ANNUAL REPORT 2022

SKJERN BANK

VERY ACCEPTABLE PROFIT AND DEVELOPMENT

PR. 31/12 2022	Profit before tax of DKK 191.1 million
RETURN IN EQUITY	Equity yielded interest of 15.0 % before tax
CORE EARNINGS	Core earnings of DKK 233.6 million, compared with DKK 175.6 million in 2021
VALUE ADJUSTMENTS	Exchange rate adjustments of DKK -30.8 million compared with DKK 20.2 million in 2021
NET INTEREST AND FEE IN-COME	Net interest and fee income increased by 21.7 % to DKK 463.7 million
IMPAIRMENT	Impairment of DKK 2.7 million including increase in management estimate of DKK 20 million to DKK 70 million
LENDING	Lending increased by 15.8 % and amounts to DKK 5,464 million and deposits increased by 11.6 % and amount to DKK 7,840
CAPITAL	Satisfactory capital ratio of 23.1 % and individual solvency requirements of 9.8 %
DIVIDENDS	Proposal of DKK 3 per share, corresponding to 19.2 % of profit after tax for the year
EXPECTATIONS FOR 2023	Profit before tax for 2023 is expected to be in the range of DKK 210 – 250 million

Content

Management's financial report for 2022

A profit before tax of DKK 191.1 million is very acceptable in a year marked by war in Europe, inflation, economic slowdown and a challenging securities market. Profit has been positively affected by increases in net interest and fee income, which increased by DKK 82.7 million or 21.7 %. Equity yielded a very satisfactory interest of 15.0 % before tax and 11.7 % after tax.

The positive earnings development over the year has resulted in 3 upwards adjustments of the core earnings outlook, most recently on 22 December 2022, when the expectation was adjusted to the range of DKK 225 – 235 million. The expectation for profit before tax has been maintained in the range of DKK 175 – 205 million, which was primarily due to negative trends in the securities markets throughout 2022.

In 2023, a profit before tax is expected in the range of DKK 210 – 250 million and a core earnings in the range of DKK 225 - 275 million. The solid development is thus expected to continue in 2023.

In light of the achieved profit, expectations for future earnings and the adequate capital coverage, it is recommended to the Annual General Meeting that dividends of DKK 3 per share be distributed. The Bank is also budgeting for capital-intensive growth in lending in 2023 and the years ahead and also wants a satisfactory capital coverage, primarily based on equity. It is therefore proposed that only 19.2 % of the profit for the year be distributed to the shareholders. A distribution of DKK 3 per share or a total of DKK 28.9 million is considered fully prudent in terms of capital, as the Bank has also strengthened its earnings and capital position in 2022.

The Bank's development is very satisfactory in all areas and the main performance goals in the Bank's strategic plan up to 2022 have been realised. The most important factors in the strategy are high employee satisfaction, high customer satisfaction and earnings at the top of the sector. All 3 factors are absolutely key to maintaining the Bank's status as a solid and independent local bank that makes a difference for all the Bank's stakeholders.

Customer satisfaction is measured in an independent study conducted by Finanssektorens Uddannelsescenter. In the survey, 83 % respond that they are very satisfied with being a customer of Skjern Bank and nearly 9 out of 10 recommend the Bank to others. We are both proud and humbled by this. Customer satisfaction is thus extremely satisfactory and at the very top of the sector.

Employee satisfaction, which has been very high for many years, is measured by an anonymous and independent employee satisfaction survey every year in Q4. In 2022, employee satisfaction and pride in working at Skjern Bank was set at 96.5 %, which is very satisfactory.

The Bank's earnings in the form of return on equity and earnings per cost ratio are 15.0 % and 1.78 respectively, and are also expected to be at the very top once the financial institutions' 2022 annual reports have been published.

In the Bank's strategic plan up to 2025, the primary focus areas remain unchanged: maintaining the high employee satisfaction, high customer satisfaction and earnings at the top of the sector, and ambitious targets have also been established in the ESG area, amongst others.

The Bank's credit provision increased in 2022. Lending increased by DKK 745 million, or 15.8 %, while the creditworthiness of the portfolio has improved. The provision of mortgage loans from Totalkredit and DLR Kredit are respectively DKK 13.4 billion and DKK 4.7 billion. The customers' participation in pool schemes has grown by DKK 307 million or 23.5 %, while at the same time deposits have grown by DKK 813 million or 11.6 %.

In 2021, the Bank established branches in Hørsholm and Ølgod. The development in both branches is very acceptable and the customer growth, as in the Bank's other branches, has been very high. The positive development has led to the start-up of another branch in the Valby area, where we look forward to moving into our own premises during the first half of 2023. The Bank then has a total of 10 branches with 6 in South/West Jutland and 4 in the capital area.

The Bank's solid development in growth in earnings and business volume, combined with a generally positive outlook on bank shares, has contributed to a very satisfactory development of the price of the Bank's shares in 2022. At the beginning of the year, the rate was 103.5 and at the end of the year, this increased to 122.0, meaning an increase of 18.5 percentage points, corresponding to 17.9 %.

The increasing interest levels in Danmarks Nationalbank have led to an increase in average interest on the Bank's total lending portfolio. This, along with the lending growth, has meant that the Bank's interest income on loans has been increased by DKK 35.3 million compared to 2021. In addition, interest rates in Danmarks Nationalbank have become positive again, and in the last months of 2022, interest income of DKK 7.7 was realised from placement of surplus liquidity in Danmarks Nationalbank.

The development in interest rates means that the Bank no longer charges negative interest on deposits, which is very satisfactory. It has been a special situation, but unfortunately in terms of the market it has been absolutely necessary to charge negative interest rates on deposits.

Net interest income increased by a satisfactory DKK 48.7 million to DKK 254.3 million, corresponding to an increase of 23.7 %.

Fee income increased by DKK 31.7 million or 17.8 %. The increase is due to a large influx of customers, which has led to an increase in all transaction income. Loan processing fees have increased by a total of DKK 12.7 million due to high activity in the residential housing area in general. The development is very satisfactory and in line with the Bank's strategy to increase non-interest-based income relative to interest income, in part through increased activity in the housing, securities, pension and insurance sectors.

The share of the Bank's earnings from fees relative to net interest and fee income has increased from 43 % in 2019 to 44 % in 2022, which is satisfactory. The rapidly increasing interest income will make it difficult to maintain the same relative share of fee income in the future, but a satisfactory development in this regard will also be a high priority in the future.

Total net interest and fee income increased by DKK 82.7 million or 21.7 %.

Staff and administration expenses etc. increased by DKK 26.5 million, corresponding to 12.8 %, from DKK 207.5 million compared with DKK 234.0 million. The increase follows the expectations and is due to a strategic decision to grow and increase the level of activity in all branches, including the Bank's two newly established branches.

Staff costs have increased by DKK 14.4 million as a result of a net of 15 new employees and general collective bargaining increases. Hiring has largely been in customer-oriented positions, where the Bank is well equipped to handle the strong influx of customers, but internal positions have also been reinforced to ensure management of the continued complicated and highly resource-intensive sets of rules in the sector. The Bank's administrative expenses were increased by DKK 12.0 million, primarily as a result of higher IT expenses.

Impairment has increased by DKK 17.9 million to an expense of DKK 2.7 million, corresponding to 0.1 % of the Bank's loans and guarantees. The managerial estimate for countering the uncertainty around increasing inflation and interest rates, as well as the generally challenged financial prospects, increased by DKK 15 million during the year to DKK 70 million at the end of 2022.

The Bank has only identified limited impairment and economic challenges with customers in 2022. A few customers, particularly in the construction sector, have found the continued operation has not been possible due to the repayment of COVID-19 loans combined with difficult economic conditions with increasing raw material prices and decreasing demand. The Bank's other business has generally done well and is financially well-cushioned.

In 2022, no industries have accounted for a larger share of write-downs in isolation. In general, the agricultural sector has done well through 2022, though in the pig sector there have been and still are considerable challenges as a result of African Swine Fever in surrounding countries and weak terms of trade. Milk producers, which is by far the Bank's largest professional segment in agriculture, have had very reasonable terms of trade in 2022 and are also looking at a year of good terms of trade and high settlement prices.

The Bank's private customers have been doing well and are characterised by strong creditworthiness. However, the proportion of private customers facing financial challenges in 2023 is expected to increase, which has been taken into account in the management estimate of DKK 70.0 million.

At the beginning of 2022, the Bank expected a core earnings in the range of DKK 170 – 190 million. The profit expectations have been adjusted upwards during the year, most recently on 22 December 2022 to the range of DKK 225 – 235 million. Core earnings were realised at DKK 233.6 million and were thus increased by a very satisfactory DKK 58.0 million compared to 2021.

The expectation for the profit before tax for the year at the beginning of 2022 was a range of DKK 175 – 205 million and was adjusted to the upper part of the range on 22 December 2022. Expectations were realised at DKK 191.1 million.

The capital ratio is calculated at 23.1 % and the core capital ratio at 21.5 %. As a result of the solid profit, the capital coverage was increased in the course of 2022 compared to the individual solvency requirements, from 12.4 % points in 2021 to 13.3 % points in 2022. With deduction of the capital conservation buffer of 2.5 percentage points, cyclical buffer of 2 percentage points and NEP supplement of 3.7 percentage points, the capital coverage at the end of 2022 amounted to 5.1 percentage points. The Bank has a goal of a surplus compared to the capital requirement of min. 4 percentage points, which is thus met.

The capital base increased by DKK 80.4 million to DKK 1,343 million. The increase is primarily due to profit after tax of DKK 150.2 million less interest on hybrid loans of DKK 5.3 million, the proposed dividends of DKK 28.9 million and also less sectoral shares of DKK 24 million due to purchase of shares in DLR Kredit on the basis of increased distribution of credit union loans via DLR Kredit. In addition, at the end of 2022 the Bank has a deduction of DKK 7.5 million from the capital base as a result of the commitment with PRAS.

The capital ratio increased by 0.9 percentage points compared to the end of 2021. The Bank's lending has increased by a satisfactory DKK 745 million, while the Bank's guarantees have been reduced by DKK 666 million, which is the main reason the weighted items alone have increased by DKK 119 million. The solvency requirements have been calculated at 9.8 % and overall the Bank's capital base is considered solid and adequate.

With regards to the bank's capital position in general, refer to note 28.

FUTURE CAPITAL RESERVES
In the coming years, the following regulatory capital buffers will be phased in:

- The cyclical buffer currently amounts to 2 %, but is being phased in by an additional 0.5 % in Q1 2023 The cyclical buffer will then be fully phased in at 2.5 %.
- NEP supplement of 5.8 percentage points once fully phased in on 1 January 2024. The NEP supplement was phased in by 3.7 % at the end of 2022, but increased to 4.7 % on 1 January 2023.

Upon full phasing in of all known capital requirements, and with a solvency requirement of 9.8 %, the Bank's capital requirement amounts to 20.6 %. The NEP supplement of 5.8 % will be phased in on 1 January 2024, and with the cyclical buffer fully phased in at this time, at the end of 2023 the Bank will have a capital ratio of 24.6 %, achieving the Bank's target of capital reserves of a minimum of 4 percentage points. This corresponds to an increase of 1.5 % compared to 31 December 2022.

The Bank expects that the continued growth in the earnings base will mean that the rest of the known capital requirements can be phased in via consolidation from operating earnings, but will continually weigh the need to possibly raise Tier III capital to partially cover the NEP requirement.

EXPECTATIONS FOR 2023

The Bank has had a very satisfactory 2022, where expectations for most all areas have been met and exceeded. The only exception is in exchange rate adjustments, which have been negative as a result of the turbulent year in the securities markets. A continued acceptable profit is expected in 2023, but also a more limited development in business volume, including in lending and mortgage brokerage.

There is expected to be an increasing core earnings and an increasing impairment level, but the growth in ordinary operations means that the bank also expects a very acceptable profit in 2023.

Profit before tax is expected to be in the range of DKK 210 – 250 million and core earnings are expected to in the range of DKK 225 – 275 million.

The most important strategic and performance objectives for the coming year are set out below.

In light of the satisfactory customer growth, based on referrals and relations to the Bank, the management is very confident in terms of continuing to attract new customers and increasing business volume with the many existing and loyal customers. The focus is on strengthening the Bank's earnings and increasing capital provisioning, partly via retention of satisfied customers and employees. This will secure our position as the independent and local financial institution, which makes a difference in the areas where the Bank's branches are, as well in the long term.

We are pleased to note that the private customers still have a robust economy, despite an economic slowdown in society, resulting in falling housing prices as a result. In recent years, the Bank has experienced strong growth in the number of and business volume with private customers, but expects that the growth in business volume in 2023 will decrease, despite the fact that the Bank continues to be chosen by a large number of private customers.

The Bank still has close ties to the agricultural industry, which represents a significant and valuable customer group.

Easily the largest of the Bank's customer groups in agriculture is milk producers, who have generally had very reasonable profitability in operations in 2022, which is expected to continue in 2023. For pig producers, 2022 has been challenging with poor terms of trade, primarily as a result of increasing feed prices etc. The Bank expects that 2023 will bring better terms of trade and thus better market conditions for pig producers. There is still increased risk as a result of the economic slowdown, but in general the Bank believes there will be reasonable conditions for positive operations within agriculture in 2023.

Lending and guarantees to agriculture account for 8.5 % of the total lending, where the distribution is 4.9 % to cattle farming, 0.4 % to mink production, 1.1 % to pig farming, 1.3 % to crop farming and 0.8 % to other forms of production. The number of customers in the agricultural segment has increased in 2022 and this is expected to continue in 2023 through the acquisition of well-run and well-capitalised agricultural customers.

The real estate segment amounts to 9.5 %, which is the same percentage as of 31 December 2021, and the exposure in real estate is primarily within rental for residential purposes. The general rule for project financing is that sales are documented before the start of the construction, or alternatively there is adequate liquid collateral.

The other business segments are generally assessed to be in positive development, although the economic slowdown will leave a clear mark on many markets and business opportunities.

The Bank's liquidity is solid, and there will be an unchanged focus on maintaining a satisfactory liquidity reserve, primarily via a balanced relationship between the total deposit and lending volumes. In the future, the Bank wants to base essentially all of its liquidity provision on customer deposits.

ACTIVITIES AND BUSINESS VOLUME
As planned, an additional branch was established in the capital area during the year, while the branches in Ølgod and Hørsholm that were established in 2021 are now both operating well. The branch network is not planned to be expanded in the coming year.

Skjern Bank Leasing offers financial leasing of most types of assets to the Bank's business customers. The administrative management of this is outsourced to a well-established player in the industry. The business volume in Skjern Bank Leasing is still increasing, and at the end of 2022 there is a volume of just over DKK 181 million, which is expected to increase in 2023.

Overall, 2023 is expected to lead to a solid increase in earnings, while due to the economic slowdown, a more moderate increase in the total business volume is expected.

BUSINESS VOLUME IN CONTROLLED DEVELOPMENT
The Bank's business model and credit policy were essentially unchanged in 2022. The focus is, and will continue to be, to be ready to participate in the customers' goals for financing etc. when this can be done in a prudent and risk-acceptable manner.

In total, lending volume increased by DKK 744.7 million, or 15.8 %, to DKK 5,464 million. Deposits from customers increased by DKK 812.8 million or 11.6 % to DKK 7,840 million. The total guarantees for customers decreased by DKK 666.5 to DKK 2,024 million.

CAPITAL GOALS AND DIVIDEND POLICY
The management will have the utmost focus on ensuring that the Bank has a solid capital base to support the continued development of the Bank's activities and implementation of current and future regulatory capital requirements.

The capital base will continue to be largely based on actual core capital, but raising foreign capital may also be included in the future capital structure.

The Bank has a satisfactory capital coverage, and therefore it is the management's assessment that there is a solid base to reward the Bank's many shareholders with an appropriate portion of the realised profit.

The Danish Financial Supervisory Authority's recommendations and the management's expectations for future growth and earnings have been taken into account in the assessing the sufficient capital coverage.

It is proposed to distribute DKK 3 per share, or DKK 28.9 million, which constitutes 19.2 % of the realised profit after tax in 2022. The dividend level must be assessed on the basis of the management's position of primarily strengthening the Bank's solvency through consolidation from operations. The distribution is in line with the distribution for the financial year 2021.
The Bank's management has decided to maintain the following capital goals and dividend policy:

CAPITAL GOALS
It is the Bank's goal to be well capitalised to ensure the Bank's strategic goals and to accommodate regulatory requirements. The management will continuously assess the adequacy of the capital base, including the distribution between equity and foreign capital, to ensure the optimal distribution between returns to shareholders and sufficient increase of the bank's actual core capital.

DIVIDEND POLICIES
In light of the bank's capital goals, the bank wants to be stable in payments of dividends. The goal is for distribution to amount to 30-50 % of the annual profit after tax, either as share buy-backs or cash distributions, which exceeds a return on equity of 6 %.

THE BANK'S IMPORTANT STAKEHOLDERS
The Bank's management considers the cooperation with and involvement of the Bank's many stakeholders and the running of a well-functioning local Bank to be equally important.

The focus has always been on creating value for the Bank's stakeholders, which in 2022 is considered to have been the most important factor in the solid business development.

The Bank's strategic objective is primarily a controlled organic growth based on long-term relations with all stakeholders. When the customers choose the way the Bank is run, it increases the profits to the benefit of the shareholders. The local community benefits from this in the form of the Bank's local backing as well as product distribution to local businesses and private customers. The employees benefit from this in the form of job retention and an exciting job where they can develop. The customers clearly express that it is valuable to have a local bank that knows their needs and where they have an advisor who knows them and who back the local community's activities.

SHAREHOLDERS

The management recognises the importance of a stable and loyal shareholder community and, taking into account the bank's capital adequacy, aims to give them competitive returns on their investment. The shareholders' loyalty and continued backing, from small shareholders to major professional investors, is extremely important to the continued development of the bank.

CUSTOMERS

The bank is pleased to note that the private customer business is growing rapidly and that the bank is being chosen by new customers from most of the country, primarily on the recommendation of existing customers. The corporate client business is also in solid development with a focus on small and medium-sized customers, primarily in the Bank's local areas.

The experience has been that the close personal knowledge between customer and adviser is crucial for choosing Skjern Bank. This combined with solid advice, living up to the Bank's key values and the electronic options, such as online meetings and mobile banking, make daily life work smoothly and flexibly.

Customer satisfaction with the Bank is paramount, and the external anonymous measurements of satisfaction with the Bank are conducted annually. It is very gratifying to note that customer satisfaction with the Bank is extremely high and that nearly 9 out of 10 of the Bank's customers would recommend the Bank to others.

The Bank is very grateful and humbled by the trust shown by the customers as they refer their family, friends and acquaintances to the Bank in large numbers.

EMPLOYEES

As of As of 31 December 2022, the Bank employs 195 employees, which is an increase of 6 over the year. All employees are offered employment terms that conform to the market as well as relevant training and continuing education in order to always ensure a high level of professionalism.

Employee job satisfaction is very important for the Bank and there are annual measurements of the employee satisfaction in each department and the Bank as a whole. It is a strategic goal for the Bank to have employees who feel the Bank is a good workplace and who are proud to work at the Bank. There is a very high level of employee satisfaction, which is an important foundation for always being able to offer advice and service at the high level expected by the customers.

LOCAL COMMUNITIES

The Bank's goal is to play an important role in the Bank's local communities, both as a partner for the many business owners, and of course also for the local population in general. It is important for the bank to back local initiatives and the Bank helps a great number of businesses – entrepreneurs and existing customers - with counselling and financing, so that ideas and investment goals have the best chance of being realised.

The Bank is also a partner for a very large percentage the local communities' associations and organisations and supports both sports and culture and associations in general. The bank's commitment to and support for local communities is largely based on reciprocity, such that financial backing of any size is given in anticipation of and is subject to the bank being rewarded with customer referrals and a generally positive attitude towards the bank.

The foundation for banking operations in Skjern Bank is the many shareholders, customers, talented employees and the local community. The Bank is aware that all stakeholders play an important role both now and in the future and the Bank views it as an important community role to encourage the many stakeholders to work together for the benefit of both the stakeholders and the Bank.

SUSTAINABLE DEVELOPMENT

The financial sector has a key role in ensuring that society develops in a more sustainable direction. The Bank is aware of this responsibility and fully supports the points from the Forum for Sustainable Finance (Forum for Bæredygtig Finans), which the Bank is actively working to comply with.

In the Bank's ESG report for 2022, the Bank's status on compliance with the points is presented, and the goals for the future work are described.

In Skjern Bank, the focus on sustainability can generally be divided into two main tracks:

1. Our influence on our stakeholders, especially our customers.
2. The Bank as a company.

The influence on customers must take place via positive customer dialogue, which must also include a dialogue on opportunities and threats related to sustainability to a greater extent.

Private customers must be presented with relevant opportunities, such as: making their properties more energy efficient, getting attractive financing for electric cars and placing investments to influence sustainable development in line with the customer's sustainability preferences.

Business customers must be made aware of issues relating to the concept of sustainability (ESG), which concerns: Environmental conditions (E – Environment), Social conditions (S – Social) and Management conditions (G – Governance).

For several years, the Bank has been working to reduce energy consumption through energy reduction measures, and also compensates for its own use of power through the purchase of certificates of origin for power from Danish wind turbines. The bank also supports climate measures in third world countries via its electric bill.

The ESG report can be read in full on the Bank's website.

NET INTEREST INCOME

Net interest income amounts to DKK 254.3 million, which is an increase of 23.7 % compared to last year, when net interest income was DKK 205.6 million.

Interest income on net customer loans has increased by DKK 35.7 to DKK 219.8 million, which is very satisfactory and due to increased lending and increasing interest income on lending and deposits in Danmarks Nationalbank. The Bank's proportion of lending where there was impairment, but where interest still continues to be accrued, decreased and amounts to DKK 7.2 million in 2022 compared with DKK 7.6 million in 2021. Bond interest income increased by DKK 2.4 million, while there has been an increase of DKK 6.2 million on financial instruments. Overall, interest income has thus increased by DKK 52.3 million compared to last year.

In terms of accounting, negative interest rates on deposits are placed under interest income in a special line in the statement of profit or loss. The Bank has realised DKK 25.5 million on this in 2022, compared with DKK 28.6 million in 2021.

Interest expenses increased to DKK 10.7 million, primarily as a result of the increasing interest level, which means that there are no longer negative interest rate deposits in the Bank.

The Bank's interest expenses for deposits in Danmarks Nationalbank decreased in 2022 by DKK 2.1 million to DKK 8.4 million.

FEE INCOME

Income from fees and commissions has increased very satisfactorily by 17.8 % to DKK 209.8 million, driven by growth in the number and volume of customers. Borrowing fees have increased by DKK 12.7 million to a total of DKK 93.1 million and guarantee provisions have increased by DKK 3.5 to DKK 29.8 million.

The customer-driven activity has increased satisfactorily, which increased the income from securities trading and payment services and other fees by a total of DKK 15.5 million.

DIVIDENDS

In 2022, dividends from shareholdings increased by DKK 1.8 million and amounted to DKK 4.5 million.

NET INTEREST AND FEE INCOME

Net interest and fee income including dividends increased by 21.7 % to DKK 463.7 million, which is very satisfactory.

EXCHANGE RATE ADJUSTMENTS

In 2022, the securities markets were characterised by increasing interest rates, decreasing share prices, and in particular decreasing bond prices.

A capital loss of DKK 1.5 million was realised in the shareholdings, compared with a gain of 2021 in DKK 17.5 million. The Bank wants a continued low share price exposure and the treasury portfolio of shares is thus still of a modest size.

Exchange rate adjustments on bond portfolios have been negative in 2022 by DKK 38.5 million. The Bank continues to have a cautious investment policy for bonds, which promises a short maturity and low interest risk and the total bond holdings in 2022 were reduced by DKK 80.1 million to DKK 861.8 million.

The total exchange rate adjustments amount to DKK -30.8 million and, in addition to the exchange rate adjustments on bonds and shares, consist of earnings on currency and financial instruments of a satisfactory DKK 9.1 million.

EXPENSES

Staff and administration expenses increased by 12.8 % and amount to DKK 234.0 million, compared with DKK 207.5 million in 2021. The increase is as expected in a year in which considerable investment has been made in the expansion of the branch network. Personnel expenses have increased by DKK 14.4 million, corresponding to 11.5 %, due to an increasing number of employees, collective bargaining wage increases and an increase in payroll tax.

Other administrative expenses increased in 2022 by DKK 12.0 million to DKK 92.5 million, which is primarily due to higher IT costs.

DEPRECIATION AND WRITE-DOWNS

In 2022, there was depreciation and impairment on tangible fixed assets of DKK 6.6 million, compared with DKK 7.3 million in 2021.

IMPAIRMENT

Impairment on loans and customer receivables etc. amounted to 0.1 % of the total loans and guarantees, corresponding to DKK 2.7 million, compared with an income of DKK 15.2 million in 2021.

As a result of the increasing uncertainty due to the economic slowdown, increasing inflation, the risk of an increase in unemployment, etc., the management estimate was increased by DKK 15.0 million in 2022 to DKK 70.0 million.

Reversal of impairment from previous accounting years amounted to DKK 130.7 million, while recorded losses amounted to DKK 3.9 million, of which DKK 3.2 million had not been previously written down. In total, the Bank has provisioned DKK 302.5 million to accommodate future losses, which corresponds to 3.8 % of the Bank's total lending and guarantees.

CORE EARNINGS

At the beginning of 2022, the Bank expected a core earnings in the range of DKK 170 – 190 million. The profit expectations have been adjusted upwards 3 times during the year, most recently on 22 December 2022 to the range of DKK 225 – 235 million. The realised core earnings amount to DKK 233.6 million, compared with DKK 175.6 million in 2021, and are considered highly satisfactory. The growth is primarily due to increased interest income on lending and a sharp increase in fee income.

PROFIT BEFORE TAX

The expectation for the profit before tax for the year at the beginning of 2022 was a range DKK 175 – 205 million and was adjusted to the upper part of the range on 22 December 2022. The bank's profit before tax amounted to DKK 191.1 million compared to DKK 204.5 million in 2021. As the primary reason for the lower profit in 2022 is negative exchange rate adjustments, the result is considered very satisfactory.

CAPITAL

The capital base, which consists of equity and supplemental borrowing, amounted to DKK 1,342.8 million at the end of 2022 and the total risk exposure amounted to DKK 5,802.8 million. The capital ratio is calculated at 23.1 % and the core capital at 21.5 %. The solvency requirement amounted to 9.8 %, whereby there is a satisfactory coverage in relation to the solvency requirement of 13.3 percentage points, corresponding to DKK 772.8 million.

At the end of 2022, in addition to the solvency requirements, the Bank will also add a capital conservation buffer of 2.5 percentage points, a cyclical buffer of 2 percentage points and a NEP supplement of 3.7 percentage points. Including this capital requirement, the solvency coverage relative to the total capital requirements amounts to 5.1 percentage points, corresponding to DKK 297 million.

The solvency requirements, which are calculated according to the Danish Financial Supervisory Authority's credit reservation method, are recognised at DKK 464.2 million, corresponding to 8.0 % for the Column 1 requirement (Søjle 1-kravet). DKK 16.4 has been allocated on the basis of the Bank's lending growth, which has exceeded 10 %. In addition, DKK 69.2 million was provisioned for credit risk, including "NPE backstops", where DKK 11.6 million was reserved for an interest risk of DKK 0.5 million and a credit spread risk of DKK 9.7 million under the market risk and DKK 10.0 million for reservations under the operational risk. Overall, the Bank has a capital requirement of DKK 570.0 million.

The Bank's goal for capital coverage relative to the calculated solvency requirements plus the current phased-in capital requirements is a minimum of 4 percentage points. In the coming years, the capital requirements will be further increased by 0.5 percentage points in the cyclical buffer and an additional 2.1 percentage points in NEP requirements. At the same time, the Bank has a goal of organic growth in business volume at a level of 3-5 % in the coming years, which increases the requirements for the capital base.

The management considers the Bank to have a solid capital foundation, but there is a constant focus on always having an appropriate capital structure and coverage.

For more information on capital and solvency requirements, please refer to the Bank's website: www.skjern-bank.dk/banken/investor/solvensbehov

LIQUIDITY
The bank's goal is to maintain liquidity reserves at a continued sufficient and solid level based on deposits from the bank's customers. In 2022, the goal was met by increasing the total deposits to a total of DKK 7.840 million.

The bank's liquidity reserves are solid. The LCR (Liquidity Coverage Ratio) of DKK 2.510 million exceeds both the regulatory requirements and the stricter liquidity goals established by the Bank's Board of Directors. The liquidity coverage ratio shows how the bank is able to meet its payment obligations for an upcoming 30-day period without access to market funding. The ratio is calculated by comparing the Bank's cash reserves and liquid assets with the Bank's payment obligations for the next 30 days calculated according to certain rules.

Skjern Bank has established an internal limit for the minimum liquidity reserves of 175 %, which exceeds the minimum requirements of 100 % from the Danish Financial Supervisory Authority. The Bank achieved the goal and as of 31 December 2022 has an LCR financial ratio of 352 %.

MAJOR SHAREHOLDERS
The Bank has 3 major shareholders, all of whom have 5 % of the voting rights:

Investeringsselskabet, 15 May (AP Pension Livsforsikringsaktieselskab, København Ø.), which as of the most recent ownership report held 20.75 % of the share capital, EURO STEEL 1988 APS, which as of the most recent ownership report held 5.15 % of the share capital, and Kim Pedersen, who both personally and via his wholly-owned company Immoinvest.dk ApS held 5.0 % of the share capital as of the most recent ownership report.

LIQUIDATION RESERVE
In connection with establishing the statutory liquidation reserve, the Bank has prepared business procedures and implemented tests to ensure compliance with the special requirements resulting from the legislation. This has been done in cooperation with the Bank's data centre, and it is the management's assessment that the Bank is in compliance with the requirements.

SIGNIFICANT AGREEMENTS

If control of the Bank is changed, a number of agreements will cease or terms will be changed. Withdrawal from the data centre Bankdata, where, depending on the change in question, a severance allowance corresponding to 5 times the previous year's bill for Bankdata may be applied. All other agreements are assessed to be immaterial.

EVENTS OCCURRING AFTER 31 DECEMBER 2022

No events have occurred after 31 December 2022 that significantly affect the Bank's circumstances.

AUDIT

The Danish version of the Annual Report for 2022 is equipped with internal audit statements and independent auditors' statement. The statements are without reservations and complementary information.

Endorsement of the Annual Report by the Management

We have today discussed and approved the annual report for the period 1 January – 31 December 2022 for Skjern Bank A/S.

The annual report has been prepared in accordance with the Danish legislation on financial activities, including executive order on financial reports for credit institutes and stock broker companies, etc. Furthermore, the annual report has been prepared in accordance with accordance with the Danish Financial Business Act. The Financial Statements have been prepared in accordance with Danish legal requirements for listed financial companies.

It is also our opinion that the annual report has been prepared in accordance with the ESEF regulation in all material respects.

We consider the accounting practice chosen to be appropriate so that the annual report gives a correct impression of the bank's assets, liabilities, financial position as at the 31st December 2022 and of the result of the bank's activities for the accounting year 1 January – 31 December 2022.

The management report includes a correct presentation of the development of the bank's activities and financial conditions together with a description of the material risks and uncertainties by which the bank may be affected.

Supplementary reports provide a true and fair view within the framework of generally accepted guidelines for such reports.

The annual report is recommended for approval by the General Meeting.

Skjern, the 9 February 2023

The board of Skjern Bank A/S

Per Munck
Manager

Skjern, the 9 February 2023

The board of Skjern Bank A/S

Hans Ladekjær Jeppesen — *Chairman*

Bjørn Jepsen — *Vice-chairman*

Niels Erik Kjærgaard   *Finn Erik Kristiansen*   *Ole Strandbygaard*

Lars Skov Hansen   *Carsten Jensen*   *Michael Tang Nielsen*

Profit and loss account

Note	DKK 1,000	2022	2021
2	Interest receivable	247.922	195.584
	Interest receivable deposits	25.507	28.611
3	Interest payable	10.684	8.024
	Interest payable central banks	8.421	10.596
	Net income from interest	**254.324**	**205.575**
	Dividend on shares and other holdings	4.485	2.657
4	Charges and commission receivable	209.801	178.044
	Charges and commission payable	4.887	5.306
	Net income from interest and charges	**463.723**	**380.970**
5	Value adjustments	-30.830	20.181
	Other ordinary income	2.078	3.487
6	Staff costs and administrative expenses	234.038	207.517
	Depreciation and write-downs on intangible and tangible assets	6.620	7.337
	Other operating expenses	477	480
9	Write-downs	2.703	-15.227
	Result before tax	**191.133**	**204.531**
10	Tax	40.894	41.230
	Net-result for the financial year	**150.239**	**163.301**
	Of which are holders of shares of hybrid core capital instruments etc.	5.287	5.289
PROPOSAL FOR DISTRIBUTION OF PROFIT			
	Dividends	28.920	28.920
	Holders of hybrid core capital instruments	5.287	5.289
	Transferred to/from retained earnings	116.032	129.092
	Total distribution of the amount available	**150.239**	**163.301**
STATEMENT OF COMPREHENSIVE INCOME			
	Profit for the financial year	150.239	163.301
	Total comprehensive income	**150.239**	**163.301**

Balance Sheet

Note	DKK 1,000	2022	2021
	ASSETS		
	Cash in hand and demand deposits with central banks	2.830.343	2.566.381
11	Receivables at credit institutions and central banks	54.939	74.300
12	Loans and other receivables at amortised cost	5.464.400	4.719.737
13	Bonds at fair value	861.733	941.900
14	Shares etc.	231.757	208.217
15	Shares associated with pool schemes	1.614.083	1.306.663
16	Holdings in associated enterprises and group enterprises	67.204	67.599
	Investment properties	3.019	3.019
	Owner-occupied properties	47.868	45.895
	Owner-occupied properties, leasing	16.317	18.685
17	Other tangible assets	5.375	5.626
	Current tax assets	6.175	3.640
	Other assets	92.424	84.106
	Prepayments	60	329
	Total assets	**11.228.493**	**9.978.498**

Note	DKK 1,000	2022	2021
	LIABILITIES		
	DEBT		
18	Debt to credit institutions and central banks	2.974	0
19	Deposits and other debts	7.840.474	7.027.670
	Deposits in pooled schemes	1.614.083	1.306.663
	Other liabilities	292.451	280.201
	Prepayments	850	1.832
	Total debt	**9.750.832**	**8.616.366**
	PROVISIONS		
20	Provisions for deferred tax	3.749	2.298
12	Provisions for loss on guarantees	11.716	14.423
	Total provisions	**15.465**	**16.721**
	SUBORDINATED DEBT		
21	Subordinated loan capital	98.835	98.334
	Total subordinated debt	**98.835**	**98.334**
	EQUITY		
22	Share capital	192.800	192.800
	Retained earnings	1.080.626	964.476
	Proposed dividend	28.920	28.920
	Capital owners share of equity	**1.302.346**	**1.186.196**
23	Holders of hybrid capital	61.015	60.881
	Total equity	**1.363.361**	**1.247.077**
	Total liabilities	**11.228.493**	**9.978.498**

Information on changes in equity

		Share capital	Proposed dividends	Hybrid capital	Retained earnings	Total
	Equity 01.01.2021	**192.800**	**19.280**	**60.748**	**834.814**	**1.108.059**
24	Purchase of own funds				122	122
	Dividend own shares				30	30
	Amortization hybrid capital			-133		-133
	Paid interest hybrid capital			-5.023		-5.023
	Dividends proposed 2021		-19.280			-19.280
	Profit or loss		28.920	5.289	129.092	163.301
	Equity 31.12.2021	**192.800**	**28.920**	**60.881**	**964.058**	**1.247.076**
24	Purchase of own funds				90	90
	Dividend own shares				30	30
	Dividends paid 2021		-28.920			-28.920
	Amortization hybrid capital			-131		-131
	Paid interest hybrid capital			-5.023		-5.023
	Profit or loss		28.920	5.287	116.032	150.239
	Equity 31.12.2022	**192.800**	**0**	**61.014**	**1.080.210**	**1.363.361**

Notes

1. ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Danish Financial Business Act and the Executive Order on financial reports for credit institutions and investment companies, etc.

The Financial Statements have been prepared in accordance with additional Danish legal requirements for Financial Statements for listed financial companies.

The Financial Statements are presented in DKK and rounded to the nearest DKK 1,000.

General information on recognition and measurement
Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the Bank and the asset's value can be measured reliably.

Liabilities are recognised in the statement of financial position when they are likely and can be measured reliably.
Assets and liabilities are initially recognised at fair value. However, tangible assets are measured at cost at the time of initial recognition. Measurement after initial recognition occurs as described for each item below.

Foreseeable risks and losses which may arise before the Financial Statements are reported and which confirm or invalidate conditions existing on the balance date are taken into account in recognition and measurement. Income is recognised in the statement of profit or loss and other comprehensive income as it is earned, while expenses are recognised at the amounts which relate to the financial year.

Purchases and sales of financial instruments are recognised on the transaction date and are no longer recognised when the right to receive/deliver cash to or from the financial asset or liability has expired or, if it is transferred, the Bank has transferred all significant risks and rewards of ownership. The bank has not used the rules for reclassification of certain financial assets at fair value to amortised cost.

Determination of fair value
The fair value is the amount to which an asset can be converted or at which a liability can be settled in a transaction under normal conditions between knowledgeable, willing and independent parties.

The fair value of financial instruments for which there is an active market is usually determined as the closing price on the Balance Sheet date or, if not available, another published price considered to best correspond to this.

For financial instruments for which there is an active market, fair value is established using generally accepted valuation techniques which are based on relevant observable market data.

Accounting estimates
When determining the carrying amount of certain assets and liabilities, discretion is used as to how future events will affect the value of the assets and liabilities on the balance date.

The estimates used are based on assumptions which the management considers to be reasonable, but which are associated with some uncertainty.

Therefore, the actual final results may differ from the estimates used, because the Bank is affected by risk and uncertainty, which can affect this.

The areas which involve a greater degree of assessments/assumptions and estimates are impairment of loans and receivables, determination of fair value of unlisted financial instruments, corporate and investment properties and provisions.

Although the carrying amounts are calculated in accordance with the Danish Executive Order on the Presentation of Financial Statements, particularly including appendices 9 and 10 and related guidelines, there is uncertainty and estimates associated with these carrying amounts, as they are based on a number of assumptions. If these assumptions change, the financial reporting may be affected and the impact may be significant. Changes may occur through a change in practice or interpretation by the authorities and amended principles from the management - for example, the value of collateral may entail changes to the calculations.

Foreign currency
Assets and liabilities in foreign currencies are recognised on the balance date at the National Bank of Denmark's listed rates. Foreign currency spot transactions are adjusted on the balance date based on the spot rate. Currency translation adjustments are recognised on an ongoing basis in the statement of profit or loss and other comprehensive income.

General
When determining the carrying amount of certain assets and liabilities, discretion is used as to how future events will affect the value of the assets and liabilities in question on the balance date.
The estimates used are based on assumptions which the management considers to be reasonable, but which are uncertain and unpredictable. Therefore, the actual final results may differ from the estimates used, because the Bank is affected by risk and uncertainty, which can affect this.

Model uncertainty
In addition to establishing expectations for the future, write-downs in stages 1 and 2 are also subject to uncertainty because the model does not account for all relevant circumstances. As there is still limited historical data as a basis for the models, it has been necessary to supplement the model's calculations with management estimates. Assessment of the effect of the long-term probability of default on customers and segments through improved and deteriorated outcomes of macroeconomic scenarios is associated with estimates. Please

refer to the more detailed description in note 31.

Statement of collateral values
To reduce the risk on the individual exposures in the Bank, collaterals have been received, primarily in the form of mortgages on physical assets (of which mortgages on real estate are the most significant form), securities etc. Significant management estimates are included in the valuation of the collateral. For a more detailed description of matters relating to collateral, see also note 31.

Fair values of owner-occupied properties
The return method is used to measure owner-occupied properties at fair value. Future cash flows are based on the Bank's best estimate of future ordinary profit and required rate of return for each property, taking into account factors such as location and maintenance. A number of these assumptions and estimates have a significant impact on the calculations. Changes in these parameters as a result of a change in market conditions affect the expected returns and thus the owner-occupied properties' fair value. Also refer to the discussion in note 1 "Accounting policies used etc." under the section "Land and buildings" and note 16 "Land and buildings".

Practice for writing off financial assets from the statement of financial position
Financial assets that are measured at amortised cost are wholly or partially written off from the statement of financial position if the Bank no longer has reasonable expectations that the outstanding amount will be wholly or partially covered. Recognition ceases based on specific, individual assessment of each exposure. For private and corporate customers, the Bank will typically write off losses when the pledged collateral is realised and the residual receivable is unsustainable. When a financial asset is written off from the statement of financial position in whole or in part, the impairment on the financial asset is removed from the calculation of accumulated impairment, cf. note 9.

The bank continues its collection efforts after the assets have been written off, with the measures depending on the specific situation. The bank essentially tries to enter a voluntary agreement with the customer, including renegotiation of terms or reconstruction of a business, such that debt collection or bankruptcy proceedings are only put to use when other measures have been tried.

STATEMENT OF PROFIT OR LOSS

Interest, fees and commissions, etc.
Interest income and expenses are recognised in the statement of profit or loss and other comprehensive income in the period to which they relate.

Interest income from deposits and interest expense to central banks are presented separately in the statement of profit or loss.

Received interest on credit-impaired loans on which impairment has occurred are passed to the impaired part of the loan in question under the item "Impairment of loans and receivables" and are thus offset in impairment for the year.

Commissions and fees which are an integral part of the effective interest rate of a loan are recognised as part of the amortised cost and are therefore part of interest income under loans.
Commissions and fees which are part of an ongoing service are accrued over the loan period.

Other fees and commissions and dividends are recognised in the statement of profit or loss and other comprehensive income when the rights to them are acquired.

Staff and administration expenses
Staff and administration expenses include wages and salaries, social costs, pensions, IT costs and administrative and marketing costs.

Pension schemes
The bank has entered into defined contribution schemes with the employees. In defined contribution schemes, fixed contributions are paid to an independent pension fund. The bank has no obligation to make further contributions.

Tax
Tax for the year, which consists of current tax for the year and movements in deferred tax, is recognised in the statement of profit or loss and other comprehensive income as the portion which is attributable to the net profit for the year and directly in equity as the portion which is attributable to items in equity.

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as tax calculated on taxable income for the year adjusted for tax paid on account.
Deferred tax is recognised on all temporary differences between carrying values and tax values of assets and liabilities.

Any deferred tax assets, including the tax value of tax loss carry forwards, are recognised in the statement of financial position at the value at which the asset is expected to be realised, either against deferred tax liabilities or as net assets.

STATEMENT OF FINANCIAL POSITION

Classification and measurement
According to the IFRS 9-compatible accounting regulations, classification and measurement of financial assets is done based on the business model for the financial assets and the contractual cash flows relating to the financial assets. This means that financial assets must be classified into one of the following two categories:

• Financial assets that are held to generate the contractual payments, and where the contractual payments exclusively consist of interest and repayments on the outstanding amount, are measured at amortised cost after the date of first recognition. This category includes loans at amortised cost and receivables from credit institutions.

• Financial assets that do not meet the above criteria for the business model or where the contractual cash flows do not exclusively consist of interest and repayments on the outstanding amount are initially recognised at fair value through the statement of profit or loss.

Skjern Bank does not have financial assets that are included in the measurement category for recognition of financial assets at fair value through other comprehensive income. Instead, the Bank's bond portfolio is measured at fair value through the statement of profit or loss because they are included in a trading portfolio.

Cash holdings and demand deposits with central banks
Cash holdings and demand deposits with central banks are initially recognised at fair value and then at amortised cost.

Receivables from credit institutions and central banks
Receivables from credit institutions and central banks include receivables from other credit institutions. Initially recognised at fair value plus transaction costs and minus origination fees, etc. and subsequently measured at amortised cost.

Loans
The accounting item consists of loans disbursed directly to the borrower. Loans are measured at amortised cost, which usually corresponds to the nominal value minus origination fees etc. and minus provisions for losses expected but not yet realised.

Model for impairment for expected credit losses
In accordance with the IFRS 9-compatible impairment rules, impairment is done for expected credit losses on all financial assets that are recognised at amortised cost and provisions are made according to the same rules for expected credit losses on unused credit lines, loan commitments and financial guarantees. The impairment rules are based on an expectation-based model.

For financial assets recognised at amortised cost, impairment for expected credit losses is recognised in the statement of profit or loss and the value of the asset is reduced in the statement of financial position. Provisions for losses on unused credit lines, loan commitments and financial guarantees are recognised as a reserved liability. (See also under contingent liabilities).

Stages of development in credit risk

The expectation-based impairment rules means that a financial asset etc. at the time of first recognition is impaired by an amount corresponding to the expected credit loss over 12 months (stage 1). If there is subsequently a significant increase in the credit risk compared to the time of first recognition, the financial asset is impaired by the amount corresponding to the expected credit loss in the asset's remaining life (stage 2). If impaired credit (stage 3) is discovered for the instrument, the asset is written down by an amount corresponding to the expected credit loss in the asset's remaining life, and interest income is recognised in the statement of profit or loss according to the effective interest method based on the impaired amount.

Financial assets where the customer has significant financial difficulties or where the Bank has offered easier terms due to the customer's financial difficulties are kept at stage 2 if losses are not expected in the most likely scenario.
Placement in stages and calculation of the expected loss is based on the Bank's rating models, which were developed by the data centre Bankdata and the Bank's internal credit management.

Assessment of significant increase in credit risk
In the assessment of the development of credit risk, it is assumed that a significant increase in credit risk has occurred in relation to the time of initial recognition when a downwards adjustment of the Bank's internal rating of the debtor corresponds to one rating class in the Danish Financial Supervisory Authority's rating classification guidelines.

If the credit risk on the financial asset is considered to be low on the reporting date, the asset is kept at stage 1, where a significant increase in credit risk has not occurred. Skjern Bank considers the credit risk to be low when the Bank's internal rating of the customer corresponds to 2a or better, though an overdraft for more than 30 days for a customer with an internal rating of 2a will lead to a significantly impaired credit risk. The category of assets with low credit risk also includes lending and receivables that meet the rating criterion, as well as receivables from Danish credit institutions. New customers are always placed in stage 1 unless they are credit impaired.

Definition of credit impairment and default
An exposure is defined as being impaired and as being in default if it meets at least one of the following criteria:

- The borrower is experiencing significant financial difficulties, and the Bank assesses that the borrower will not be able to honour their obligations as agreed.
- The borrower has committed a breach of contract, such as in the form of non-compliance with payment obligations for principal and interest or repeated overdrafts.
- The bank has granted the borrower easier terms than it would have granted were it not for the borrower's financial difficulties.
- It is likely that the borrower will go bankrupt or be subject to other financial reorganisation.
- The exposure has been in arrears/overdrawn for more than 90 days by an amount that is considered significant.

The definition of credit impairment and default that the Bank uses when measuring the expected credit loss and for transfer to stage 3 is in line with the definition used for internal risk management purposes.

Calculation of expected loss
The calculation of impairment on exposures in stages 1 and 2, except for the weakest exposures in stage 2, are made on a portfolio-based calculation model, while the impairment on the rest of the exposures are made through a manual, individual assessment based on three scenarios (basic scenario, a more positive scenario and a more negative scenario) with the associated likelihood that the scenarios will occur.

The portfolio model calculation is based on the Bank's division of customers into different rating classes and an assessment of the risk of loss in each rating class. The calculation occurs in a setup that is developed and maintained in Bankdata, supplemented with a predictive macroeconomic module, which is developed and maintained by LOPI, and which forms the basis for the incorporation of management's expectations for the future.

The macroeconomic module is based on a series of regression models that establish the historical correlation between impairment for the year within a number of sectors and industries and a number of explanatory macroeconomic variables.

Estimates are then applied to the regression models for the macroeconomic variables based on forecasts from consistent sources such as Det Økonomiske Råd [The Danish Economic Council], Danmarks Nationalbank etc. where the forecasts are generally for two years in the future and include variables such as increase in public consumption, increase in GDP, interest rates etc. The expected impairment is thereby calculated for up to two years in the future for each sector and industry. For maturities longer than two years and up to year 10, a projection of the impairment percentage is made such that it converges towards a normal level in year 10. Maturities longer than 10 years are given the same impairment percentage as in year 10. Finally, the calculated impairment percentages are converted into adjustment factors that correct the data centre's estimates in the individual sectors and industries. The Bank makes adjustments to these based on its own expectations for the future and based on the loan composition.

Changes in write-downs are adjusted in the statement of profit or loss and other comprehensive income under the item "Impairment of loans and receivables etc".

Bonds and shares, etc.
Bonds and shares traded on a listed stock exchange are measured at fair value. Fair value is usually determined as the official closing price on the balance date.

Unlisted securities and other equity investments (including level 3 assets) are also recognised at fair value, calculated based on what the transaction price would be in a trade between independent parties. If there is no current market data, the fair value is determined based on the published financial reports or on a return model which is based on cash flows and other available information.

Value adjustments on bonds and shares, etc. are recognised on an ongoing basis in the statement of profit or loss and other comprehensive income under the item "Exchange rate adjustments".

Pool activities
All pool assets and deposits are recognised in separate balance sheet items. Returns on pool assets and distributions to pool participants are entered under the item "exchange rate adjustments".

Land and buildings
Land and buildings include

- "Owner-occupied properties", which consist of the properties from which the bank conducts banking activities
- "Leased company domiciles", which consist of the leased properties from which the Bank conducts
- "Investment properties", which consist of all other properties the bank owns and possess in order to obtain rental income.

Owner-occupied properties are measured in the statement of financial position at revalued amount, which is the fair value determined based on the return method with a rate of return in the range of 5.6 - 7 % less accumulated depreciation and any impairment loss. Depreciation is recognised in the statement of profit or loss and revaluation is done so frequently that there are no significant differences in fair value. Increases in the owner-occupied properties' revalued amount are recognised under revaluation reserve in equity. If an increase in the revalued amount corresponds to an earlier case and is thus recognised in the statement of profit or loss in a previous year, the increase is recognised in the statement of profit or loss. A decrease in the revalued amount is recognised in the statement of profit or loss and other comprehensive income, unless there is a reversal of previous revaluations. Owner-occupied properties are depreciated linearly over 50 years based on the cost adjusted for any value adjustments where residual values are not used.

Leased company domiciles All lease agreements must be recognised by the lessee in the form of a leasing asset that represents the value of the right of use. The asset is initially recognised at present value of the lease liability including costs and any prepayments. After initial recognition, lease contracts for domicile properties are measured in the same way as other domicile properties.

At the same time, the present value of the agreed lease payments are recognised as a liability. Assets leased on short-term contracts and leased assets of low value are excluded from the requirement for recognition of a lease asset.

In calculating the properties' value, an internal interest rate in the range of 3.5 % - 5.5 % was used.

Investment properties are measured in the statement of financial position at fair value determined based on the return method. Ongoing changes in fair value of investment properties are recognised in the statement of profit or loss and other comprehensive income.

Establishment of the revalued amount of owner-occupied properties and the fair value of investment properties are associated with significant estimates. The estimates particularly relate to the establishment of required rate of return.

Other tangible fixed assets
Other tangible fixed assets, including plant and machinery, are recognised at the acquisition at cost. Then, other tangible assets and conversion of rented premises are recognised at cost minus accumulated depreciation. A linear amortisation is done over 3-5 years based on the cost and amortisations and impairment losses recognised in the statement of profit or loss.

Other assets
Other assets include interest receivable and provisions and positive market value of derivative financial instruments.

Prepayments and accrued income
Prepayments and accrued income recognised under assets include costs relating to subsequent financial years. Prepayments and accrued income recognised under liabilities include prepaid interest and guarantee provisions relating to subsequent financial years.

Liabilities to credit institutions and central banks
Items are measured at amortised cost.

Deposits and other payables
Items are measured at amortised cost.

Subordinated debt
Items are measured at amortised cost.

Hybrid core capital under equity
Hybrid core capital that meets the rules in CRR to be classified as additional tier I capital with indefinite maturity and where the payment of interest is voluntary is classified as equity.

Interest on hybrid core capital is deducted from equity.

The tax effect of the interest is recognised under current tax in the statement of profit or loss.

Other liabilities
Other liabilities include interest payable and provisions and negative market value of derivative financial instruments and debt to Danmarks Nationalbank.

Provisions
Assurances, guarantees and other liabilities which are uncertain in terms of size or time of settlement are recognised as provisions when it is probable that the liability will result in financial resources flowing out from the bank and the liability can be measured reliably. The liability is calculated at the present value of the costs required to settle the liability.

Treasury shares
Acquisition and disposal and dividends from treasury shares are recognised directly under equity.

Derivative financial instruments
All derivative financial instruments, including forward contracts, futures and options in bonds, shares or currency, as well as interest and currency swaps, are measured at fair value on the balance date.

Exchange rate adjustments are included in the statement of profit or loss and other comprehensive income.

Positive market values are recognised under other assets, while negative market values are recognised under other liabilities.

Contingent liabilities
The bank's outstanding guarantees are disclosed in the notes under the item "Contingent liabilities". The liability relating to outstanding guarantees which are assessed to lead to a loss for the bank is provisioned under the item "provisions for loss on guarantees". The liability is expensed in the statement of profit or loss under "Impairment of loans and receivables etc". Non-financial guarantees, cf. IFRS 9, are not included in stages 1 and 2.

Financial highlights
Key figures and ratios are presented in accordance with the requirements in the Danish Executive Order on the Presentation of Financial Statements.

Notes

Note	DKK 1,000	2022	2021
2	INTEREST INCOME		
	Centralbanks	7.723	0
	Loans and other receivables	226.970	191.640
	Loans (interest conc. the written-down part of loans)	-7.154	-7.551
	Bonds	6.642	4.252
	Other derivative financial instruments, total of which	13.471	7.216
	Interest-rate contracts	-373	-70
	Currency contracts	13.844	7.286
	Other interest income	270	27
	Total	**247.922**	**195.584**
3	INTEREST EXPENSES		
	Deposits	3.081	330
	Subordinated debt	6.615	6.632
	Other interest expenses	988	1.062
	Total	**10.684**	**8.024**

No income or expenses are entered from genuine purchase or repurchase contracts in notes 2 and 3.

Note	DKK 1,000	2022	2021
4	FEES AND COMMISSION INCOME		
	Securities trading and custody accounts	28.344	23.762
	Payment services	16.322	12.546
	Loan fees	93.162	80.479
	Guarantee commission	29.806	26.270
	Other fees and commission	42.167	34.987
	Total	**209.801**	**178.044**
5	VALUE ADJUSTMENTS		
	Bonds	-38.467	-3.165
	Total shares	-1.518	17.513
	- Shares in sectorcompanies etc	9.236	10.516
	- Other shares	-10.754	6.997
	Foreign currency	8.888	6.454
	Other financial instruments	267	-621
	Assets linked to pooled schemes	104.331	-85.013
	Deposits in pooled shemes	-104.331	85.013
	Total	**-30.830**	**20.181**

As the bank essentially operates deposits and lending activity in its local areas, the division of market areas is not specified for notes 2-5.

Note	DKK 1,000	2022	2021
6	STAFF COSTS AND ADMINISTRATIVE EXPENSES		
	Salaries and remuneration of audit committee, managers etc.		
	Management board	1.425	1.336
	Audit Committee	92	90
	Committee of representatives	181	181
	Total salaries and remuneration of board etc	**1.698**	**1.607**
	Staff costs		
	Wages and salaries	108.224	97.412
	Pensions	12.154	10.678
	Social security costs	1.706	1.557
	Payroll tax	17.749	15.753
	Total staff costs	**139.833**	**125.400**
	Salary to management and special risk takers (11 persons in 2021, 11 persons in 2022)	10.925	10.714
	Pensions to management and special risk takers (11 persons in 2021, 11 persons in 2022)	879	844
	The bank has no employees with variable salary shares.		
	Other administrative expenses		
	IT expenses	51.324	44.862
	Rent, electricity, heating etc	3.759	2.721
	Postage, telephony etc	848	922
	Other administrative expenses	36.576	32.005
	Total other administrative expenses	**92.507**	**80.510**
	Total staff costs and administrative expenses	**234.038**	**207.517**

Note	DKK 1,000	2022	2021

Pension and severance terms for the executive board

Upon retirement, Skjern Bank pays a severance payment equivalent to 6 months' salary. The management may retire at 62 years. Skjern Bank's notice period to the management is 36 months, but may be 48 months in special circumstances. The management's notice period to the bank is 6 months.

The Board's pension terms

No pension is paid to the Board

Special risk takers' pension terms

The special risk takers receive 11,25 % of their respective salary grades in annual pension, which is contributionbased through a pension company in which the payments are expensed continually.

	2022	2021
Average number of employees during the financial year converted into full-time employees		
Employed in credit institution business	181	166
Total	**181**	**166**

7 INCENTIVE AND BONUS SCHEMES

The bank does not have any incentive or bonus schemes.

8 AUDIT FEE

	2022	2021
Total remuneration to the auditors appointed by the Annual General Meeting who perform the statutory audit	**835**	**759**
Honorariums for statutory audits of financial statements	550	458
Honorariums for assurance services	129	157
Honorariums for tax advice	0	72
Honorariums for other services	156	72

Honorariums for other declarations of certainty concerning statutory declarations to public authorities and Nets. Honorariums for tax advice concerning advice on tax matters. Other services relating to review in connection with the recognition of current profits in the capital base and accounting advice.

9 WRITE-DOWNS ON LOANS AND RECEIVABLES

	2022	2021
Write-downs and provisions during the year	140.742	132.591
Reversal of write-downs made in previous years	-130.784	-144.766
Finally lost, not previously written down	764	5.847
Interest on the written-down portion of loans	-7.154	-7.551
Recoveries of previously written off debt	-865	-1.348
Total	**2.703**	**-15.227**

Note	DKK 1,000	2022	2021
10	TAX		
	Calculated tax of income of the year	40.782	42.038
	Adjustment of deferred tax	803	865
	Adjustment of tax calculated in previous years	-691	-1.673
	Total	**40.894**	**41.230**
	Tax paid during the year	42.610	43.150
	EFFECTIVE TAX RATE (%)	(Pct.)	(Pct.)
	Tax rate currently paid by the bank	22,00	22,00
	Non deductable costs and not taxable income	-0,40	-1,17
	Adjustment of tax calculated for previous years	-0,36	-0,82
	Other adjustments	0,16	0,15
	Effective tax rate	**21,40**	**20,16**
11	RECEIVABLES AT CREDIT INSTITUTIONS AND CENTRAL BANKS		
	Receivables at credit institutions	54.939	74.300
	Total	**54.939**	**74.300**
	Remaining period		
	Demand	54.939	74.300
	Total	**54.939**	**74.300**

No assets related to genuine purchase and resale transactions included.

Note	DKK 1,000	2022	2021
12	LOANS AND OTHER DEBTORS AT AMORTISED COST PRICE		
	Remaining period		
	Claims at call	2.061.586	1.599.516
	Up to 3 months	145.101	133.723
	Over 3 months and up to 1 year	618.456	609.199
	Over 1 year and up to 5 years	1.001.882	1.093.075
	Over 5 years	1.637.375	1.284.224
	Total loans and other debtors at amortised cost price	**5.464.400**	**4.719.737**
	DEVELOPMENT IN WRITE-DOWNS AND PROVISIONS RELATING TO FINANCIAL ASSETS AT AMORTIZED COST AND OTHER CREDIT RISKS		
	STAGE 1 IMPAIRMENT CHARGES		
	Stage 1 impairment charges at the end of the previous financial year	12.597	21.271
	Stage 1 impairment charges / value adjustment during the period	12.437	7.314
	Stage 1 impairment reversed during the period	-7.005	-15.987
	Cummulative stage 1 impairment total	**18.030**	**12.597**
	STAGE 2 IMPAIRMENT CHARGES		
	Stage 2 impairment charges at the end of the previous financial year	100.028	109.773
	Stage 2 impairment charges / value adjustment during the period	87.041	44.694
	Stage 2 impairment reversed during the period	-37.866	-54.439
	Cummulative stage 2 impairment total	**149.203**	**100.028**
	STAGE 3 IMPAIRMENT CHARGES*		
	Stage 3 impairment charges at the end of the previous financial year	168.566	217.886
	Stage 3 and impairment charges / value adjustment during the period	39.287	72.139
	Reversal of stage 3 impairment charges during the period	-81.161	-70.850
	Recognised as a loss, covered by stage 3 impairment charges	-3.169	-50.610
	Cummulative stage 3 impairment total	**123.522**	**168.566**
	Total cumulative impairment charges IFRS9	**290.755**	**281.191**

Note	DKK 1,000	2022	2021
	PROVISIONS		
	Provisions beginning of the year	14.423	10.472
	Provisions during the year	2.045	8.402
	Reversal af provisions	-4.752	-3.490
	Provisions for losses	0	-961
	Guarantees end of year	**11.716**	**14.423**
	Total cumulative impairment charges IFRS9 and guarantees	**302.471**	**295.614**

	Stage 1	Stage 2	Stage 3
Beginning			
Impairment	12.598	100.028	168.565
- in % of total impairment	4%	36%	60%
Maximum credit risk	10.638.886	1.213.375	365.591
- in % of maximum credit risk	87%	10%	3%
Rating, weighted average	2,6	6,8	10,0
End			
Impairment	18.030	149.202	123.523
- in % of total impairment	6%	51%	42%
Maximum credit risk	11.356.470	1.266.093	309.258
- in % of maximum credit risk	88%	10%	2%
Rating, weighted average	2,5	6,9	10,0

In light of the war in Ukraine and the resulting effects thereof, such as increasing inflation, increasing interest rates and energy prices etc., as of 31 December 2022 the Bank has reserved an additional amount of DKK 70 million as a management estimate, which is placed in Stage 2. This is an increase of DKK 15.0 million relative to the amount as of 31 December 2021.

Compared to the management estimate for the agricultural sector of DKK 5.0 million as of 31 December 2021, the Bank has fully reversed during the year and placed the impairment for agriculture in Stage 3.

The Bank made an estimate of increased impairment rates for the private, business and agriculture segments in the event of an economic downturn.

Compared to 2021, where the total management estimates for impairment relating to the COVID-19 pandemic was DKK 55.0 million, in 2022 the Bank has updated the estimate of impairment percentages in the event of cyclical downturns to incorporate new uncertainty factors, which has led to an increase in management estimates.

At the beginning of the year, the Bank had DKK 55.0 million, of which DKK 5 million has been reversed and an additional reserve of DKK 20 million in management estimates was added, which in total results in DKK 70.0 million in management estimates as of 31 December 2022, which are placed in Stage 2.

Refer to note 31 for a description of ratings.

	2022	2021
Loans etc. with suspended calculation of interest	**48.534**	**45.653**

Note	DKK 1,000	2022	2021
13	BONDS AT FAIR VALUE		
	Treasuries	841.192	921.654
	Mortgage credit bonds	8.918	8.483
	Other bonds	11.623	11.763
	Total bonds at fair value	**861.733**	**941.900**
	The bank has no held-to-maturity assets		
14	SHARES ETC		
	Quoted on Nasdaq OMX Copenhagen A/S	17.266	21.886
	Quoted on other stock exchanges	12.807	17.967
	Sectorshares recorded at fair value	201.683	168.364
	Total shares etc	**231.756**	**208.217**
15	SHARES ASSOCIATED WITH POOL SCHEMES		
	Investment units	1.612.015	1.305.385
	Cash deposits etc.	2.068	1.278
	I alt	**1.614.083**	**1.306.663**
16	LAND AND BUILDINGS		
	Investment properties		
	Fair value - end of previous financial year	3.019	3.019
	Fair value end-of-year	**3.019**	**3.019**
	Owner occupied properties	45.895	43.166
	Reassessed value - end of previous financial year	4.494	6.156
	Acquisitions during the year incl. improvements	-1.496	-1.427
	Depreciations	-1.025	-2.000
	Reassessed value end-of-year	**47.868**	**45.895**

External experts have not been involved by measurement of investment- and owner-occupied properties. Return method is used for measurement of investment and owner-occupied properties where used required rate of return between 5.6-7 %.

Owner-occupied properties (leasing)		
Beginning of the year	18.685	20.573
Acquisitions during the year incl. improvements	0	412
Depreciations	-2.368	-2.300
End of the year	**16.317**	**18.685**

Note	DKK 1,000	2022	2021
17	OTHER TANGIBLE ASSETS		
	Total cost price beginning-of-year	23.027	26.220
	Acquisitions during the year incl. Improvements	1.479	3.080
	Reduction during the year	0	-6.273
	Total cost price beginning-of-year	**24.506**	**23.027**
	Total write-ups/downs and depreciations beginning-of-year	17.401	21.968
	Depreciations during the year	1.730	1.610
	Reversal of depreciations	0	-6.177
	Total write-ups/downs and depreciations end-of-year	**19.131**	**17.401**
	Book value end-of-year	**5.375**	**5.626**
18	DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
	Debt to credit institutions	2.974	0
	Total debt to credit institutions and central banks	**2.974**	**0**
	Term to maturity		
	Demand	2.974	0
	Total debt to credit institutions and central banks	**2.974**	**0**
	No liabilities related to genuine sale and repurchase transactions included		
19	DEPOSITS AND OTHER DEBTS		
	Demand	7.147.965	6.458.049
	At notice	18.063	19.733
	Time deposits	71.050	0
	Special types of deposits	603.396	549.888
	Total deposits and other debts	**7.840.474**	**7.027.670**
	Term to maturity		
	Demand	7.171.507	6.484.203
	Desposits redeemable at notice:		
	Up to 3 months	80.515	86.320
	Over 3 months and up to 1 year	80.189	6.167
	Over 1 year and up to 5 years	59.387	54.675
	Over 5 years	448.876	396.305
	Total deposits and other debts	**7.840.474**	**7.027.670**
	No liabilities related to genuine sale and repurchase transactions included.		
20	DEFERRED TAXATION		
	(Tax amount)		
	Tangible assets	7.106	5.103
	Loans and other receivables	-3.721	-3.308
	Other	364	503
	Total deferred taxation	**3.749**	**2.298**

Note	DKK 1,000	2022	2021
21	SUBORDINATED DEBT		
	Supplementary capital DKK 100 mio	98.835	98.334
	Rate	6,4573%	6,4573%
	Due date	20.05.2030	20.05.2030

The loan may be paid early with the Danish Financial Supervisory Authority's approval starting on 20 May 2025 and then on each interest payment date.

The interest rate is determined as the 6-year swap rate plus a premium of 6.3 percentage points, valid for 6 years from date of issue.

Note		2022	2021
	Subordinated debt total	**98.835**	**98.334**
	Subordinated debt that may be included in the capital base	98.835	98.334
	Interest on subordinated liabilities recognised in income	6.615	6.632
22	**SHARE CAPITAL**	**192.800**	**192.800**
	Number of shares is 9,640,000 at DKK 20 each		

The bank has pr. 31. December 2022 13,541 registered shareholders. 93,21 % of the share capital are registered on name

23 HOLDERS OF HYBRID CAPITAL

		2022	2021
	Hybrid core capital	**61.015**	**60.881**
	Rate	8,6632%	8,6632%
	Due date	No date	No date

The hybrid core capital has an infinite maturity and payment of interest is voluntary, which is why it is treated as equity for accounting purposes. The loan can be repaid early on 14 September 2026 with the approval of the Danish Financial Supervisory Authority.

As of 14 September 2026, the interest rate will be changed to a half-year variable coupon rate corresponding to the CIBOR rate published by Nasdaq OMX for a term of 6 months with the addition of 8.80 % annually.

Note	DKK 1,000	2022	2021
24	OWN CAPITAL SHARES		
	Purchase and sales of own shares		
	Holdings beginning of the year		
	Number of own shares	4.725	6.047
	Nominal value of holding of own shares (DKK 1,000)	95	339
	Own shares proportion of share capital	0,05	0,18
	Addition		
	Number of own shares	47.000	55.500
	Nominal value of holding of own shares (DKK 1,000)	940	1.110
	Own shares proportion of share capital	0,49	0,58
	Purchase price (DKK 1,000)	5.216	4.934
	Disposal		
	Number of own shares	47.012	56.822
	Nominal value of holding of own shares (DKK 1,000)	940	1.136
	Own shares proportion of share capital	0,49	59,00
	Sale price (DKK 1,000)	5.188	4.948
	Holdings end of the year		
	Number of own shares	4.713	4.725
	Nominal value of holding of own shares (DKK 1,000)	94	95
	Own shares proportion of share capital	0,05	0,05

At the Annual General Meeting, the bank requests that shareholders be allowed to acquire up to a total nominal value of 3% of the bank's share capital, cf. the provisions in the Danish Budget Act (finansloven), Section 13, paragraph 3. The bank has asked the Danish Financial Supervisory Authority for a framework for holding of treasury shares of 0.25% of the bank's total share capital. The bank wants this authorisation in order to always be able to meet customers' and investors' demand for purchasing and selling Skjern Bank shares and the net acquisitions in 2022 are a consequence of this.

Note		2022	2021
25	CONTINGENT LIABILITIES		
	Guarantees		
	Finance guarantees	397.280	602.385
	Guarantees against losses on mortgage credit loans	811.308	955.781
	Registration and conversion guarantees	684.593	998.185
	Other contingent liabilities	131.026	134.329
	Total	**2.024.207**	**2.690.680**
	Other binding engagements		
	Irrevocable credit-undertakings	370.096	799.908
	Total	**370.096**	**799.908**

Note	DKK 1,000	2022	2021

Assets pledged as collateral
The bank has pledged cash for a total of DKK 10 million.

Contract Legal obligations
If the control of the bank changes, there will be a number of agreements that will end or the terms will be changed. Withdrawal from the data center Bankdata, where, depending on the given change, a severance allowance corresponding to 5 times the last year's bill for Bankdata may be applied. All other agreements are considered to be immaterial.

Like other Danish financial institutions, Skjern Bank is liable for loss sustained by the Deposit Guarantee Fund. The most recent calculation of Skjern Bank's share of the industry's assurances to the Deposit Guarantee Fund is DKK 24,1 million, which is 0,7527 %.

In 2022, Skjern Bank paid 0,5 mio DKK to Afviklingsformuen (Settlement Assets).

The Bank is a tenant in one leases, which can be terminated with 3 months' notice, the yearly lease is 299 TDKK.
The Bank is a tenant in one leases, which can be terminated with 12 months' notice, the yearly lease is 163 TDKK.

26 LAWSUITS ETC.

As part of ordinary operations, the bank is involved in disputes and lawsuits. The bank´s risk in these cases are evaluated by the bank´s soliciters and management on an ongoing basis, and provisions are made on the basis of an evaluation of the risk of loss.

27 RELATED PARTIES

Loans and warranties provided to members of the bank's management board, board of directors and committee of representatives are on marked-based terms.

Transactions with related parties

There have during the year not been transactions with related parties, apart from wages and salaries, etc. and loans and similar.

Wages and considerations to the bank's management board, board of directors, audit commitee and committee of representatves can be found in note no. 6.

There are no related with control of the bank.

Amount of loans, mortgages, guarantees, with accompanying security for members of the management and related parties mentioned below:

Management:	2022	2021
Loans	400	7.162
Bid Bond	400	0
Rate of interest	5,30	2,95

Note	DKK 1,000	2022	2021
	Board of directors:		
	Loans	5.086	6.798
	Bid Bond	2.683	2.903
	Rate of interest	0,95-16,10%	0,7864-5,25%
	Holding of shares in Skjern Bank:		
	The board of managers - Per Munck	32.862	31.687
	The board of directors		
	Hans Ladekjær Jeppesen	11.115	11.115
	Bjørn Jepsen	5.286	5.286
	Niels Erik Kjærgaard	300	300
	Finn Erik Kristiansen	1.941	1.941
	Ole Strandbygaard	2.085	2.085
	Lars Skov Hansen	704	704
	Carsten Jensen	2.415	2.303
	Michael Tang Nielsen	140	140
28	CAPITAL REQUIREMENT		
	Equity	1.357.788	1.246.660
	Proposed dividend	-28.920	-28.920
	Holders of hybrid capital	-61.015	-60.881
	Deduction for the sum of equity investments etc. above 10 %	-74.426	-47.622
	NPE	-4.159	-1.020
	CVA deduction	-1.097	-977
	Deduction of trading framework for own sharers	-575	-2.494
	Core tier 1 capital	**1.187.596**	**1.104.746**
	Holders of hybrid capital	61.015	59.378
	Tier 1 capital	**1.248.611**	**1.164.124**
	Deduction for the sum of equity investments etc. above 10 %	98.835	98.334
	Subordinated loan capital	-4.604	0
	Capital base	**1.342.842**	**1.262.458**
	Weighted items		
	Credit risk	4.788.415	4.672.450
	Market risk	255.266	288.622
	Operational risk	759.073	722.581
	Weigthed items total	**5.802.754**	**5.683.653**
	Core tier 1 capital ratio (excl. hybrid core capital)	**20,5**	**19,4**
	Tier 1 capital ratio	**21,5**	**20,5**
	Solvency ratio - Tier 2	**23,1**	**22,2**

Note

29 CURRENT VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are measured in the statement of financial position at either fair value or at cost.
Fair value is the price which would be received from the sale of an asset or which will be paid to transfer a liability in a normal transaction between market participants on the measurement date. For financial assets and liabilities valued on active markets, the fair value is calculated based on observable market prices on the market date. For financial instruments valued on active markets, the fair value is calculated based on generally accepted valuation methods.

Shares, etc. and derivative financial instruments are measured in the accounts at fair value so that recognised values correspond to fair value. Loans are recorded in the bank's statement of financial position at amortised cost. The difference to fair value is calculated as fees and commissions received, expenses incurred through lending transactions, interest receivable which is first due for payment after the end of the financial year and for fixed-rate loans, also the variable interest rate, which is calculated by comparing the current market rate with the loans' nominal interest rate.

The fair value of receivables from credit institutions and central banks is determined by the same method as for loans, since the bank does not currently recognise impairments on receivables from credit institutions and central banks.

Bonds issued and subordinated liabilities are measured at amortised cost. The difference between the carrying amount and fair value is calculated based on rates in the market of its own listed emissions.

For floating rate financial liabilities in the form of lending and payables to credit institutions measured at amortised cost, the difference fair value is estimated to be interest payable which is first due for payment after the end of the financial year.

For fixed-rate financial liabilities in the form of lending and payables to credit institutions measured at amortised cost, the difference to fair value is estimated to be interest payable which is first due for payment after the end of the financial year and the variable interest rate.

DKK 1,000	2022		2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash in hand+claims at call on central banks	2.830.343	2.830.343	2.566.381	2.566.381
Claims on credit institutes and central banks 1)	54.939	54.939	74.300	74.300
Loans and other debtors at amort. costprice 1)	5.465.049	5.475.070	4.720.266	4.725.991
Total financial assets	**9.447.439**	**9.461.274**	**8.514.407**	**8.514.873**
Financial liabilities				
Debt to credit institutions and central banks 1)	2.974	6.258	0	0
Deposits and other debts 1)	7.840.730	7.840.713	7.027.670	7.027.894
Subordinated debt 1) 2)	100.445	100.445	99.944	99.944
Total financial liabilities	**7.947.038**	**7.950.305**	**7.130.856**	**7.131.080**

1) The entry includes calculated interest on the balance sheet date, which is included in "Other assets" and "Other liabilities".
2) Applied the latest quoted trading price at the balance sheet date

Note	DKK 1,000	2022	2021
30	RISKS AND RISK MANAGEMENT		

Skjern Bank is exposed to various types of risks which are controlled at various levels within the organisation.
Skjern Bank's financial risks consist of:

Credit risk:
Risk of losses due to debtors' or counterparties' default on payment obligations.

Market risk:
Risk of losses resulting from the fair value of financial instruments and derivative financial instruments fluctuating due to changes in market prices. Skjern Bank classifies three types of risk for the market risk area:
Interest rate risk, equity risk and currency risk.

Liquidity risk:
Risk of losses due to financing costs rising disproportionately, the risk that Skjern Bank is prevented from maintaining the adopted business model due to a lack of financing/funding or ultimately, the risk that Skjern Bank cannot honour incoming payment obligations when due as a result of a lack of financing/funding.

Evaluation of securities:
The bank is exposed to the sectors agriculture and real-estate. The Bank has in the assessment of collateral in agricultural exposures used acres of arable land prices in the range of 125 TDKK - 160 TDKK. In the real-estate sector is used return requirement in the range 4.5% - 10%. Valuations in both agricultural exposures as real-estate exposures are made in accordance with the FSA's current guidance. The Bank notes that estimating the value of collateral is generally associated with uncertainty.

The following notes to the annual report contain some additional information and a more detailed description of the bank's credit- and market risks.

Note	Figures in pct.	2022	2021
31	CREDIT RISKS		
	Loans and guarantees distributed on sectors		
	Public authorities	0,0	0,0
	Business:		
	Agriculture, hunting, forestry & fishing	8,5	9,9
	- Plant production	1,3	1,3
	- Cattle farming	4,9	5,7
	- Pig farming	1,1	1,0
	- Mink production	0,4	0,7
	- Other agriculture	0,8	1,2
	Industry and mining	4,4	3,8
	Energy	1,2	1,3
	Building and constructions	6,6	6,8
	Wholesale	7,6	6,7
	Transport, hotels and restaurants	1,4	1,8
	Information and communication	0,1	0,2
	Financial and insurance business	6,2	4,9
	Real-esate	9,5	9,5
	Other business	2,7	3,8
	Total business	48,2	48,7
	Private persons	51,8	51,3
	Total	**100,0**	**100,0**

The industry breakdown is based on Danmarks Statistik's industry codes etc.

Furthermore, an individual assessment is made of the individual exposures, which has resulted in some adjustment.

Earmarked credit limit divided by exposure, guarantees and credit commitments

	2022 (DKK 1,000) Exposure	2022 (DKK 1,000) Guarantees	2022 (DKK 1,000) Credit-under-takings
Public authorities	0	0	0
Business - agriculture	816.049	153.689	13.700
Business - other	3.719.060	474.209	330.772
Private persons	3.803.422	1.396.309	25.624
Total	**8.338.531**	**2.024.207**	**370.096**
Which recognized in the balance after deduction of depreciation	5.464.400		

Note

	2021 (DKK 1,000) Exposure	2021 (DKK 1,000) Guarantees	2021 (DKK 1,000) Credit-under-takings
Public authorities	0	0	0
Business - agriculture	871.776	174.452	168.440
Business - other	3.677.608	645.311	558.850
Private persons	3.005.618	1.870.917	72.618
Total	**7.555.002**	**2.690.680**	**799.908**
Which recognized in the balance after deduction of depreciation	4.719.737		

Description of collateral

Security distributed by type (DKK 1,000)	2022 Business, agriculture	2022 Business, other	2022 Private
Securities	14.541	306.322	78.705
Real property	571.653	1.120.234	1.985.922
Chattels, vehicles and rolling stock	33.893	754.257	588.075
Guarantees	7.808	69.186	701
Other forms of security	181.636	557.557	1.055.786
Total	**809.531**	**2.807.556**	**3.709.189**

Security distributed by type (DKK 1,000)	2021 Business, agriculture	2021 Business, other	2021 Private
Securities	17.883	206.849	74.936
Real property	526.755	1.186.006	1.255.913
Chattels, vehicles and rolling stock	60.095	669.842	492.518
Guarantees	3.637	69.719	1.388
Other forms of security	169.830	665.280	1.314.644
Total	**778.200**	**2.797.696**	**3.139.399**

As a general rule, the bank receives security in the funded asset. In addition, security is taken in the form of guarantees and mortgagesin parts and shares. The above list reflects the loan value attributable to the individual exposures.

The loan value reflects the fair value calculated in accordance with the bank's business process with a security margin of 10 - 60%,though less by government bonds.

The bank strives to reduce the calculated balance (maximum credit exposure excluding credit commitments less value of collateral andtotal wri-te-downs) across the entire customer portfolio.

In 2022, this resulted in a blank of DKK 2.745,7 million. This is a fall of DKK 489 million compared to 2021.

Note DKK 1,000

31.12.2022

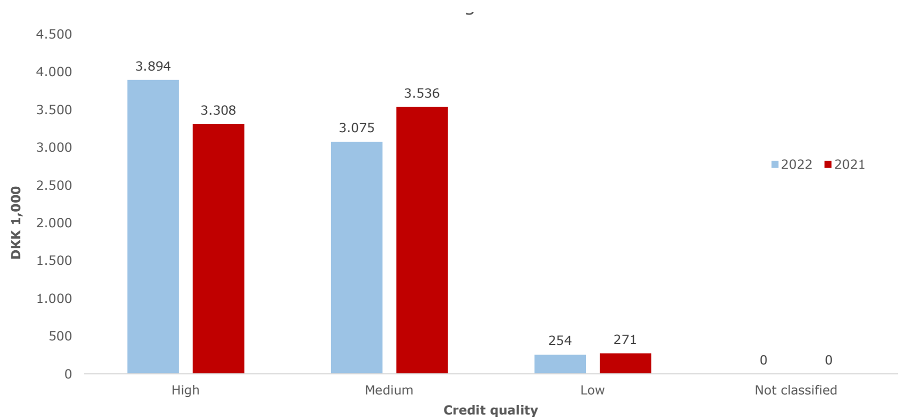
Financial assets, loan commitments and financial guarantees. Instruments without significant increase in credit risk (stage 1)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Public authorities	2.250	0	0	0	0	0	0	0	0	0	2.250
Agriculture	112.418	79.608	166.926	2.605	287.985	11.614	4.899	75.017	24.644	0	765.715
Property	236.316	476.859	32.108	167.007	72.580	16.170	24.556	20.420	4.023	0	1.050.039
Other	764.914	925.090	185.000	255.763	195.759	26.530	59.824	204.655	28.211	0	2.645.746
Private	1.345.642	988.599	389.879	780.612	623.101	77.840	25.705	46.652	62.598	0	4.340.629
Deposits at Danmarks Nationalbank	2.760.630	0	0	0	0	0	0	0	0	0	2.760.630
Accounts with other banks	1.527	40.000	114.130	0	0	0	0	0	0	0	155.656
Instruments without significant increase in credit risk (stage 2)	5.223.698	2.510.156	888.042	1.205.987	1.179.425	132.155	114.984	346.744	119.475	0	11.720.666
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime (stages 2 and 3)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Agriculture	0	0	0	18.171	48.378	28.991	15.627	7.109	20.846	0	139.122
Property	0	0	0	39.354	25.034	19.423	22.430	2.600	14.791	0	123.632
Other	0	0	1	126.920	56.531	67.455	19.464	27.166	75.671	0	373.208
Private	132	0	2.043	92.327	101.313	32.981	10.353	20.090	65.711	0	324.950
Accounts with other banks	0	0	0	2.250	3.000	2	0	0	0	0	5.252
Instruments with significant increase in credit risk (stage 2)	132	0	2.045	279.022	234.257	148.851	67.875	56.965	177.018	0	966.165
Industry group											
Agriculture	0	0	0	0	0	0	0	0	0	138.725	138.725
Property	0	0	0	0	0	0	0	0	0	56.537	56.537
Estate agents and other property administration	0	0	0	0	0	0	0	0	0	8.383	8.383
Other	0	0	0	0	0	0	0	0	0	277.637	277.637
Private	0	0	0	0	0	0	0	0	0	133.805	133.805
Credit-impaired instruments (stages 3 and 2 weak)	0	0	0	0	0	0	0	0	0	615.087	615.087
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime)	132	0	2.045	279.022	234.257	148.851	67.875	56.965	177.018	615.087	1.581.251
Total financial assets, loan commitments and financial guarantees.	**5.223.830**	**2.510.156**	**890.087**	**1.485.008**	**1.413.682**	**281.006**	**182.859**	**403.709**	**296.493**	**615.087**	**13.301.918**
Work guarantees etc. not covered by IFRS9											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Total	**188.575**	**194.615**	**69.196**	**129.900**	**113.810**	**17.799**	**1.855**	**2.400**	**16.713**	**27.878**	**762.740**
Total	**5.412.405**	**2.704.770**	**959.283**	**1.614.908**	**1.527.492**	**298.805**	**184.715**	**406.109**	**313.206**	**642.965**	**14.064.657**

Note DKK 1,000

31.12.2021

Financial assets, loan commitments and financial guarantees. Instruments without significant increase in credit risk (stage 1)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Agriculture	182.416	83.934	128.777	22.353	434.094	82.678	37.586	9.686	31.338	0	1.012.863
Property	227.286	510.272	67.392	178.106	248.783	32.306	28.052	9.683	3.586	0	1.305.466
Other	643.580	790.363	202.655	297.476	420.935	30.800	56.765	69.735	32.446	0	2.544.755
Private	852.821	825.200	411.842	975.818	564.437	106.023	57.558	66.462	47.012	0	3.907.172
Deposits at Danmarks Nationalbank	2.500.976	0	0	0	0	0	0	0	0	0	2.500.976
Accounts with other banks	3.247	73.000	86.316	0	0	0	0	0	0	0	162.562
Instruments without significant increase in credit risk (stage 2)	4.410.326	2.282.768	896.982	1.473.754	1.668.248	251.807	179.961	155.567	114.381	0	11.433.794
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime (stages 2 and 3)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Agriculture	0	0	1	13.012	39.752	17.645	16.233	12.928	33.314	0	132.885
Property	10	0	0	26.057	25.645	22.317	14.752	3.092	7.842	0	99.715
Other	0	0	2	125.134	78.905	60.011	50.196	20.973	111.024	0	446.245
Private	50	0	26	119.817	90.459	15.996	10.793	8.815	39.966	0	285.923
Accounts with other banks	0	0	0	2.250	0	2	0	0	0	0	2.252
Instruments with significant increase in credit risk (stage 2)	60	0	29	286.270	234.761	115.971	91.974	45.808	192.146	0	967.019
Industry group											
Agriculture	0	0	0	0	0	0	0	0	0	149.231	149.231
Property	0	0	0	0	0	0	0	0	0	82.945	82.945
Other	0	0	0	0	0	0	0	0	0	259.090	259.090
Private	0	0	0	0	0	0	0	0	0	120.681	120.681
Credit-impaired instruments (stages 3 and 2 weak)	0	0	0	0	0	0	0	0	0	611.947	611.947
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime)	60	0	29	286.270	234.761	115.971	91.974	45.808	192.146	611.947	1.578.967
Total financial assets, loan commitments and financial guarantees.	**4.410.386**	**2.282.768**	**897.011**	**1.760.024**	**1.903.009**	**367.779**	**271.934**	**201.375**	**306.528**	**611.947**	**13.012.761**
Work guarantees etc. not covered by IFRS9											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Total	**166.977**	**222.782**	**103.314**	**341.192**	**165.081**	**25.004**	**17.174**	**10.682**	**10.574**	**38.328**	**1.101.108**
Total	**4.577.363**	**2.505.550**	**1.000.325**	**2.101.215**	**2.068.090**	**392.783**	**289.108**	**212.057**	**317.102**	**650.275**	**14.113.869**

Credit-quality on loans which are neither in arrears not written down *



*) Calculated based on the guidelines for accounting reports for credit institutions and investment companies, etc. regarding thresholds for reporting credit quality classes. Where high credit quality is the classes 3 and 2a, medium credit quality is class 2b and low credit quality is class 2c.

Reasons for individual write-downs and provisions incl stage 2 weak

	2022 Exposure before write-down	2022 Write-downs	2022 Securities
Significant financial difficulties	401.907	138.047	285.956
Breach of contract	5.026	4.222	398
Reductions in terms	7.164	3.703	2.363
Probability of bankruptcy	57.864	27.840	37.916
Total	**471.961**	**173.812**	**326.633**

	2021 Exposure before write-down	2021 Write-downs	2021 Securities
Significant financial difficulties	406.670	155.208	250.712
Breach of contract	6.621	4.999	509
Reductions in terms	9.186	5.713	3.204
Probability of bankruptcy	63.938	29.828	45.421
Total	**486.415**	**195.748**	**299.846**

Note	DKK 1,000	2022	2021

The calculation of securities does not include the value of guarantees and transports. Collateral is calculated at the customer level.
The collateral value of securities in the above table reflects the fair value calculated in accordance with the Bank's business process with a security margin of 10 - 60 %. In connection with the calculation of expected loss, other haircuts are used for security values that reflect the estimated fair value at the time the security is expected to be sold, depending on the type of security. There will thus be differences between the collateral value of securities and the valuation of securities when calculating expected loss. Management estimates are not included in the calculation of impairment losses.

	2022	2021
Arrears amount for loans, which have not been written down		
0-90 days	13.270	12.658
>90 days	125	154
Total	**13.395**	**12.812**
Loans and arrears amount for loans, which have not been written down		
0-90 days	111.060	95.228
>90 days	2.600	3.202
Total	**113.660**	**98.430**

Practice for managing credit risk
The bank's credit risk is managed by debtors and other counterparties being rated based on various models that are mainly based on the debtor's/counterparty's financial capacity.
In addition to the models, a number of checks are made to ensure a correct rating. The ratings, both in the models and the checks, are largely based on the Danish Financial Supervisory Authority's guidelines on risk classification.
However, the bank uses a 10-step rating scale that can be compared with the Danish Financial Supervisory Authority's scale in the following way:

The bank's rating class	1	2	3	4	5	6	7	8	9	10
The Danish Financial Supervisory Authority's risk class	3/2A	3/2A	3/2A	2B	2B	2B	2B	2B	2C	1

Rating 1 is assets with very good credit quality, while rating 10 is impaired assets.
The credit risk is assessed to have increased significantly if the rating has deteriorated since initial recognition corresponding to one step on the Danish Financial Supervisory Authority's risk scale.
However, this does not apply to assets with low credit risk, which are defined as the Danish Financial Supervisory Authority's risk classes 3 and 2A.
Whether or not it is an asset with a low credit risk, the credit risk is considered to have increased significantly if the asset is overdrawn for more than 30 days, though arrears on loans are essentially considered an impairment.
Examples of assets with and without significantly impaired credit risk:

	Example 1	Example 2	Example 3
Starting risk class	3	2A	2A
Current risk class	2A	2A	2B
Overdrawn for 30 days	No	Yes	No
Significantly impaired credit risk	No	Yes	Yes

The bank's exposures are grouped by industry in the following groups based on DS industries:

Industry
Government Agencies
Agriculture etc.
Industry and raw materials
Energy
Building and construction
Transport
Information and communication
Financing
Property etc.
PI and mortgage
Other industries
Private

At least once a year, all assets with a rating of 9 (the Danish Financial Supervisory Authority's risk class 2C) are reviewed to assess whether the asset is impaired. In addition to this, a sample is taken from the other rating classes once a year for the same purpose.

All loan options that are handled in the Credit Department by the bank's Executive Board or Board of Directors are also assessed for any impairment. A financial asset is considered impaired if one or more events have occurred that have a negative impact on the expected cash flows from the asset.

Common to the assets is that the following factors are included in the assessment:
- Arrears, overdrafts and/or the bank has discontinued repayment for the asset
- Other creditors have granted a deferment or other easier terms
- The customer is only in this financial context due to a variable-interest loan or repayment freedom, or because the loan has otherwise been offered on easier terms
- The customer is in RKI (Ribers Credit Information), has significant tax debt or distraint has been levied
- The customer is associated with other customers who have impaired credit

When assessing business customers, the following factors are included:
- Negative or fragile equity ratio
- Negative or decreasing consolidation
- Tight liquidity
- Uncertain/negative future
- The customer applies for reconstruction or an agreement to avert bankruptcy
- The customer is bankrupt

When assessing private customers, the following factors are included:
- Negative assets and/or small available amount
- Uncertain future e.g. due to unemployment, divorce or illness
- The customer takes out loans to cover expenditures
- The customer applies for debt relief or an agreement to avert bankruptcy

Information base, assumptions and assessment methods in assessing expected credit loss

Assets with or without significant increase in credit risk

The bank’s credit losses are measured based on the following formula:
ECL = PD x LGD x EAD

Where:
- PD is the probability that the asset will impaired
- LGD is the expected loss, provided the asset is impaired
- EAD is the expected exposure in terms of loss

The probability that the asset will be impaired (PD) is composed of several factors:

- PD at 12 months of credit loss = PD - 12 months x macro factors
- PD in the asset’s lifetime = PD - 12 months x macro factors x extension factors

Calculation of 12 months of credit loss or credit loss in the asset’s lifetime is determined as described in ”Practice for managing credit risk”. Three factors are used for this: Starting risk class, current risk class and overdraft for 30 days.
Information base, assumptions and assessment methods for each factor are described in the overview below.

Factor	Information base	Assumptions	Assessment methods
PD - 12 months	The bank's statistics on cus-tomers for 01.01.2017 - 30.06.2022 distrib-uted by rating class and private and business by DS industry codes	The proportion of custom-ers with impaired credit during the period and the selected groups are repre-sentative of the upcoming 12 months. However, see "Macro factors".	PD is the proportionate num-ber of customers in the men-tioned groups who have impaired credit during the period.
Extension factors	Calculated extension factors from BankData	The factors are representa-tive of the bank's custom-ers. The bank has provided data for the calcula-tions.	Calculated based on histori-cal PD figures from 6 small financial institu-tions in the years 2010-2016.
The asset's lifetime	Settlement agreements for assets, as well as calculated average matur-ities from BankData	Loans are settled as agreed (other-wise the loan is impaired). Credits with renegotiation typically run longer than the initial negotiation.	A loan with a calculated residual maturity of 8 years will have loss estimated for 8 years, with the balance ex-pected for each year. A credit with renegotiation of 10 months will be calculated with the size of the credit on the reporting date in 5 years.

Note

Factor	Information base	Assumptions	Assessment methods
Macro factors	Factors calculated with Lokale Pengeinstitutter's (The Association of Local Banks, Savings Banks and Coopera-tive Banks in Denmark) mac-ro-tools based on forecasts.	The factors are representa-tive of the bank's custom-ers in the near future. The factors were phased out of the model over 10 years, as the extension factors are considered to contain suffi-cient cyclical balancing.	The two variables that must be entered in the tool were selected based on the bank's historical loss data in the years 2011-2021. Factor 1 will limit the increase in the macro from year to year. Factor 1 was chosen based on the greatest increase experienced during the period, so there is not actually a limitation. Factor 2 is a conversion factor between the bank's impairment and realised loss. Factor 2 is set to 100, as there are indications, but not documentation, that the bank's impairment have historically been greater than the realised loss. Both are thus determined based on a principle of caution.
LGD	The bank's statistics for realised loss on assets that were impaired during the period 1/1/2012 to 30/06/2022. The loss rates are divided into private and business according to DS indus-try codes.	The loss rate is representa-tive of the future loss in the mentioned groups.	The loss rate is the realised loss in relation to EAD. To the degree possi-ble, EAD is cal-culated based on the expo-sure one year before the asset was found to be im-paired, and the value of the collateral is not deduct-ed so that it is consistent with the application of the loss calculation.
EAD	EAD is calculated based on expo-sures divided by type. Each type is multiplied by a Credit Conversion Factor, which is determined based on the principles of article 11 of CRR. The value of collat-eral is not deduct-ed when calculating expected loss.	EAD in relation to the expo-sure's size divided by type of asset is expected to remain unchanged in the future	For example, EAD for a credit will be calculated as: Used part x 100% + unused part x 20%. All exposures except for non-finan-cial guarantees are included in the calculation of EAD.

Factor	Information base	Assumptions	Assessment methods
Starting risk class	The as the asset's initial recognition date is the exposure's establish-ment date or the date the exposure is subsequently extended by 50% or more. Since June 2017, assets have been labelled with a starting rating. To the degree possible, previous labels are entered based on the bank's methods for rating on the date of initial recognition.	The return on the asset reflects the risk on the date of establishment (and when there are major increas-es).	Ratings over time are care-fully converted to the current 10-step scale. If there is no initial rating, the loss is recognised in the asset's lifetime, except for assets with low risk (Rating class 1-3)
Current risk class	The customer's rating class on the reporting date	The rating reflects the credit risk	See "Practice for managing credit risk"
Overdrawn for 30 days	The facility's balance and credit facility	If the facility is overdrawn for more than 30 days, the credit risk has increased significantly	There is no minimum thresh-old for overdrafts or offset-ting of any deposits on the customer's other facilities

When using the mentioned macro factors, predictive information is taken into account.
No changes to important assumptions and assessment methods have occurred during the accounting period.

Assets that are impaired
See "Practice for managing credit risk" regarding assessment of whether the asset is impaired.
When calculating the credit loss, the available existing information on the reporting date is used, as well as expectations for future development.

The credit loss on impaired exposures is calculated based on the following criteria:

Exposure in thousands of DKK	Industry	Calculation
0-150	Everyone	The entire exposure is written off as a credit loss
150 -	Private	The credit loss is calculated weighted based on a minimum of 3 scenarios determined by the cause of the credit impairment
150-	Industries except agriculture	The credit loss is calculated weighted based on a minimum of 3 scenarios determined by the cause of the credit impairment
150-	Agriculture	The credit loss is calculated weighted based on a minimum of 3 scenarios

The calculations include the following parameters:
Cause of credit impairment, scenario weight, EAD, value of collateral, expected settlement ability/dividends.
Information base, assumptions and assessment methods for each parameter are described in the overview below.

Note

Factor	Information base	Assumptions	Assessment methods
Cause of credit impairment	The cause of the customer's credit impairment registered by the bank	The probability of each scenario is the same for each cause: Probability of bankruptcy, breach of contract, easier terms and significant financial difficulties	When stating the reason the guidelines in Appendix 10 of the Executive Order are followed
Scenario weight	Exposures that have impaired credit during the period 1/1/2013 – 30/06/2022 where the case has been closed	The historical distribution of scenarios is representative of the credit loss on customers with similar causes and industries. The number of zero-losses fluctuates with the economic trend.	The distribution of exposures by percentage is calculated based on a placement in one of the three scenarios: Zero-loss, Sale and Collapse. The percentage of zero-losses is then reduced in relation to a cyclical factor calculated based on the bank's impairment and provisions during the period 2007-2021.
EAD	Exposure on the reporting date	See under EAD in the table above	See under EAD in the table above
Value of collateral	Current assessments less costs and expected reductions. There are generally greater reductions for a collapse scenario than a sales scenario.	The actual assessment is the closest we can get to a real selling price until the sale is final. Less reductions are expected if the customer cooper-ates with a sale than if it is a forced sale	For agriculture, reductions are used based on histori-cal documentation. There are little experience with other exposures. Reduc-tions are thus estimated based on a precautionary principle.
Expected settlement ability/dividends	Availability calculations for private customers, operating profit and budgets/periodic results for business custom-ers, dividend statements from bankruptcies	The basis indicates something about the ability to settle the expo-sure	Great caution is taken with recognition. If the customer is no longer cooperating with the bank, the settlement ability is generally not recognised

When using the cyclical factors under "Scenario weight", predictive information is taken into account.

32 MARKET RISKS AND SENSITIVITY INFORMATION

In connection with Skjern Bank's monitoring of market risk, a number of sensitivity calculations, which include market risk variables, have been carried out.

Interest rate risk

In the event of a general increase in interest rates by 1 percentage point in the form of a parallel shift of the yield curve, equity is affected as shown below

Note	DKK 1,000	2022	2021
	Interest rate risk on debt instruments etc - total	11.476	12.263
	Interest rate risk in pct of core capital after deductions	0,9	1,1
	Interest rate risk split in currencies with highest risk:		
	DKK	11.619	12.500
	EUR	-54	-112
	CHF	-38	-40
	JPY	0	-1
	USD	-68	-80
	Other	17	-4
	Total	**11.476**	**12.263**
	Foreign currency risk		
	Total assets in foreign currency	196.163	229.317
	Total liabilities in foreign currency	159.118	117.819
	In the event of a general change in exchange rates of 10%, and in the euro of 2.25%,		
	Currency Indicator 1 will also be increased	871	1.180
	Currency indicator 1 in pct of core capital after deductions	0,1	0,1
	In the event of a general change in exchange rates of 10%, and in the euro of 2.25%,		
	Currency Indicator 2 will also be increased	9	12
	Currency indicator 2 in pct of core capital after deductions	0,0	0,0

Currency Indicator 1 represents the sum of the respective positions in the currencies in which the bank has a net asset position, and currencies where the bank has net debt.

Currency Indicator 2 expresses the bank's currency risk more accurately than indicator 1, as it takes into account the different currencies' volatility and covariation.

A value of indicator 2 of TDKK 25 means that as long as the bank does not change its currency positions in the following 10 days, there is a 1% chance that the institution will get a capital loss greater than TDKK 25, which will affect the bank's profit and equity.

Equity Risk

If stock prices change by 10 percentage points, equity is affected as shown below:

	2022	2021
Quoted on Nasdaq OMX Copenhagen A/S	1.727	2.189
Quoted on other stock exchanges	1.281	1.797
Unquoted shares recorded at fair value	20.168	16.836
Total shares etc.	**23.176**	**20.822**

33 DERIVATE FINANCIAL INSTRUMENTS

Derivatives are used solely to hedge the bank's risks. Currency and interest rate contracts are used to hedge the bank's currency and interest rate risks. Cover may not be matched 100%, so the bank has own risk. However, this risk is minor.

Note	DKK 1,000	2022 Nominal value	2022 Net market-value	2022 Market-value-positive	2022 Market-value-negative	2021 Nominal value	2021 Net market-value	2021 Market-value-positive	2021 Market-value-negative
	Currency-contracts								
	Up to 3 months	245.808	-27	396	423	261.394	488	1.338	850
	Over 3 months and up to 1 year	88.799	0	0	0	92.781	-59	218	277
	Average market value			2.363	2.345			902	609
	Interest-rate contracts								
	Up to 3 months	270.659	299	594	295	292.560	-450	588	1.038
	Over 3 months and up to 1 year	38.908	50	69	19	16.618	-28	30	58
	Over 5 years			5.047	5.748			1.826	2.418
	Average market value								
	Shares contracts	13	2	7	5	0	0	0	0
	Up to 3 months			2	3			0	0
	Average market value			0	0			12	0

DKK 1,000	2022	2021
Credit risk on derivative financial instruments		
Positive market value, counterparty with risk weighting of 20 %	3.614	3.367
Positive market value, counterparty with risk weighting of 50%	537	843
Positive market value, counterparty with risk weighting of 75%	1.586	2.176
Positive market value, counterparty with risk weighting of 100%	1.015	293
Positive market value, counterparty with risk weighting of 150%	56	0
Total	**6.808**	**6.679**

Unsettled spot transactions	Nominal value	Market-value-positive	Market-value-negative	Market-value-net
Foreign-exchange transactions, purchase	1.026	4	-	4
Foreign-exchange transactions, sale	613	2	-	2
Interest-rate transactions, purchase	23.331	26	46	-20
Interest-rate transactions, sale	23.331	88	19	69
Share transactions, purchase	1.136	50	38	12
Share transactions, sale	1.137	49	47	2
Total 2022	**50.574**	**219**	**150**	**69**
Total 2021	**63.068**	**199**	**140**	**59**

Note	DKK 1,000	2022	2021	2020	2019	2018
34	5 YEARS IN SUMMARY					
	Profit and loss account					
	Net income from interest	254.324	205.575	190.244	185.287	185.242
	Dividend on shares	4.485	2.657	2.089	5.863	3.476
	Charges and commission, net	204.914	172.738	155.181	143.257	119.515
	Income from core business	**463.723**	**380.970**	**347.514**	**334.407**	**308.233**
	Value adjustments	-30.830	20.181	26.513	40.225	69.389
	Other ordinary income	2.078	3.487	1.977	1.945	1.503
	Staff cost and admin. expenses	234.038	207.517	193.929	191.861	191.626
	Depreciation of intangible and tangible assets	6.620	7.337	5.195	2.821	3.004
	Other operating expenses	477	480	234	112	127
	Write-downs on loans etc. (net)	2.703	-15.227	32.874	16.831	19.729
	Operating result	**191.133**	**204.531**	**143.772**	**164.952**	**164.639**
	Taxes	40.894	41.230	28.131	29.469	22.126
	Profit for the year	**150.239**	**163.301**	**115.641**	**135.483**	**142.513**
	Of which are holders of shares of hybrid core capital instruments etc.	5.287	5.289	6.487	6.626	6.626
	Balance as per 31st December					
	Summary					
	Total assets	11.228.493	9.978.498	8.974.467	7.614.080	6.703.573
	Loans and other receivables	5.464.400	4.719.737	4.224.773	4.325.613	4.359.561
	Guarantees etc	2.024.207	2.690.680	2.630.139	2.379.168	1.543.324
	Bonds	861.733	941.900	959.506	1.045.717	1.016.994
	Shares etc	231.757	208.217	201.220	225.094	220.498
	Deposits and other debts	7.840.474	7.027.670	6.463.735	6.223.604	5.457.413
	Subordinated debt	98.835	98.334	97.834	97.334	99.976
	Total equity	**1.363.361**	**1.247.077**	**1.108.059**	**1.026.569**	**926.740**
	- of which proposed dividend	28.920	28.920	19.280	28.920	28.920
	Capital Base	**1.342.842**	**1.262.458**	**1.135.869**	**1.032.679**	**923.409**
	Weighted items	5.802.754	5.683.653	5.370.562	5.551.264	5.310.230

Note		2022	2021	2020	2019	2018
35	FINANCIAL RATIO (FIGURES IN PCT.)					
	Solvency ratio	23,1	22,2	21,2	18,6	17,4
	Core capital ratio	21,5	20,5	19,3	16,9	15,5
	Return on equity before tax*	15,0	17,9	13,7	17,3	19,5
	Return on equity after tax*	11,7	14,2	10,9	14,1	16,8
	Return on assets	1,3	1,6	1,3	1,8	2,1
	Earning/expense ratio in DKK	1,78	2,02	1,62	1,78	1,77
	Interest rate risk	0,9	1,1	1,3	1,6	1,7
	Foreign currency position	0,1	0,1	0,1	0,2	0,2
	Foreign currency risk	0,0	0,0	0,0	0,0	0,0
	Loans etc. against deposits	60,8	60,0	60,9	74,6	86,3
	Statutory liquidity surplus	-	-	-	-	165,1
	NSFR	1,35	1,42	-	-	-
	LCR**	352	353	351	357	247
	Total large commitments	106,9	114,4	118,3	136,5	144,1
	Loans and debtors at reduced interest	0,6	0,6	0,9	1,2	1,9
	Accumulated impairment ratio	3,8	3,8	4,9	4,7	5,8
	Impairment ratio for the year	0,1	-0,2	0,4	0,2	0,3
	Increase in loans etc. for the year	15,8	11,7	-2,3	-0,8	11,1
	Ratio between loans etc. and capital funds	4,0	3,8	3,8	4,2	4,7
	(value per share 100 DKK)					
	Earnings per share*	75,3	103,4	56,8	66,8	70,5
	Book value per share*	676	616	544	502	450
	Rate on Copenhagen Stock Exchange	610	518	352	311	305
	Dividend per share	15	15	10	15	15
	Market value/net income per share	8,1	5,0	6,2	4,7	4,3
	Market value/book value*	0,90	0,84	0,65	0,62	0,68
	(value per share 20 DKK)					
	Earnings per share*	15,1	20,7	11,4	13,4	14,1
	Book value per share*	135	123	109	100	90
	Rate on Copenhagen Stock Exchange	122,0	103,5	70,4	62,2	61,0

*) Key ratios are calculated as if the hybrid core capital is accounted for as an obligation with which the key figures are calculated based on the shareholders' share of earnings and equity. Shareholders' share of earnings and equity is stated in the equity statement.

**) New calculation formula from the beginning of 2018 cf. the Danish Financial Supervisory Authority's guidance.

36 COPERATIVE AGREEMENTS

Skjern Bank cooperates with receives commission relating to paymnet transfers from, and is co-owner of some of the following companies: Totalkredit A/S, Nykredit A/S, DLR Kredit A/S, Jyske RealKredit A/S, Privatsikring A/S, Eurocard, PFA Pension, Sparinvest A/S, Valueinvest Asset Management S.A., BI Asset Management Fondsbørsmæglerselskab A/S, Jyske Invest, Forvaltningsinstituttet for Lokale Pengeinstitutter, Sydinvest A/S, HP Fondsbørsmæglerselskab A/S, Investeringsforeningen Maj Invest, Stonehenge Fondsmæglerselskab A/S, Investeringsforeningen Falcon Invest, SEB Invest A/S, Investeringsforeningen BIL Danmark, Codan, Dankort A/S, Nets A/S, Visma Enterprise, Krone Kapital, Købstædernes Forsikring og

FINANCIAL CALENDER 2023

20 January	Deadline for submission of items for the agenda for the Annual General Meeting
9 February	Announcement of Annual Report 2022
6 March	General Meeting – Ringkøbing-Skjern Kulturcenter
11 May	Announcement of quarterly report 1st quarter 2023
17 August	Announcement of half-yearly report 2023
26 Ocotober	Announcement of quarterly report 3rd quarter 2023

AUDIT COMMITTEE

Name	Jobposition	City
Niels Erik Kjærgaard (chairman)	Former city manager	Skjern
Finn Erik Kristiansen	Manager	Varde
Lars Skov Hansen	Advisor	Esbjerg

COMMITTEE OF REPRESENTATIVES

Name	Jobposition	City	Elected	Born
Hans L. Jeppesen (board chairman)*	Lawyer	Skjern	2011	1964
Ole Strandbygaard (board vice-chairman)*	Printer	Ringkøbing	2008	1972
Jørgen Søndergaard Axelsen	Real estate agent	Skjern	2002	1960
Ebbe Storgaard Bendixen	Manager	Bramming	2020	1981
Britta Boel	Manager	Varde	2022	1976
Heine Delbing	Manager	Odense	2019	1953
Poul Frandsen	Manager	Herning	2012	1967
Bjarke Hansen	Manager	Ringkøbing	2020	1977
Ole Blach Hansen	Manager	Gørding	2021	1971
Kasper Herrestrup	Chief Investmest Officer	Brabrand	2019	1982
Tom Jacobsen	Manager	Tarm	2010	1970
Mike Jensen	Bookseller	Skjern	2005	1966
Bjørn Jepsen*	Farmer	Borris	2011	1963
Niels Erik Kjærgaard*	Former city manager	Skjern	2002	1954
Birgitte Kloster	Former logisticdirector	Ribe	2018	1966
Dorte H. Knudsen	Nurse	Hviding	2006	1956
Finn Erik Kristiansen*	Manager	Varde	2020	1969
Karsten Larsen	Manager	Dejbjerg	2020	1979
Mads Sand Madsen	Manager	Charlottenlund	2022	1965
Tommy Noer	Technical teacher	Esbjerg	2005	1954
Torben Ohlsen	Manager	Esbjerg	2020	1965
Morten Henrik Pedersen	Merchant	Holte	2019	1963
Niels Christian Poulsen	Mink farmer	No	2006	1963
Jesper Ramskov	Manager	Esbjerg	2005	1964
Dina Reffstrup	Sales Manager	Esbjerg	2022	1973
Bente Tang	Farmer	Hanning	2006	1969
Birte Bruun Thomsen	Manager	Esbjerg	2014	1966
Poul Thomsen	Former trader	Skjern	1993	1952
Torben Tobiasen	Manager	Videbæk	2020	1977

*Members of the board of directors

BOARD OF DIRECTORS

Hans Ladekjær Jeppesen, lawyer, Skjern

Board chairman
Born 11th September 1964
Elected on the board in 2011
Current term expires in 2023

Other management duties:
Manager of KLA 2010 ApS
Board chariman of Byggefirmaet Ivan V. Mortensen A/S
Board chariman ofGrey Holding 2 A/S
Board chariman of Grønbjerg Grundinvest A/S
Board chariman of LHI Invest A/S
Board chariman of PE Trading A/S
Board chariman of Roslev Trælasthandel A/S
Board chariman of Specialfabrikken Vinderup A/S

Board member of Advokatpartnerselskabet
Kirk Larsen & Ascanius
Board member of Carl C A/S
Board member of Carl C Ejendomme ApS
Board member of Gråkjær A/S
Board member of Gråkjær Holding A/S
Board member of Gråkjær Aqua A/S
Board member of Gråkjær Aqua International A/S
Board member of Gråkjær Landbrug A/S
Board member of Gråkjær Erhverv A/S
Board member of Grønbjerg Ejendomsselskab A/S
Board member of IFN Denmark ApS
Board member of Kastrup A/S
Board member of Kastrup Ejendomme ApS
Board member of Skanva Group A/S
Board member of Skjern Håndbold A/S
Board member of Vinduesgrossisten ApS

Bjørn Jepsen, farmer, Borris

Vice board chariman
Born 17 October 1963
Elected on the board in 2012
Current term expires in 2022

Other management duties:
Vice board chairman of Mejeriforeningen Danish Dairy Bo-
ard
Board member of Arla Foods AmbA
Board member of Kvægafgiftsfonden
Board member of Mælkeafgiftsfonden
Board member of SEGES- kvæg

Niels Erik Kjærgaard, former city manager, Skjern

Born on 3 July 1954
Elected on the board in 2019
Current term expires in 2022

Other management duties:
Board chairman of Investeringsselskabet Lionek A/S
Board chairman of Iværksætterselskabet K&S ApS

Board member of Ringkøbing-Skjern Kulturcenter
Board member of Ejendomsselskabet Husumparken A/S
Board member of Ejendomsselskabet Husumparken af
2000 A/S
Board member of Skjern Udviklingsforum

BOARD OF DIRECTORS

Finn Erik Kristiansen

Born 23 April 1969
Elected on the board 2020
Current term expires 2024

Other management duties:
Manager of ProVarde S/I
Manager of i Bordin Holding ApS

Board chairman of Bog & Idé Aalborg Storcenter ApS
Board chairman of Kristiansen Bog & Idé A/S

Ole Strandbygaard

Born 21 February 1972
Elected on the board 2022
Current term expires 2024

Other management duties:
Manager of Strandbygaard A/S

Board member of Strandbygaard A/S
Board member of MOGIS A/S
Board member of OSBH Invest ApS
Board member of SH Invest, Skjern A/S
Board member of Strandbygaard
Board member of SH 1ApS
Board member of SH 2 ApS
Board member of Lokalvækst
Board member of PrinfoDenmark A/S
Board member of Prinfo Holding A/S
Board member of Dejbjerglund Efterskole
Board member of KOSS Ejendomme ApS

Lars Skov Hansen, advisor, Esbjerg
Employee-selected

Born 17 May 1973
Elected on the board in 2011
Current term expires in 2023

BOARD OF DIRECTORS

Michael Tang Nielsen, finance manager, Velling
Employee-selected

Born 17 December 1977
Elected on the board in 2019
Current term expires in 2023

Carsten Jensen, advisor, Skjern
Employee-selected

Born 29 April 1980
Elected on the board in 2015
Current term expires in 2023

MANAGEMENT

Per Munck, banking executive, Skjern

Born 12 November 1954
Hired 1 November 1999

Other management duties:
Boardmember of Foreningen Bankdata
Boardmember of Forvaltningsinstituttet for Lokale Pengeinstitutter

SKJERN BANK

SKJERN
Banktorvet 3
6900 Skjern
Tlf. 9682 1333

ESBJERG
Kongensgade 58
6700 Esbjerg
Tlf. 9682 1500

RIBE
J. Lauritzens Plads 1
6760 Ribe
Tlf. 9682 1600

VIRUM
Kongevejen 159
2830 Virum
Tlf. 9682 1480

ØLGOD
Storegade 16-18
6870 Ølgod
Tlf. 9682 1540

VARDE
Bøgevej 2
6800 Varde
Tlf. 9682 1640

BRAMMING
Storegade 20
6740 Bramming
Tlf. 9682 1580

HELLERUP
Strandvejen 143
2900 Hellerup
Tlf. 9682 1450

HØRSHOLM
Lyngsø Allé 3
2970 Hørsholm
Tlf. 9682 1420

VALBY
Kongevejen 159
2830 Virum
Tlf. 9682 1680