred tax assets
Deferred tax assets are recognised for all unutilised tax losses to the extent that it is considered probable that the Bank will realise taxable profits within the next three years against which the tax losses can be set off. Future earnings are calculated without including expected earnings in respect of Den Jyske Sparekasse. Determining the amount to be recognised is based on an estimate of the probable timing and amount of future taxable profits. Budgets of the Bank's performance are based on an estimate of the probable timing and amount of future taxable profits, including the timing and amount of impairment losses. The Bank’s use of a three-year budget period is due to its significant exposure to the agricultural sector and the uncertainty concerning future earnings in this sector.

At the reporting date, the Bank’s Management assessed that a deferred tax asset of DKK 98 million concerning the tax loss can be realised within a three-year period. If the budgets are not realised as expected, the deferred tax asset may prove to have been overestimated.

Financial Statements

Notes

Note		2020 DKK ' 000	2019 DKK ' 000
3	**Interest income**		
	Receivables from credit institutions and central banks	53	43
	Loans and other receivables	474,544	543,366
	Deposits and other debt	14,335	9,023
	Bonds	1,304	1,950
	Derivative financial instruments	1	0
	Total	490,237	554,382
3a	**Negative interest income**		
	Receivables from credit institutions and central banks	2,730	2,426
	Bonds	4,912	4,355
	Total	7,642	6,781
4	**Interest expenses**		
	Deposits and other debt	9,683	16,086
	Subordinated debt	20,226	24,327
	Other interest expenses	338	384
	Total	30,247	40,797
4a	**Negative interest expenses**		
	Credit institutions and central banks	163	0
	Loans and other receivables	33,657	3,393
	Total	33,820	3,393
5	**Income from fees and commissions**		
	Securities trading and custody services	86,163	83,175
	Payment services	49,366	50,245
	Loan processing fees	46,082	58,671
	Guarantee commission	56,808	53,164
	Other fees and commissions	121,077	118,339
	Total	359,496	363,594
6	**Value adjustments**		
	Bonds	16,053	5,046
	Shares, etc.	33,872	162,604
	Foreign currency	12,330	13,586
	Foreign exchange, interest rate, equity, commodity, and other contracts as well as derivative financial instruments	3,324	4,927
	Assets related to pooled schemes	-11,989	581,559
	Deposits with pooled schemes	11,989	-581,559
	Other assets	-920	-1,224
	Total	64,659	184,939

Note		2020 DKK ' 000	2019 DKK ' 000
7	**Staff costs and administrative expenses**		
	Staff costs		
	Wages and salaries	237,300	220,307
	Pensions	28,329	26,670
	Payroll tax	39,289	35,894
	Expenses relating to social security contributions etc.	2,259	2,583
	Total	307,177	285,454
	Average number of employees (FTE)	394.7	377.9
	Other administrative expenses		
	IT expenses	139,795	124,853
	Rent, electricity and heat	9,208	11,365
	Postage, telephone etc.	1,679	2,136
	Other administrative expenses	52,394	53,609
	Total	203,076	191,963
	Total	510,253	477,417
	Salaries and remuneration of the Board of Directors and Executive Board and major risk takers are included in staff costs in the following amounts		
	Board of Directors		
	Kim Rønnow Duus, chairman, joined 1 April 2019	638	394
	Lars Holst, Deputy Chairman	433	320
	Bent Simonsen, Chairman of the audit committee	300	225
	Bolette van Ingen Bro	200	150
	Karina Boldsen	200	150
	Nicolai Hansen, joined 1 April 2019	200	112
	Claus Jensen, Joined 10th June 2020	111	0
	Jacob Møllgaard	225	171
	Martin Sand Thomsen	238	175
	Mette Holmegaard Nielsen, Joined 1 April 2019	210	120
	Vagn Thorsager, chairman, resigned 31 March 2019	0	131
	Claus Okholm, joined 1 April 2019, resigned 31 March 2019	0	44
	Palle Hoffmann, resigned 31 March 2019	0	44
	Total	2,755	2,036

The Board of Directors receive a fixed fee and have no variable remuneration elements.

Financial Statements

Notes

Note		2020 DKK ' 000	2019 DKK ' 000
7	**Executive Board**		
	Jan Ulsø Madsen, Chief Executive Officer		
	Fixed remuneration	3,853	3,775
	Pension	2	2
	Total	3,855	3,777
	Michael N. Petersen, Managing Director		
	Fixed remuneration	2,737	2,682
	Pension	327	320
	Total	3,064	3,002
	Total	6,919	6,779
	Other employees with significant influence on the Bank's risk profile		
	Fixed remuneration	12,959	12,506
	Pension	1,594	1,518
	Total	14,553	14,024
	Number of employees with material influence on the Bank's risk profile, end of the reporting period	16	15
	Annual pension:		
	Executive Board		
	Jan Ulsø Madsen: No pension plan		
	Michael N. Petersen: Defined contribution plan through pension fund. Vestjysk Bank deposits 12.25% of salary.		
	Value of benefits	279	302
	No agreements have been concluded concerning bonus plans, incentive programmes or similar compensation plans. If the bank terminates the Executive Board in connection with a merger, transfer of shares or the majority of votes, or transfer of all assets or activities, the Executive Board is entitled to a pay of 12 months' salary. The Bank is exempt from all pension obligations in respect of the departure of members of the Executive Board, whether as a result of age, illness, disability or any other reason.		
	Other employees with significant influence on the Bank's risk profile		
	Defined contribution plan through pension fund as well as annuity pension.		
	Vestjysk Bank contributes 12.25% of salary		
8	**Auditors' fees**		
	Fees for statutory audit of the financial statements	750	761
	Fees for other assurance engagements	2,113	113
	Fees for tax consulting	120	237
	Fees for other services	215	604
	Total	3,198	1,715
	Fees for other assurance engagements mainly relate to reports to public authorities including the merger with Den Jyske Sparekasse and review of the Bank's tax statements. Fees for tax consulting relate to consulting on the Bank's tax statements for previous years. Fees for other services relate to work as result anti-money laundering and other accounting and consultancy.		

Note		2020 DKK ' 000	2019 DKK ' 000
9	**Impairment of loans and receivables, ect.**		
	Impairment of loans and other receivables in the statement of income		
	New impairments, new and increased exposures	572,166	400,647
	Reversal of impairment, new and redeemed exposures	-517,045	-339,743
	Loans with no prior individual impairment/provisions, written off	28,315	10,545
	Recovered on previously written-off debts	-58,242	-12,834
	Total	25,194	58,615
	Provisions for losses on guarantees and unused credit commitments in the statement of income		
	Impairments for the period	61,277	49,167
	Reversal of provisions in prior financial years	-57,938	-43,357
	Total	3,339	5,810
	Impairment of loans and other receivables, end of the reporting period	28,533	64,425
	Interest income on impaired loans is offset against impairment in the amount of	40,739	58,463

Note		2020 DKK ' 000	2019 DKK ' 000
10	**Impairments of loans and receivables and provisions on guarantees and unutilisedcredit lines - Impairment of loans and receivables**		
	Stage 1 (absence of significant increase in risk assessment)		
	Impairment 1 January	45,111	29,938
	New impairments, new and increased exposures	10,388	15,178
	Reversed impairments repaid accounts	-71,655	-48,166
	Change in impairments at 1 January to/from stage 1	-14,215	-4,943
	Change in impairments at 1 January to/from stage 2	21,584	23,758
	Change in impairments at 1 January to/from stage 3	28,144	19,055
	Impairments during the year due to change in credit risk	6,024	10,291
	Impairments at 31 December	25,381	45,111
	Stage 2 (significant increase in risk assessment)		
	Impairment 1 January	75,845	91,895
	New impairments, new and increased exposures	15,572	11,033
	Reversed impairments repaid accounts	-70,043	-67,431
	Change in impairments at 1 January to/from stage 1	11,570	4,241
	Change in impairments at 1 January to/from stage 2	-28,043	-28,602
	Change in impairments at 1 January to/from stage 3	37,161	35,502
	Impairments during the year due to change in credit risk	21,627	29,207
	Impairments at 31 December	63,689	75,845
	Stage 3 (credit-impaired)		
	Impairment 1 January	2,198,643	2,445,023
	New impairments, new and increased exposures	155,037	38,309
	Reversed impairments repaid accounts	-472,599	-353,102
	Change in impairments at 1 January to/from stage 1	2,645	702
	Change in impairments at 1 January to/from stage 2	6,459	4,844
	Change in impairments at 1 January to/from stage 3	-65,305	-54,557
	Impairments during the year due to change in credit risk	459,715	418,441
	Impairments lost during the year	-323,695	-359,480
	Other movements	40,740	58,463
	Impairments at 31 December	2,001,640	2,198,643
	Loans, credit-impaired at initial recognition		
	Impairment 1 January (acquired impairment)	52,246	47,972
	New impairments, new and increased exposures	2,060	8,627
	Reversed impairments repaid accounts	-1,006	-1,483
	Impairments lost during the year	-17,423	-2,870
	Impairments at 31 December	35,877	52,246
	The management jugement of 310 million is recognized in stage 3..		

Note		2020 DKK ' 000	2019 DKK ' 000
10	**Provision for losses guarantees**		
	Impairment 1 January	25,762	32,814
	New provisions, new and increased exposures	2,274	2,220
	Reversed provisions for losses at repaid accounts	-14,571	-14,247
	Provision during the year due to change in credit risk	8,968	4,975
	Impairments lost during the year	-257	0
	Provisions for losses at 31 December	22,176	25,762
	Total accumulated impairments at loans and advances, provisions and unutilised credit lines and receivables	2,148,763	2,397,607
	Accumulated impairment ratio	12.9%	14.5%
	Provision for losses, unused credit commitments		
	Impairment 1 January	59.466	46.604
	New provisions, new and increased exposures	4.462	11.615
	Reversed provisions for losses at repaid exposures	-45,949	-30,178
	Provision during the year due to change in credit risk	48,154	31,425
	Provisions for losses on guarantees and unused credit commitments at 31 December	66,133	59,466
11	**Receivables for which accrual of interest has been discontinued**		
	Receivables for which accrual of interest has been discontinued, end of the reporting period	1,209,302	966,895
	Total impairment charge thereon	758,278	743,191
	Receivables for which accrual of interest has been discontinued, as a percentage of loans before impairment	10.6%	7.7%
12	**Tax**		
	Current tax	25,152	26,803
	Deffered tax	0	-23,000
	Adjustment of current tax for prior years	81	1,154
	Total	25,233	4,957
	Applicable tax rate reduced from 22% to 7,7%		
	Applicable tax rate	22.0%	22.0%
	Use of losses from previous years	-12.1%	-7.6%
	Tax-free value adjustments	-1.7%	-7.0%
	Deferred tax asset	0.0%	-4.8%
	Other adjustments	-0.5%	-1.8%
	Adjustment of current tax for prior years	0.0%	0.2%
	Effective tax rate	7.7%	1.0%
13	**Receivables from credit institutions and central banks**		
	Receivables at notice from central banks	481,000	708,000
	Receivables from credit institutions	88,359	67,266
	Total	569,359	775,266
	Distributed by term to maturity		
	On demand	88,359	67,266
	Up to and including 3 months	481,000	708,000
	Total	569,359	775,266

Note		2020 DKK'000	2019 DKK'000
14	**Loans and other receivables, by term to maturity**		
	Distributed by term to maturity		
	On demand	974,970	1,361,060
	Up to and including 3 months	2,607,584	2,803,001
	3 months to 1 year	1,070,132	1,209,856
	1 year to 5 years	2,927,120	3,106,094
	More than 5 years	1,751,737	1,740,909
	Total	9,331,543	10,220,920
15	**Assets related to pooled schemes**		
	Cash deposits	0	70,971
	Investment associations	5,426,277	5,162,006
	Total	5,426,277	5,232,977
16	**Intangible assets**		
	Customer relationships		
	Total acquisition cost, beginning of the reporting period	14,964	14,964
	Total acquisition cost, end of the reporting period	14,964	14,964
	Depreciation and impairment, beginning of the reporting period	14,964	14,964
	Depreciation and impairment for the period	0	0
	Depreciation and impairment, end of the reporting period	14,964	14,964
	Recognised holding, end of the reporting period	0	0
	Other Intangible assets		
	Total acquisition cost, beginning of the reporting period	1,416	1,416
	Total acquisition cost, end of the reporting period	0	0
	Depreciation and impairment, beginning of the reporting period	1,416	1,416
	Depreciation and impairment, end of the reporting period	1,399	950
	Depreciation and impairment for the period	17	449
	Depreciation and impairment, end of the reporting period	1,416	1,399
	Total	0	17
17	**Owner-occupied property**		
	Revalued amount, beginning of the period	261,684	310,381
	Additions	1,496	1,483
	Disposals	16,851	7,488
	Depreciations	4,044	4,971
	Changes in value recognised in other comprehensive income	0	-16,955
	Changes in value recognised in the statement of income	-6,299	-20,766
	Revalued amount, end of the period	235,986	261,684
	The valuation of the bank's owner-occupied properties has been based on an income approach model, where return capitalization rate is between 4.8% and 8.5%. External valuation experts have been involved in measuring the owner-occupied properties from 2018-2019 and most recently the property Lemvig has been assessed by external experts in 2020.		
	Leased owner-occupied property		
	Value of leases, beginning of the period	0	0
	Value of leases recognised, change in accounting treatment	15,316	0
	Recognised in statement of financial position, beginning period	15,316	0
	Additions	17,418	
	Depreciations	3,767	0
	Value of leases, end of the period	28,967	0
	Total	264,953	261,684

Note		2020 DKK ' 000	2019 DKK ' 000
18	**Other property, plant and equipment**		
	Cost		
	Cost, beginning of the reporting period	11,089	15,815
	Additions	1,075	2,282
	Disposals	474	7,008
	Total cost, end of the reporting period	11,690	11,089
	Impairment and depreciation		
	Impairment and depreciation, beginning of the reporting period	6,258	9,905
	Depreciation for the reporting period	3,361	3,361
	Impairments and depreciation for the period on sold and scrapped assets	0	0
	Reversals for impairment charges for previous years and reversal of total impairment and depreciation on assets sold or retired from operations during the reporting period	474	7,008
	Impairment and depreciation, end of the reporting period	9,145	6,258
	Carrying amount, end of the reporting period	2,545	4,831
19	**Deffered tax asset**		
	The bank reassessed the possibilities of utilizing the deffered tax asset in 2012, which resulted in a impairment to DKK 0. Vestjysk Bank assesses that the deferred tax asset is expected to be partly used within the next three years, based on a cautious expectation of earnings. Future earnings are calculated without including expected earnings of Den Jyske Sparekasse. Of this, DKK 85 million relates to the unutilised tax losses, which will be set off in the total capital (2019: 84 million).		
20	**Other assets**		
	Positive market value of derivative financial instruments	19,804	13,801
	Interest and commission receivable	118,440	104,750
	Investments in BEC	143,595	242,278
	Other assets	41,455	55,099
	Total	323,294	415,928
21	**Debts to credit institutions and central banks**		
	Distributed by term to maturity:		
	On demand	22,075	12,591
	More than 5 years	370	410
	Total	22,445	13,001
22	**Deposits and other debt**		
	On demand	12,451,225	11,537,718
	Term deposits	0	176,387
	Special deposit forms	957,978	1,328,712
	Total	13,409,203	13,042,817
	Distributed by term to maturity:		
	On demand	12,734,036	11,934,303
	Up to and including 3 months	15,067	188,620
	3 months to 1 year	41,658	93,419
	1 year to 5 years	179,866	218,260
	More than 5 years	438,576	608,215
	Total	13,409,203	13,042,817

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Note		2020 DKK ' 000	2019 DKK ' 000
23	**Other liabilities**		
	Negative market value of derivative financial instruments	20,126	15,852
	Various creditors	459,237	447,057
	Interest and commission payable	15,295	15,751
	Leased obligations	32,393	0
	Other liabilities	23,579	16,769
	Total	550,630	495,429
24	**Subordinated debt**		
	Supplementary capital	347,961	347,015
	Charged as an expense under interest expenses/subordinated debt:		
	Interest expenses	19,280	23,539
	Costs related to incurrence and repayment	946	788
	Total	20,226	24,327
	Subordinated debt that can be included in the total capital	347,961	347,015
	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 2024, 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.		
25	**Share capital**	895,982	895,982
	Number of shares (units)	895,981,517	895,981,517
	Number of own shares, beginning of the period		
	Number of own shares (thousands)	173	173
	Nominal value DKK’000	173	173
	Percentage of the share capital	0.0%	0.0%
	Additions		
	Purchase of own shares (thousands)	16,541	38,103
	Nominal value DKK’000	16,541	38,103
	Percentage of the share capital	1.8%	4.3%
	Total purchase price DKK’000	49,924	131,720
	Disposals		
	Sold own shares (thousands)	16,541	38,103
	Nominal value DKK’000	16,541	38,103
	Percentage of the share capital	1.8%	4.3%
	Total selling price DKK’000	49,924	131,720
	Number of own shares, end of reporting period		
	Number of own shares (thousands)	173	173
	Nominal value DKK’000	173	173
	Percentage of the share capital	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		2020 DKK ' 000	2019 DKK ' 000
26	**Capital requirements**		
	Shareholders Equity	3,244,896	2,956,167
	Deductions:		
	Tier 1 capital	-155,000	-155,000
	Investments in the sector	-215,841	-199,573
	Prudent valuation	-6,489	-4,343
	Intangible assets	0	-17
	Deferred tax assets	-85,434	-83,707
	Common equity tier 1 capital	2,782,132	2,513,527
	Additional tier 1 capital	155,000	155,000
	Tier 1 capital	2,937,132	2,668,527
	Tier 2 capital	343,598	347,015
	Total capital	3,280,730	3,015,542
	Excess tier 2 capital, not included in total capital	4,363	0
	MREL-capital	3,285,093	3,015,542
	- Credit risk	10,376,551	11,683,860
	- Market risk	1,264,788	861,155
	- Operational risk	1,662,041	1,771,322
	Total risk exposure	13,303,380	14,316,337
	Common equity tier 1 capital ratio	20.9%	17.6%
	Tier 1 capital ratio	22.1%	18.6%
	Total capital ratio	24.7%	21.1%
	MREL-capital		
	Total capital	3,280,730	3,015,542
	MREL-capital	4,363	0
	Total MREL-capital	3,285,093	3,015,542
	MREL ratio	24.7%	21.1%

27 **Contingent assets**

It is the Banks assessment that there is no basis for recognition of all of the deffered tax asset presently. Therefore, the deferred tax is partly recognised at DKK 98 million in the financial statement 31. December 2020.
The remaining deffered tax asset at 436 million is treated as a contingent asset which is not recognised in the Statement of Financial Position.

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Note		2020 DKK ' 000	2019 DKK ' 000
28	**Items not recognised in the statement of financial position**		
	Guarantees		
	Financial guarantees	1,143,146	741,057
	Loss guarantees on mortgage loans	2,209,108	2,172,001
	Registration and refinancing guarantees	450,655	0
	Other contingent liabilities	Other contingent liabilities	Other contingent liabilities
	Total	Total	Total
	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	116,262	144,799
	Other liabilities	0	12,554
	Total	116,262	157,353
	The bank's membership of BEC entails that the bank is obligated to pay a severance of 542 million to resign.		
	Security pledged		
	Credit institutions:		
	Margin accounts pledged as security in relation to financial derivatives	13,643	14,391
	Deposited in the Danish Growth Fund	404	455
	Bonds:		
	Pledged as security for credit facility with Danmarks Nationalbank		
	Total nominal value	1,098,139	942,470
	Total market value	1,103,746	948,682
29	**Hedge accounting**		
	To manage interest rate risk, the following are hedged (fair value hedge):		
	Loans at amortised cost	32,214	57,962
	Hedged with interest rate swaps, maturity 2021:		
	Notional principal	31,661	56,178
	Fair value	-553	-1,784
	Total fair value adjustment of hedging instruments	1,169	1,357
	Total fair value adjustment of the hedged items	-1,169	-1,357
	Recognised in the statement of Income	0	0

Note

30 **Derivative financial instruments**

Derivative financial instruments are utilised by both the Bank's customers and the Bank to hedge and manage financial risks and positions.

2020 (DKK'000)	Nominal value	Net market value	Positive market value	Negative market value
Foreign exchange contracts				
Up to 3 months	583,368	-319	2,335	2,654
3 months to 1 year	309,702	-100	4,978	5,078
1 year to 5 years	95,969	355	1,102	747
More than 5 years		0	0	0
Average market value		759	8,469	7,710
Interest rate contracts				
Up to 3 months	696,504	878	3,017	2,139
3 months to 1 year	48,888	-483	197	680
1 year to 5 years	0	0	0	0
More than 5 years	40,648	270	7,687	7,417
Average market value		-492	14,010	14,502
Share contracts				
Up to 3 months	92,824	-314	488	802
3 months to 1 year	290	-609	0	609
1 year to 5 years		0	0	0
More than 5 years		0	0	0
Average market value		-1,663	690	2,353

2019 (DKK'000)	Nominal value	Net market value	Positive market value	Negative market value
Foreign exchange contracts				
Up to 3 months	838,668	349	1,830	1,481
3 months to 1 year	172,260	-51	1,700	1,751
1 year to 5 years	10,596	-142	129	271
More than 5 years		0	0	0
Average market value		478	4,975	4,497
Interest rate contracts				
Up to 3 months	920,957	-435	1,570	2,005
3 months to 1 year	51,567	-30	354	384
1 year to 5 years	34,734	-1,595	10	1,605
More than 5 years	41,041	301	7,975	7,674
Average market value		-574	15,757	16,331
Share contracts				
Up to 3 months	87,640	-115	233	348
3 months to 1 year	250	-333	0	333
1 year to 5 years		0	0	0
More than 5 years		0	0	0
Average market value		-1,010	312	1,322

Note

31 **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 transaction between participants in the market 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 essentials 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 11.3 million.

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

For of loans and impairments in stage 2 and 3 are assessed to correspond to changes in credit quality. The difference relative to fair values is assessed to be impairments in stage 1, received fees and commissions, interest receivable, not falling due until after the end of the financial reporting period, and, for fixed-rate loans, interest rate-dependent value adjustments.

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

Subordinated debt 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.

Note

31 **Fair value of financial assets and liabilities (continued)**

31 Dec 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

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Notes

Note						
31	**Fair value of financial assets and liabilities (continued)**					
	31 Dec 2019 (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	395,706	395,706	60,112	335,594	0
	Receivables from credit institutions and central banks	775,266	775,266	0	775,266	0
	Loans at amortised cost	10,220,920	10,297,765	0	0	10,297,765
	Bonds at fair value	4,268,252	4,268,252	4,220,323	47,929	0
	Shares, etc.	502,314	502,314	43,383	347,612	111,319
	Assets related to pooled schemes	5,232,977	5,232,977	5,232,977	0	0
	Derivative financial instruments	13,801	13,801	0	13,801	0
	Total	21,409,236	21,486,081	9,556,795	1,520,202	10,409,084
	Financial liabilities					
	Debts to credit institutions and central banks	13,001	13,001	0	13,001	0
	Deposits	13,042,817	13,044,046	0	0	13,044,046
	Deposits in pooled schemes	5,232,977	5,232,977	0	0	5,232,977
	Subordinated debt	347,015	357,108	0	0	357,108
	Derivative financial instruments	15,852	15,852	0	15,852	0
	Total	18,651,662	18,662,984	0	28,853	18,634,131
	Shares measured at fair value based on non-observable inputs (level 3)					
	Carrying amount, beginning of the period					104,422
	Additions					0
	Disposals					0
	Value adjustment					6,897
	Value, end of the period					111,319
	Period's value adjustments relating to financial assets in the portfolio, total					6,926

Note

32 **Risk and risk management**

Vestjysk Bank is exposed to various types of risk. These risks as well as the Bank's policies and goals for managing such risks are described in the Management Review's sections on risk:

Market Risk, p. 21
Interest Rate Risk, p. 22
Foreign Exchange Risk, p. 23
Share Risk, p. 23
Credit Risk, p 23
Operational risk, p 26
Liquidity Risk, p. 27

33	**Loans and guarantees, by sector**	2020 DKK'000	2020 pct.	2019 DKK'000	2019 pct.
	Public authorities	0	0%	0	0%
	Business:				
	Agriculture, hunting, forestry and fishery	2,558,808	18%	2,893,210	20%
	Manufacturing industry and raw material extraction	479,457	3%	493,006	4%
	Energy supply	301,180	2%	359,366	3%
	Construction and civil engineering contractors	487,888	3%	502,881	4%
	Trade	638,933	5%	881,614	6%
	Transportation, hotels and restaurant businesses	477,962	3%	456,111	3%
	Information and communication	78,858	1%	58,659	0%
	Credit and financing institutes and insurance businesses	510,094	4%	602,421	4%
	Real estate	1,776,461	12%	1,861,000	13%
	Other businesses	778,643	5%	699,660	5%
	Business, total	8,088,284	56%	8,807,928	62%
	Retail	6,445,317	44%	5,378,655	38%
	Total	14,533,601	100%	14,186,583	100%

Note

34 **Loans by rating, sectors and IFRS9- stages**

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

	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

	2019 DKK' 000				
	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Normal credit quality	9,622,996	503,822	0	0	10,126,818
Some signs of weakness	5,330,933	1,674,611	0	0	7,005,544
Significant signs of weakness	530,057	649,053	0	0	1,179,110
Impaired loans	0	0	4,168,137	92,968	4,261,105
Total	15,483,986	2,827,486	4,168,137	92,968	22,572,577

At 30 June 2020, Vestjysk Bank replaced the previous internal segmentation model with a behavioural rating model for retail customers. 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 data centre together with member banks.

As a result of the change, the distribution in credit quality categories is not fully comparable between 2019 and 2020.

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

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

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	2,133,633	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
Realestate	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

2019 DKK' 000	Stage 1	Stage 2	Stage 3	credit-impaired at initial recognition	Total
Public authorities	0	0	0	0	0
Business:					
Agriculture, hunting, forestry and fishery	2,025,594	959,403	1,801,808	63,284	4,850,089
Manufacturing industry and raw material extraction	614,164	78,307	134,598	5,507	832,576
Energy supply	472,737	9,348	133,654	0	615,739
Construction and civil engineering contractors	643,191	176,193	82,087	600	902,071
Trade	1,010,470	267,533	204,177	251	1,482,431
Transportation, hotels and restaurant businesses	401,054	118,289	262,578	0	781,921
Information and Communications	99,404	12,019	6,299	0	117,722
Credit and financing institutes and insurance businesses	474,360	47,890	223,470	36	745,756
Realestate	1,818,590	350,489	856,812	10,753	3,036,644
Other businesses	783,510	233,920	122,091	9,404	1,148,925
Business, total	8,343,074	2,253,391	3,827,574	89,835	14,513,874
Private	7,140,912	574,095	340,563	3,133	8,058,703
I alt	15,483,986	2,827,486	4,168,137	92,968	22,572,577

Note		2020 DKK'000	2019 DKK'000
35	**Maximum credit exposure before impairment and allowances**		
	Loans measured at amortised cost	11,458,130	12,592,765
	Unused credit commitments	8,657,605	7,043,115
	Guarantees	5,224,234	3,991,425
	Loans, guarantees etc.	25,339,969	23,627,305
	Receivables from credit institutions and central banks	879,119	1,110,860
	Bonds at fair value	6,159,587	4,268,252
	Positive market value of derivative financial instruments	19,804	13,801
	Total	32,398,479	29,020,218
	Maximum credit exposure after impairment and allowances		
	Loans measured at amortised cost	9,331,543	10,220,920
	Unused credit commitments	8,591,472	6,983,649
	Guarantees	5,202,058	3,965,663
	Loans, guarantees etc.	23,125,073	21,170,232
	Receivables from credit institutions and central banks	879,119	1,110,860
	Bonds at fair value	6,159,587	4,268,252
	Positive market value of derivative financial instruments	19,804	13,801
	Total	30,183,583	26,563,145
	Collateral for loans, credit commitments and guarantees		
	Bank accounts	83,637	98,389
	Securities	1,093,870	998,769
	Mortgages on properties and wind turbines	8,759,773	8,750,749
	Right of subrogation for mortgages secured in real property	2,221,921	2,193,247
	Charges held in movable property, motor vehicles, operating equipment, ships etc.	2,760,342	2,591,198
	Other	284,841	274,680
	Total	15,204,384	14,907,032
	Of this amount collateral for loans, credit commitments and guarantees (stage 3)	1,484,302	2,083,060

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

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

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

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

Note

36 **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 50.7 million in 2020.

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.

	2020 DKK'000	2019 DKK'000
Interest rate risk inside the Bank's trading book:		
Securities	56,549	29,510
Futures/forward contracts/forward rate agreements	-1,657	421
Swaps	12	14
Total	54,904	29,945
Interest rate risk outside the Bank's trading book:		
Loans	2,812	3,723
Deposits	0	-744
Subordinated debt	-8,034	-11,448
Equity	-2,445	-3,990
Total	-7,667	-12,459
Total interest rate risk	47,237	17,486
Measured in relation to the tier 1 capital, the interest rate risk corresponds to	1.6%	0.7%
Interest rate risk, by modified duration		
Up to 1 year	1,810	318
1 year to 2 years	-1,612	2,649
2 year to 3.6 years	17,618	9,614
More than 3.6 years	29,421	4,905
Total	47,237	17,486

Note			
37	**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).		
		2020 DKK'000	2019 DKK'000
	Assets in foreign currency, total	342,463	531,424
	Liabilities in foreign currency, total	190,151	83,249
	Foreign exchange indicator 1	6,431	9,902
	Foreign exchange indicator 1 in percent of tier 1 capital	0.2%	0.4%
	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	-594	-980
38	**Share risk** The Bank's share risk is derived from shares and derivatives in the Bank's investment and trading books		
		2020 DKK'000	2019 DKK'000
	Shares, etc.		
	Shares/unit trust certificates listed on NASDAQ Copenhagen A/S	33,208	30,206
	Shares/unit trust certificates listed on other exchanges	17,017	13,178
	Unlisted shares recognised at fair value	496,707	458,930
	Total	546,932	502,314
	Of which, sector shares	493,546	455,437
	Sensitivity		
	An increase in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	50,483	49,730
	of which sector shares	45,555	45,089
	of which other shares	4,928	4,641
	A decrease in share prices of 10 percentage points will result in a profit/loss and equity impact before tax of	-50,483	-49,730
	of which sector shares	-45,555	-45,089
	of which other shares	-4,928	-4,641

Note			
39	**Liquidity risk**		

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.

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.

	2020 DKK'000	2019 DKK'000
Liquidity buffer		
LCR values	6,207,822	4,908,648
LCR values after adjustment on level 1a assets	3,961,917	4,729,023
Net outflow	2,197,146	1,824,172
Liquidity Coverage Ratio - LCR	180.3%	259.2%

40 **Other risks**

Operational risks

The general responsibility for operational risk resides with the Bank's Risk Management and Compliance.

Vestjysk Bank considers dependence on key employees as a focus area. The Bank continually strives to minimise the dependence on key employees, for example by establishing written business procedures, centralising tasks and out-sourcing areas that do not affect the Bank's competitiveness.

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 com-plies with the directions and recommendations it receives from BEC and does not develop proprietary IT systems.
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.

Total capital risk

Total capital is monitored on an ongoing basis and monthly reporting to the Board of Directors takes place according to established guidelines.

Compliance

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.
There is an instruction and annual plan for the compliance function approved by the Executive Board.

Note		2020 DKK’000	2019 DKK’000
41	**Related parties**		
	Vestjysk Bank’s related parties comprise the members of the Board of Directors and Executive Board as well as these persons’ relatives.		
	Size of loans, pledges, sureties or guarantees made for members of the institution's		
	Executive Board	300	300
	Board of Directors	8,611	6,344
	All commitments are provided on arm's-length terms		
	Interest rate:		
	Executive Board	0% *	0% *
	Board of Directors	1.25% - 3.0%	2.0% - 3.5%
	* MasterCard		
	Security pledges made for commitments issued to members of the institute’s:		
	Executive Board	0	0
	Board of Directors	1,185	1,235
	Apart from what is considered normal management remuneration, no transactions have been carried out with related parties during the period.		
	Arbejdernes Landsbank is a related part, due to Arbejdernes Landsbank is a associate company. There is no exposures or security pledges for Arbejdernes Landsbank.		
42	**Pending litigation**		
	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.		
	The pending proceedings are not expected to have material influence on the bank’s financial position.		
43	**Events after the balance sheet date**		
	Shareholders approved the merger with Vestjysk Bank and Den Jyske Sparekasse at the extraordinary general meetings held on 13 January 2021. The Danish Financial Supervisory Authority approved the merger on 14 January 2021with Vestjysk Bank as the continuing bank.		

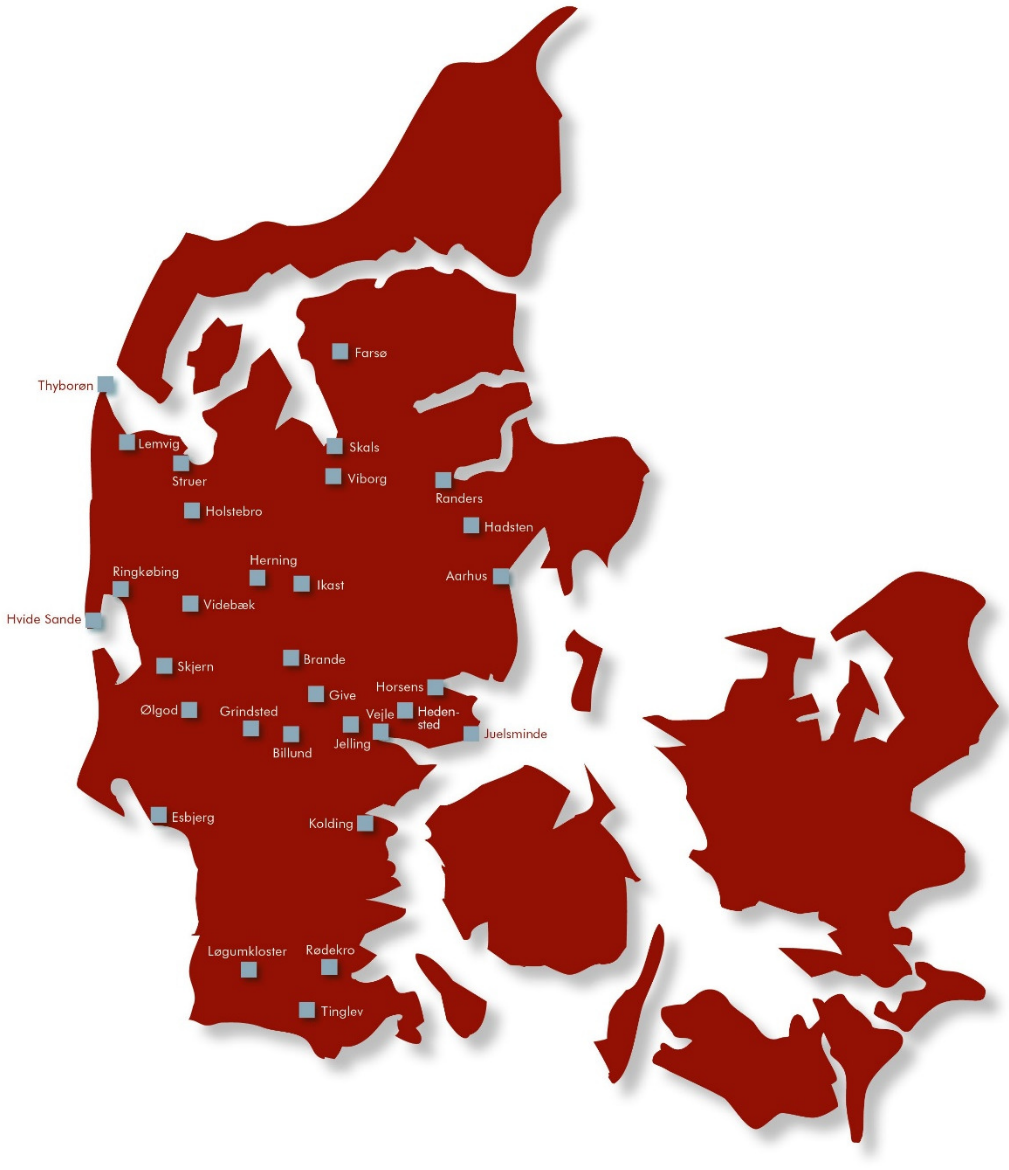
Note		2020	2019	2018	2017	2016
45	**Financial highlights**					
	Statement of Income (DKKm)					
	Net interest income	486	510	548	573	595
	Net fee income	326	329	297	338	312
	Dividends on shares, etc.	9	29	12	4	3
	Value adjustments	65	185	35	23	65
	Other operating income	1	2	17	7	29
	Core Income	887	1,055	909	945	1,004
	Staff costs and administrative expenses	510	477	470	482	489
	Other operating expenses and depreciation, amortisation and im-pairment of property, plant and equipment and intangible assets	20	31	11	22	16
	Operating expenses and operating depreciation and amortisation	530	508	481	504	505
	Core Earnings Before Impairment	**357**	**547**	**428**	**441**	**499**
	Impairment of loans and receivables, etc.	29	64	186	270	416
	Profit/loss Before Tax	328	483	242	171	83
	Tax	25	5	-54	8	3
	Profit/loss After Tax	303	478	296	163	80
	Statement of financial position (DKKm)					
	Assets, total	23,105	22,192	21,198	21,902	19,895
	Loans	9,332	10,221	10,797	11,629	12,529
	Deposits, including pooled schemes	18,835	18,276	17,583	18,396	16,971
	Contingent liabilities	5,202	3,966	3,487	3,608	3,358
	Custody services	10,040	8,708	7,585	8,713	9,860
	Arranged mortgage loans	33,447	30,749	29,122	28,381	28,025
	Business volume	33,369	32,463	31,867	33,633	32,858
	Business volume including custody services and arranged mortgage loans	767,856	71,920	68,574	70,727	70,743
	Equity	3,245	2,956	2,589	2,515	1,487

In accordance with the accounting policies, the comparative figures 2016-2017 have not been restated in connection with the implementation of IFRS 9 at 1 January 2018

Note		2020	2019	2018	2017	2016
45	**Financial ratios**					
	Capital					
	Total capital ratio	34.7%	21.1%	19.7%	19.2%	13.0%
	Tier 1 capital ratio	22.1%	18.6%	17.4%	16.8%	11.2%
	Common equity tier 1 capital ratio	20.9%	17.6%	15.7%	15.2%	8.7%
	Earnings					
	Return on equity before tax p.a.	10.6%	17.4%	9.9%	8.5%	5.7%
	Return on equity after tax p.a.	9.6%	17.2%	12.1%	8.2%	5.5%
	Income-cost ratio	1.59	1.84	1.36	1.22	1.09
	Cost ratio [1]	59.8%	48.2%	52.9%	53.3%	50.3%
	Return on assets	1.3%	2.2%	1.4%	0.8%	0.4%
	Average number of employees (FTE)	394.7	377.9	385.8	421.9	458.6
	Market Risk					
	Interest rate risk	1.6%	0.7%	-0.5%	-1.2%	-3.0%
	Foreign exchange position	0.2%	0.4%	0.3%	0.2%	0.3%
	Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
	LCR	180.3%	259.2%	195.3%	255.4%	318.1%
	Credit Risk					
	Loans plus impairment on loans relative to deposits	60.8%	68.9%	76.3%	79.4%	91.7%
	Loans relative to equity	2.9	3.5	4.2	4.6	8.4
	Lending growth for the year	-8.7%	-5.3%	-5.6%	-7.2%	-6.4%
	Sum of large exposures > 10%	-	-	14.1%	11.9%	36.9%
	Sum of 20 largest exposures [2]	109.3%	102.7%	116.4%	-	-
	Accumulated impairment ratio	12.9%	14.5%	15.6%	16.5%	16.1%
	Impairment ratio for the year	0.1%	0.3%	1.0%	1.5%	2.2%
	Vestjysk Bank Share					
	Earnings per share for the year	0.3	0.5	0.3	0.3	0.5
	Book value per share [3]	3.4	3.1	2.6	2.6	9.4
	Price of Vestjysk Bank shares, end of the year[4]	2.8	3.1	2.0	2.7	13.0
	Share price/earnings per share	8.2	5.8	5.9	8.7	24.6
	Share price/book value per share	0.8	1.0	0.7	1.1	1.4

In accordance with the accounting policies, the comparative figures for 2016-2017 have not been restated in connection with the implementation of IFRS 9 at 1 January 2018.

1 Operating expenses and operating depreciation and amortisation/core income
2 In 2018, this financial ratio is calculated according to new rules. There is no basis for calculating the key figure from 2016-2017
3 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.
4 It is not possible to compare the key figure from 2016 due to share issue in 2017.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