

INTERIM REPORT 2021

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VERY SATISFACTORY FIRST SIX MONTHS

	30/6 2021	Profit before tax of DKK 106.6 million compared to DKK 55.6 million in the first half of 2020
	RETURN IN EQUITY	Opening equity yielded interest of 20.3 % before tax
	CORE EARNINGS	Core earnings increased by 15.3 % to DKK 90.8 million
	NET INTEREST AND FEE INCOME	Net interest and fee income increased by 9.4 % to DKK 191.5 million
	IMPAIRMENT	Positive impairment of DKK 9.8 million compared with an expense of DKK 27.1 million in the first half of 2020
	LENDING	Lending growth increased by 5.6 % to DKK 4,462 million
	CAPITAL	Capital ratio of 20.3 % and core capital ratio of 18.6 % Solvency requirements are 9.7 %
	CORE EARNINGS EXPECTATIONS	Core earnings for the full year 2021 are expected to be at the upper end of the range of DKK 140 – 155 million
	EXPECTATIONS ANNUAL PROFIT BEFORE TAX	Profit before tax for the full year of 2021 is expected to be in the range of DKK 160 – 175 million

5 YEARS IN SUMMARY

1,000 DKK	YEAR					
	2021	2020	2019	2018	2017	2020
PROFIT AND LOSS ACCOUNT						
Net income from interest	101.742	94.717	93.149	91.479	86.136	190.244
Div. on shares and other holdings	2.370	1.960	4.806	2.910	9.744	2.089
Charges and commissions (net)	87.398	78.421	68.915	60.613	58.929	155.181
Net inc. from int. & charges	191.510	175.098	166.870	155.002	154.809	347.514
Value adjustments	8.953	6.060	14.206	69.368	20.629	26.513
Other ordinary income	996	585	984	503	722	1.977
Staff costs and administrative expenses	101.466	96.409	92.385	83.683	74.537	193.929
Depreciation of intangible and tangible assets	2.673	2.363	1.530	1.530	1.530	5.195
Other operating expenses	480	194	112	52	52	234
Guarantee commission first guarantee scheme	464	194	112	52	52	194
Operating expenses	16	0	0	0	0	40
Write-downs on loans etc. (net)	-9.768	27.156	7.193	10.127	10.819	32.874
Operating profit	106.608	55.621	80.840	129.481	89.222	143.772
Taxes	23.454	12.237	17.785	14.172	9.484	28.131
Profit for the period	83.154	43.384	63.055	115.309	79.738	115.641
Of which are holders of shares of hybrid core capital instruments etc.	2.578	3.138	3.138	3.138	3.138	6.487
BALANCE SHEET AS PER JUNI 30TH						
summary						
Total assets	9.557.875	8.008.599	7.192.148	6.588.065	6.213.070	8.974.467
Loans and other debtors	4.461.647	4.230.606	4.330.603	4.154.581	3.683.454	4.224.773
Guarantees etc.	3.149.016	2.308.723	2.048.683	1.184.971	1.025.876	2.630.139
Bonds	991.440	986.787	1.125.116	948.333	1.021.759	959.506
Shares etc.	204.146	213.708	226.744	249.587	240.981	201.220
Deposits	6.553.784	6.550.184	5.821.940	5.384.055	5.137.815	6.463.735
Subordinated cap. investments	98.084	97.584	97.083	99.877	99.697	97.834
Capital funds	1.169.454	1.038.051	957.456	902.849	772.038	1.108.059
Dividends						19.280
Capital Base	1.183.088	1.087.247	960.130	930.212	772.816	1.135.869
Total weighted items	5.822.997	5.488.289	5.342.575	4.868.055	4.333.555	5.370.562
CORE EARNINGS						
Core income	195.435	177.764	170.081	157.634	157.371	354.106
Total costs etc.	-104.619	-98.966	-94.027	-85.265	-76.119	-199.358
Core earnings	90.816	78.798	76.054	72.369	81.252	154.748

FINANCIAL RATIOS - 30TH JUNE

Figures in pct.	2021	2020	2019	2018	2017
Solvency ratio	20,3	19,8	18	19,1	17,8
Core capital ratio	18,6	18,0	16,2	17,1	15,7
Return on own funds before tax*	9,7	5,4	8,8	15,8	12,5
Return on own funds after tax*	7,5	4,1	6,8	14,0	11,2
Earning/expense ratio in DKK	2,12	1,44	1,8	2,36	1,99
Interest rate risk	1,3	1,1	1,7	2,3	1,2
Foreign currency position	0,3	0,2	0,5	0,5	0,3
Foreign currency risk	0,0	0,0	0	0,0	0,0
Advances against deposits	61,1	68,6	80,4	82,8	78,3
LCR	290	378	269	277	302
Total large commitments**)	132,4	133,5	137,8	125,4	16,01
Accumulated impairment ratio	3,8	4,1	5,3	6,2	6,7
Impairment ratio for the period	-0,1	0,3	0,1	0,2	0,2
Increase in loans etc. for the period	5,6	-2,2	-0,7	5,9	-0,1
Ratio between loans etc. and capital funds	3,8	4,1	4,5	4,6	5,2
(value pr share 100 DKK)					
Earnings per share (result period)*	41,8	20,9	31,08	58,1	39,7
Book value pr share*	575	508	467	438	369
Market value/earning per share	2,3	2,9	2,0	1,2	1,7
Market value/book value*	0,84	0,59	0,67	0,77	0,90
(value pr share 20 DKK)					
Earnings per share (result period)*	8,4	4,2	6,2	11,6	7,9
Book value pr share*	115,1	101,6	93,4	87,6	73,9
Market value	96,8	60,0	62,8	67,8	66,5

*) Financial ratios are calculated as if the hybrid core capital were treated as an obligation for accounting purposes, whereby the financial ratios are calculated based on the shareholders' share of profit and equity. The shareholders' share of profit and equity is shown in the Statement of Changes in Equity.

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



QUARTERLY OVERVIEWS

1,000 DKK	2Q 2021	1Q 2022	4Q 2020	3Q 2020	2Q 2020
PROFIT AND LOSS ACCOUNT					
Net income from interest	51.740	50.002	47.344	48.183	46.174
Div. on shares and other holdings	2.127	243	51	78	1.672
Charges and commissions (net)	41.676	45.722	40.456	36.304	34.959
Net inc. from int. & charges	95.543	95.967	87.851	84.565	82.805
Value adjustments	5.567	3.386	10.002	10.451	15.882
Other ordinary income	454	542	439	953	296
Staff costs and administrative expenses	52.729	48.737	51.973	45.547	47.365
Depreciation of intangible and tangible assets	1.337	1.336	1.651	1.181	1.598
Other operating expenses	464	16	40	0	194
Guarantee commission first guarantee scheme	464	0	0	0	194
Operating expenses	0	16	40	0	0
Write-downs on loans etc. (net)	-12.328	2.560	951	4.767	16.525
Operating profit	59.362	47.246	43.677	44.474	33.301
Taxes	13.060	10.394	12.671	3.223	7.327
Profit for the period	46.302	36.852	31.006	41.251	25.974
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.289	1.780	1.569	1.569
BALANCE					
Loans and other debts	4.461.647	4.522.167	4.224.773	4.258.988	4.230.606
Totalkredit	11.821.166	11.361.186	10.813.829	10.461.422	9.957.800
DLR	3.951.004	3.673.420	3.536.480	3.349.493	3.267.954
Indlån	6.553.784	6.333.799	6.463.735	6.271.667	6.550.184
Deposits in pooled schemes	1.212.100	1.177.782	1.039.002	968.377	-
Subordinated cap. investments	98.084	97.959	97.834	97.709	97.584
Customer depots	3.964.457	3.850.123	3.518.437	3.128.638	2.908.535
Equity	1.169.454	1.125.700	1.108.059	1.077.215	1.038.051
Total assets	9.557.875	9.034.004	8.974.467	8.819.796	8.008.599
Guarantees etc.	3.149.016	2.751.291	2.630.139	2.553.613	2.308.723
CORE EARNINGS					
Core income	97.375	98.060	89.638	86.704	84.105
Total costs	-54.530	-50.089	-53.664	-46.728	-49.157
Core earnings	42.845	47.971	35.974	39.976	34.948

MANAGEMENT'S REPORT

After a very satisfactory development in the first 5 months of the year, the expectations for profit for the year were adjusted upwards on 3 June for the 2nd time in 2021 to the range of DKK 160 – 175 million from DKK 140 – 155 million. The expectations for core earnings were specified at the upper end of the range of DKK 140 – 155 million.

The upwards adjustment is driven by increasing net interest and fee income, a maintained cost level and sharply decreasing impairment, which generates net income of DKK 9.7 million for the first half of the year. The Bank is still experiencing a major influx of new customers and meanwhile the activity of the many current customers is very high, primarily in the housing area, but the activity level is also very satisfactory in the investment, pension and insurance area.

The Bank continues to see great potential in the market and is therefore continuously upgrading the customer-facing part of the organisation, and is positively looking at the establishment of new business addresses to further strengthen the satisfactory development.

Profit doubled

Profit before tax was realised at DKK 106.6 million compared with DKK 55.6 million in the first half of 2020. The growth of DKK 51.0 million is primarily due to increased net interest and fee income of DKK 16.4 million and a reduction of impairment on loans of DKK 36.9 million.

Positive impairment

Impairment was realised with an income of DKK 9.7 million compared with an expense of DKK 27.1 million in the first half of 2020. There has still been no need to make significant write-downs due to the Corona epidemic, but because of the continued uncertainty, the management estimate of DKK 50 million is maintained from 2020. If there is no deterioration in the COVID-19 situation and its impact on the Bank's customers over the autumn, it is likely that the management estimate can be reduced in the second half of 2021.

As result of the Bank's cautious credit and impairment policy, no net impairment has yet been recognised in the statement of profit or loss for the quarter. The creditworthiness of the Bank's lending portfolio has continuously improved over recent years, and a net income can now be recognised under impairment for the first time.

The positive development in the impairment need applies to all segments, including the agricultural industry, which generally has positive operations and consolidation, and the Bank still does not expect to recognise losses on customers in the mink segment.

The Bank's exposures in the hotel, restaurant, retail and tourism industries, which have been hit hard as a result of the Corona epidemic, are very limited and there is only insignificant impairment on this.

The Bank is generally in close dialogue with all business customers regarding the challenges posed by the Corona epidemic, as the Bank as a rule wants to contribute to solving challenges where it makes sense for both the customer and the Bank.

The Bank's private customers have generally fared well and the average private household is economically well-equipped after about a year and a half with Corona and the expectation at this stage is that the impairment need at the portfolio level will remain very modest.

The exchange rate adjustments on the Bank's treasury portfolio of securities is positive by DKK 8.9 million, compared with DKK 6.1 million during the same period last year. The Bank continues to pursue a very cautious investment policy.

With an increase in core earnings to DKK 90.8 million compared with DKK 78.8 million in 2020, the solid development in the Bank's core earnings realised in recent years has strongly continued, which is very satisfactory.

Lending growth

Demand for loans has been increasing during the first half of the year after negative lending growth over the past two years. Lending in the first half of the year has increased by DKK 236.8 million or 5.6 %. A fairly significant influx of new customers has been noted, but the increase in lending is primarily due to increased demand for loans from existing customers. A lending growth in the range of 5 - 7 % is expected for the full year.

Another indicator of the high activity is the Bank's guarantees, which increased to DKK 3,149 million as of 30 June 2021 compared with DKK 2,630 million at the end of 2020. The increase is due to both high interest in restructuring mortgages and very high activity in purchasing and sales of permanent residences and holiday homes.

The share of lending and guarantees to private customers in the first half of the year 2021 increased to 52.3%, which is well in line with the Bank's strategic goals for a private share at the level of 50 %. It has been strategically decided that the exposure to

individual business segments must not exceed 15 %. Exposure to the 2 largest business segments, agriculture and real estate, were respectively reduced by 10.3 % and 10.9 % during the quarter.

The bank's loans and collaterals for guarantees divided by segments as of 30 June 2021 amounted to:

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.06.2021	31.12.2020	30.06.2020
Public authorities	0,0%	0,0%	0,0%
Agriculture, hunting, forestry & fishing	9,9%	10,8%	10,3%
Plant production	1,5%	1,2%	1,6%
Cattle farming	5,9%	5,8%	5,8%
Pig farming	0,8%	1,2%	0,9%
Mink production	0,9%	1,8%	1,3%
Other agriculture	0,8%	0,8%	0,7%
Industry and mining	3,9%	3,6%	4,5%
Energy	1,7%	1,8%	2,5%
Building and constructions	5,6%	4,5%	5,9%
Wholesale	5,4%	6,3%	6,3%
Transport, hotels and restaurants	1,3%	1,4%	1,4%
Information and communication	0,4%	0,8%	0,3%
Financial and insurance business	4,9%	4,0%	5,4%
Real-estate	11,0%	11,8%	12,1%
Other business	3,6%	3,8%	4,7%
Private	52,3%	51,2%	46,6%

The Bank offers financial leasing to the Bank's business customers via Skjern Bank Leasing. The development is satisfactory and there are 400 active leases as of 30 June 2021, with a residual lease debt of DKK 136 million.

The liquidity coverage ratio amounted to 290 %, which is solid and satisfactory despite a slight decrease compared to 351 % as of 31 December 2020. The development follows the Bank's strategy of maintaining a solid liquidity coverage based on stable customer deposits. The Bank now has an outflow totalling DKK 707 million in liquidity surplus relative to the internal goal of always having a minimum LCR of 225 %.

The risk-weighted have increased, partly as a result of an increase in guarantees of 5.1 % to DKK 5,826 million. As a result, the Bank's capital ratio was marginally reduced from 20.4 % to 20.3 % and the Bank's core capital ratio decreased from 18.7 % to 18.6 %.

The Bank has recognised a profit after tax for the first half of the year of DKK 83.1 million and has deducted a potential dividend calculated in accordance with the dividend policy, which altogether means that the capital ratio can largely be maintained, despite the sharply increasing risk-weighted items.

SOLID CAPITAL CONDITIONS AND DIVIDEND POLICY

The individual solvency requirement is calculated at 9.7 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 10.6 %. Compared to the actual capital base of DKK 1,183.1 million, at the end of the first half of 2021 there was a liquidity surplus of DKK 618.6 million, which is an increase of about DKK 75 million compared to the end of Q1 2021.

Relative to the necessary capital, expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 2.5 % and the phased-in NEP supplement of 1.865 %, the coverage can be calculated at 6.235 % points, corresponding to a solvency coverage of 144 %, or DKK 363.3 million.

The capital coverage thus exceeds the Bank's internal goal of a capital coverage of 5 percentage points relative to the total capital requirements.

The solid capital coverage consists of an actual core capital of 17.6 % compared with the individual solvency requirements of 9.7 %, which, added to the capital conservation buffer and NEP requirement, amounts to total capital requirements of 14.065 percentage points.

In terms of capital, the Bank has an unchanged focus on maintaining a solid base to ensure 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 will also be included in the capital structure if conditions are deemed favourable and it is deemed appropriate.

In Q4 2021, the Bank's Board of Directors will make the initial assessment of whether to distribute dividends for the financial year 2021, cf. the dividend policy. Consideration for the Bank's adequate capitalisation will weigh heavily in making the decision and the Board of Directors will naturally take any recommendations from the authorities into account.

The Bank's capital goals and dividend policy are unchanged:

Capital goals

It is the Bank's goal to be well capitalised to ensure the Bank's strategic goals and also to accommodate regulatory requirements in future recessions. 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, either as share buy-backs or cash distributions, to amount to 30-50 % of the annual profit after tax, which exceeds a return on equity of 6 %.

It is the Bank's assessment that the adopted dividend policy satisfactorily accommodates the Bank's shareholders and simultaneously ensures the necessary strengthening of the capital base for the phasing in of future capital requirements.

THE BANK'S IMPORTANT STAKEHOLDERS

The Bank considers the cooperation with and involvement of the Bank's many stakeholders to be crucial to the running of a well-functioning local bank.

The Bank believes that stakeholders' interests closely coincide.

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 business customers in the Bank's local areas.

For both private and business customers, the experience is that the close personal knowledge between customer and adviser, which is crucial to the Bank's business model, combines well with the electronic options which make daily operations work smoothly and flexibly, such as online meetings and mobile banking.

Employees

The Bank currently employs 176 employees, which is an increase of 9 employees in the last 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.

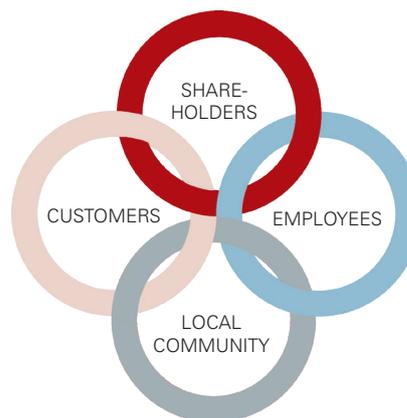
Employee job satisfaction is important to the Bank and there are annual measurements of the development in employee satisfaction. It is a strategic goal for the Bank to have employees who find the Bank to be a good workplace, which is considered crucial for the Bank to have significant interest from qualified applicants for vacant positions.

Local communities

The Bank's goal is to play an important role in all of the Bank's local communities, both as a partner for the many business owners, but 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 local 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 more than 400 of the local communities' associations 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 of Skjern Bank is the many shareholders,



customers, employees and the local community. The Bank is very 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.

ESG REPORTING

The Bank supports the green transition and the many initiatives taken in various ways in Denmark, the EU and the rest of the world.

Like the rest of the sector and business community in general, the Bank is making good progress in the development of new initiatives and general reporting in the area and has made plans to continue the transition to a more sustainable utilisation of resources, but has not yet reached this goal.

The Bank's employees are in the process of training in advising on sustainability and the customers are offered sustainable investment associations and attractive financing for energy-improving measures in properties or the purchase of electric, hydrogen or hybrid cars.

The Bank's own consumption of electricity is covered by certified green energy from Danish wind turbines, and in recent years the Bank has reduced consumption in the Bank's branches through energy-reducing measures.

The Bank will publish the statutory ESG reporting for 2021 in connection with the publication of the annual report in February 2022.

NET INTEREST INCOME

Net interest income increased by DKK 7.4 %, corresponding to DKK 7.0 million, and amounts to DKK 101.7 million.

The total interest income increased by 4.1 %, corresponding to DKK 4.3 million.

Interest expense amounted to DKK 7.9 million and was reduced by DKK 1.0 million as a result of reduced interest expense to Danmarks Nationalbank, while the interest expense for customer deposits was reduced by DKK 1.7 million.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 87.4 million, compared to DKK 78.4 million in 2020, and thus increased by a very satisfactory DKK 9.0 million. The high activity in the loan area has led to an income growth of DKK 4.2 million in loan fees. Guarantee provisions increased by DKK 1.6 million, and income from securities trading and custody accounts increased by DKK 1.8 million, while payment services, other fees and fees paid increased by a total of DKK 1.4 million.

Dividends of DKK 2.4 million were realised, which is DKK 0.4 million higher than last year.

Net interest and fee income increased by 9.4 %, corresponding to DKK 16.4 million, and amounts to DKK 191.5 million.

EXCHANGE RATE ADJUSTMENTS

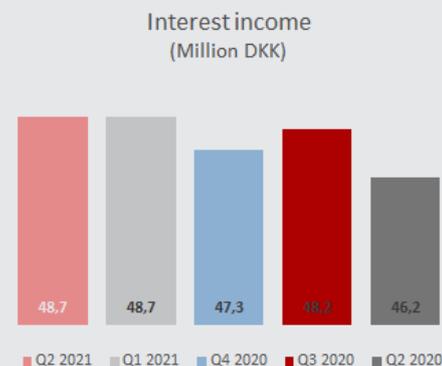
The total exchange rate adjustments were positive by DKK 8.9 million, compared with DKK 6.1 million in the first half of 2020.

The exchange rate adjustments were divided into DKK -2.8 million in the bond portfolio and DKK 8.6 million in the shareholdings, of which sectoral shares comprise capital gains of DKK 4.2 million. In addition, currencies, derivative financial instruments and pooling arrangements achieved an income of DKK 3.1 million during the same period.

EXPENSES

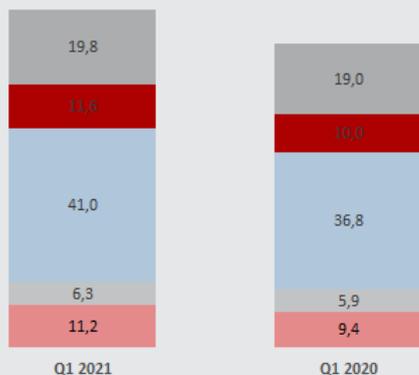
Costs for personnel and administration etc. were DKK 5.0 million higher than the same period last year and amount to DKK 101.5 million.

Personnel expenses have increased by DKK 3.9 million compared to the first half of 2020 as a result of more employees and



Charges and commissions receivable (Million DKK)

- Securities trading and custodies
- Payment management
- Charges from loan on guaranties
- Commissions on guarantees
- Other charges and commissions



general wage increases.

Administration costs increased by DKK 1.1 million, distributed between IT expenses, marketing and other administrative costs.

IMPAIRMENT

Net impairment for the period amounts to an income of DKK 9.8 million, compared with an expense of DKK 27.1 million in 2020.

Over the course of 2020, the Bank made a management estimate of DKK 50 million for impairment as a result of Corona. The management estimate has remained unchanged, as there has not yet been an impairment need for the Bank's customers as a result of Corona. However, the management estimate is maintained as a result of the continued uncertainty.

Devaluations on loans, etc. for the period correspond to -0.1 % of the total loans and guarantees.

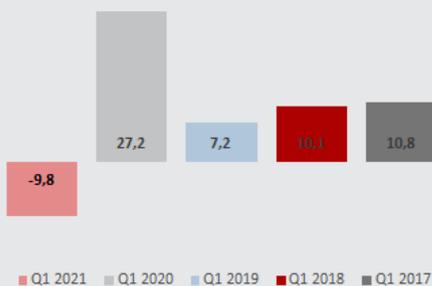
PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 106.6 million compared with DKK 55.6 million as of 30 June 2020. After taxes, profit for the period amounted to DKK 83.1 million.

We are pleased to note that the profit before tax has increased significantly as a result of an increase in net interest and fee income and a significantly reduced level of impairment.

The development in the overall business volume, with an increasing number of customers, increased lending, guarantees and credit association mediation, as well as a maintained level of stable customer deposits, is also considered very satisfactory.

Write-downs on loans etc. (Million DKK)



Core earnings of DKK 90.8 million were realised, which is DKK 12.0 million higher than 30 June 2020.

CORE EARNINGS 1 JANUARY - 30 JUNE

Beløb i 1.000 kr.	2021	2020	1.1-31.12 2020
Net income from interest	101.742	94.717	190.244
Net charges and commission	87.398	78.421	155.181
Dividend on shares and other holdings	2.370	1.960	2.089
Foreign currency value adjustments*	2.929	2.081	4.615
Other ordinary income	996	585	1.977
Core income	195.435	177.764	354.106
Staff costs and administrative expenses	101.466	96.409	193.929
Depreciation and write-downs on intangible and tangible assets	2.673	2.363	5.195
Other operating expenses	480	194	234
Costs	104.619	98.966	199.358
Core earnings	90.816	78.798	154.748
Write-downs	9.768	-27.156	-32.874
Value adjustments*	6.113	3.979	21.898
Result before tax	106.697	55.621	143.772
Tax	23.454	12.237	28.131
Net-result for the financial year	83.243	43.384	115.641

*) Foreign currency value adjustments and value adjustments specificeres i noten "Value adjustments" on page 32.

CAPITAL

Equity amounted to DKK 1,169.4 million compared to DKK 1,108.1 million at the end of the previous year. A hybrid core capital was recognised in the Bank's equity of nominally DKK 60 million.

After addition of subordinated capital contributions of DKK 100 million and adjustments for reduction in weighting and other deductions, the capital base amounted to DKK 1,183.1 million. Profit after tax for the first half of 2021 of DKK 83.1 million was recognised in the Bank's capital base.

In the first half of 2021, the Bank has increased risk-weighted items by DKK 456.3 million to DKK 5,822 billion. The capital ratio was estimated at 20.3 % with recognition of profit for the first half of the year, which is a reduction of 0.8 % points since 31 December 2020.

The capital requirement of 14.065 % is comprised of the individual solvency requirement of 9.7 % plus the capital conservation buffer of 2.5 % and phased-in NEP supplement of 1.865 %.

The Bank thus still has foundation capital with a coverage of 6.24 % points, corresponding to a surplus of 144 % relative to the necessary capital. The surplus adds up to DKK 363.3 million.

MAJOR SHAREHOLDERS

The Bank has one major shareholder - Investeringselskabet af 15. maj (AP Pension Livsforsikringsaktieselskab, København Ø.) - who possessed 20.75 % of the shares in Skjern Bank and 5 % of the voting rights at the last ownership announcement.

LIQUIDITY

Customer deposits amount to DKK 6,554 million, of which DKK 6,080 million is covered by the Danish Deposit Guarantee Scheme. The deposits are considered stable, since most of them come from core customer relationships.

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. All financial institutions must have a coverage of at least 100%.

The Bank fulfils this requirement and has a liquidity coverage ratio of 290 %.

SKJERN BANK SHARES

The Bank is owned by 15,433 shareholders. The share price was 96.8 on 30 June 2021, compared with 70.4 at the beginning of the year. The market price thus amounts to DKK 933.1 million, corresponding to a rate / intrinsic value of 0.84.

EXPECTATIONS

Core earnings for the full year are expected to be at the upper end of the range of DKK 140 – 155 million and a profit before tax in the range of DKK 160 – 175 million, assuming positive exchange rate adjustments at the level of DKK 10 million and positive impairment in the range of DKK 10 million.

“THE SUPERVISORY DIAMOND”

The Danish Financial Supervisory Authority’s mandatory Supervisory Diamond specifies five indicators for banking activities with increased risk.

The Bank’s status for each indicator as of 30 June 2021 is calculated in the figure below, where the indicators established by the Danish Financial Supervisory Authority are also shown.

Skjern Bank complies with all limit values and has not exceeded any of the limit values at any time during the Supervisory Diamond’s existence.

Liquidity reserve (minimum 100 %):

The liquidity reserve is reduced, but still sufficient and amounts to 290 % as of 30 June 2021 compared to 349 % as of 31 December 2020.

Funding ratio (maximum 100 percent):

The current funding situation leaves room for significantly more lending, as the Bank’s lending compared to deposits, equity and debt securities is only 57 %. As of 31 December 2020, the funding ratio amounted to 57 %.

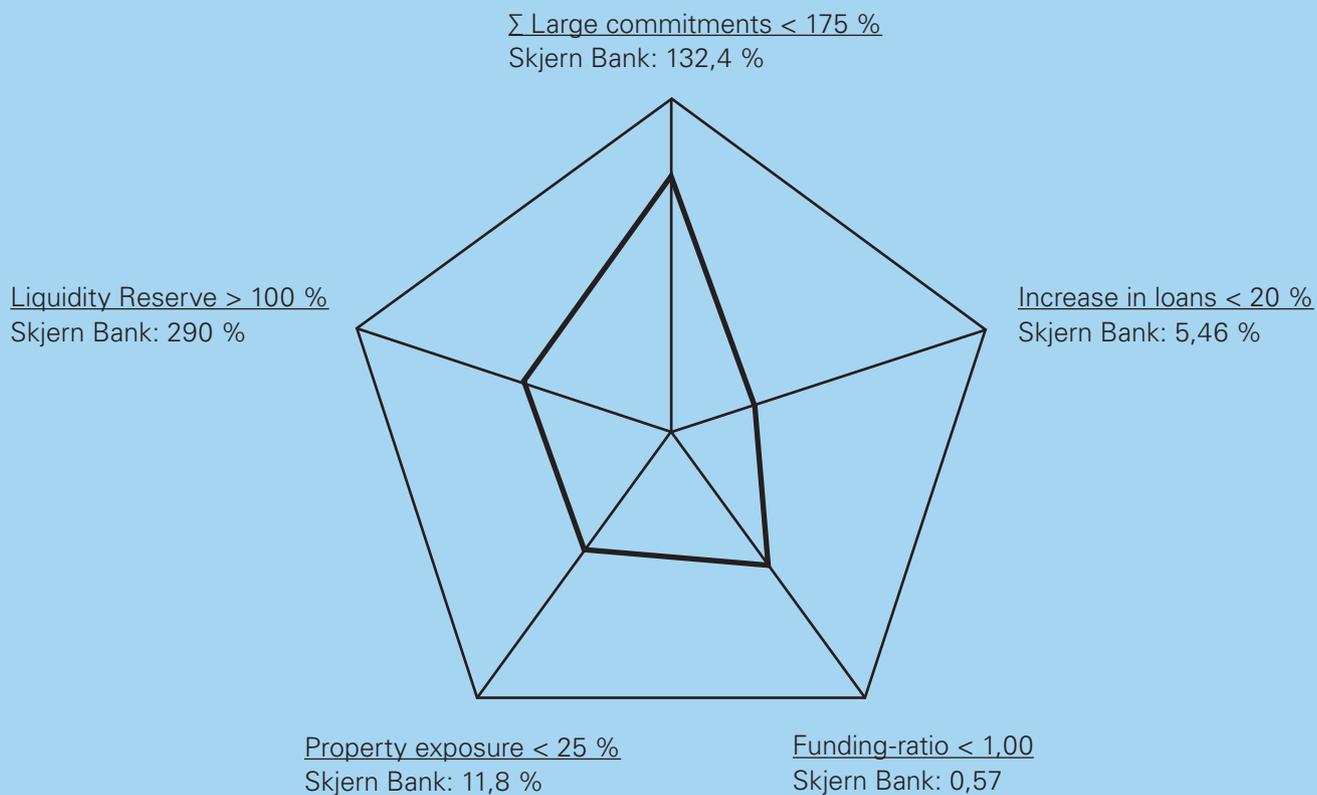
Property exposure (maximum 25 percent):

Property exposure is 11.8 %, compared with 11.9 % at the end of 2020.

Large exposures (maximum of 175 per cent):

Large exposures are defined as the total of the Bank’s 20 largest exposures compared to the actual core capital and the financial ratio was 132.4 %, compared with 118.3 % at the end of 2020.

THE SUPERVISORY DIAMOND



Property exposure (maximum 20 percent):

An increase in lending of 5.6 % was realised as of 30 June 2021, compared with a decrease of 2.3 % for 2020.

TRANSACTIONS WITH RELATED PARTIES

There have not been major transactions between Skjern Bank and the Bank's related parties during the quarter.

LITIGATION

The Bank is involved in disputes and litigation as part of its normal operations. The Bank's risk in these cases is regularly assessed by the Bank's lawyers and management. Provisions are made based on an assessment of risk of loss.

CONTRIBUTION TO THE SETTLEMENT FUND

The Bank's annual contribution to the Settlement Fund was paid in Q2 2021 and amounts to DKK 0.5 million.

ACCOUNTING POLICIES USED

The quarterly report was prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on financial reports for credit institutions and investment companies, etc. and additional Danish disclosure requirement for interim reports for listed companies.

The accounting practice used is unchanged compared to the annual report for 2020.

EVENTS AFTER 30 JUNE 2021

No events have occurred after the balance date that are of significance for the assessment of the profit for the period.

Sincerely,
Skjern Bank A/S

Hans Ladekjær Jeppesen
Chair of the Board

Per Munck
Director



MANAGEMENT'S STATEMENT

We have on today's date discussed and approved the interim report for the period of 1 January – 30 June 2021 for Skjern Bank A/S.

The half-year report was prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for credit institutions and investment companies, etc. and additional Danish disclosure requirement for interim reports for listed financial institutions.

We consider the accounting policies chosen to be appropriate such that the accounts provide a true and fair view of the Bank's assets and liabilities, financial position and profit.

We consider the management's review to contain a true and fair view of the development in the Bank's activities and economic conditions and a description of the significant risks and uncertainty factors by which the Bank may be affected.

No audit or review of the interim report has been conducted, but an external audit has verified that the conditions for recognition of the period's earnings in core capital are met.

Skjern, 19 August 2021

Skjern Bank A/S
Per Munck
Director

BOARD OF SKJERN BANK A/S

Hans Ladekjær Jeppesen
Board chairman

Bjørn Jepsen
Board vice-chairman

Finn Erik Kristiansen

Niels Erik Kjærgaard

Lars Skov Hansen

Carsten Jensen

Michael Tang Nielsen

PROFIT AND LOSS ACCOUNT AND STATE- MENT OF COMPREHENSIVE INCOME JANUARY 1ST - JUNE 30TH

1,000 DKK	2021	2020	1.1-31.12 2020
Interest receivable	97.387	99.821	195.693
Interest receivable deposits	12.211	5.501	15.119
Interest receivable	3.246	4.949	8.344
Interest payable central banks	4.610	5.656	12.224
Net income from interest	101.742	94.717	190.244
Dividend on shares and other holdings	2.370	1.960	2.089
Charges and commission receivable	89.925	81.160	160.113
Charges and commission payable	2.527	2.739	4.932
Net income from interest and charges	191.510	175.098	347.514
Value adjustments	8.953	6.060	26.513
Other ordinary income	996	585	1.977
Staff costs and administrative expenses	101.466	96.409	193.929
Depreciation and write-downs on intangible and tangible assets	2.673	2.363	5.195
Other operating expenses	480	194	234
Contribution to the Guarantee Fund for deposits	464	194	194
Guarantee commission first guarantee scheme	16	0	40
Write-downs	-9.768	27.156	32.874
Result before tax	106.608	55.621	143.772
Tax	23.454	12.237	28.131
Net-result for the financial year	83.154	43.384	115.641
Of which are holders of shares of hybrid core capital instruments etc.	2.578	3.138	6.487
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	83.154	43.384	115.641
Other comprehensive income after tax	0	0	0
Total comprehensive income	83.154	43.384	115.641



BALANCE BY JUNE 30

1,000 DKK	2021	2020	1.1-31.12 2020
ASSETS			
Cash in hand and demand deposits with central banks	2.444.503	225.868	192.109
Receivables at credit institutions and central banks	109.449	2.215.727	2.225.139
Loans and other receivables at amortised cost	4.461.647	4.230.606	4.224.773
Bonds at fair value	991.440	986.787	959.506
Shares etc.	204.146	213.708	201.220
Shares associated with pool schemes	1.212.100	-	1.039.002
Land and buildings (total)	64.924	62.358	66.758
Investment properties	3.019	3.019	3.019
Owner-occupied properties	42.475	43.521	43.166
Owner-occupied properties, leasing	19.430	15.818	20.573
Other tangible assets	3.681	4.346	4.253
Current tax assets	5.054	14.641	183
Assets in temporary possession	0	3.300	-
Other assets	60.358	50.296	60.806
Prepayments	573	962	718
Total assets	9.557.875	8.008.599	8.974.467

1,000 DKK	2021	2020	1.1-31.12 2020
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	434.478	237.727	181.165
Deposits and other debts	6.553.784	6.550.184	6.463.735
Deposits in pooled schemes	1.212.100	-	1.039.002
Other liabilities	66.506	72.490	71.121
Prepayments	1.961	1.646	1.656
Total debt	8.268.829	6.862.047	7.756.679
PROVISIONS			
Provisions for deferred tax	1.423	675	1.423
Provisions for loss on guarantees	20.085	10.242	10.472
Total provisions	21.508	10.917	11.895
SUBORDINATED DEBT			
Subordinated loan capital	98.084	97.584	97.834
Total subordinated debt	98.084	97.584	97.834
EQUITY			
Share capital	192.800	192.800	192.800
Revaluation reserves	417	417	417
Retained earnings	915.422	784.628	834.814
Dividend	-	-	19.280
Capital owners share of equity	1.108.639	977.845	1.047.311
Holders of hybrid capital Total equity	60.815 1.169.454	60.206 1.038.051	60.748 1.108.059
Total liabilities	9.557.875	8.008.599	8.974.467

OFF-BALANCE-SHEET ITEMS BY JUNE 30

1,000 DKK	2021	2020	1.1-31.12 2020
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	872.563	482.038	689.786
Guarantees against losses on mortgage credit loans	871.831	731.011	787.151
Registration and conversion guarantees	1.276.086	945.918	1.015.910
Other contingent liabilities	128.536	149.756	137.292
Total	3.149.016	2.308.723	2.630.139
Other binding engagements			
Irrevocable credit-undertakings	499.393	157.360	466.619
Total	499.393	157.360	466.619



INFORMATION ON CHANGES IN EQUITY

JUNE 30

1,000 DKK	2021	2020	1.1-31.12 2020
Share capital beginning-of-year	192.800	192.800	192.800
Share capital end-of-year	192.800	192.800	192.800
Revaluation reserves beginning-of-year	417	417	417
Revaluation reserves end-of-year	417	417	417
Retained earnings beginning-of-year	854.094	773.322	744.402
Profit or loss for the financial year	80.576	40.246	89.873
Dividends	-19.280	-28.890	30
Dividends own shares	30	30	30
Purchase of own funds	2	-80	509
Retained earnings end-of-year	915.422	784.628	834.814
Dividends	0	0	19.280
Holders of hybrid capital beginning-of-year	60.748	60.030	60.030
Hybrid capital out	-	-	-60.030
Hybrid capital in	-	-	59.244
Net profit or loss for the year (interest hybrid capital)	2.578	3.138	6.211
Paid interest	-2.511	-2.962	-4.707
Holders of hybrid capital end-of-year	60.815	60.206	60.748
Total equity	1.169.454	1.038.051	1.108.059

NOTES PER JUNE 30

1,000 DKK	2021	2020	1.1-31.12 2020
INTEREST INCOME			
Loans and other receivables	91.440	94.974	185.039
Bonds	2.197	2.583	5.022
Other derivative financial instruments, total	3.750	2.264	5.249
of which			
Currency contracts	3.788	-492	-533
Interest-rate contracts	-38	2.756	5.782
Other interest income	0	0	383
Total	97.387	99.821	195.693
INTEREST EXPENSES			
Deposits	-480	1.282	640
Subordinated debt	3.191	3.201	6.542
Other interest expenses	535	466	1.162
Total	3.246	4.949	8.344
FEES AND COMMISSION INCOME			
Securities trading and custody accounts	11.213	9.426	21.647
Payment services	6.345	5.875	11.098
Loan fees	40.965	36.792	76.106
Guarantee commission	11.626	10.020	20.919
Other fees and commission	19.776	19.047	30.343
Total	89.925	81.160	160.113
VALUE ADJUSTMENTS			
Bonds	-2.827	-1.769	-1.040
Total shares	8.584	5.993	23.433
Shares in sector companies etc.	4.230	3.144	9.012
Other shares	4.354	2.849	14.421
Foreign currency	2.929	2.081	4.615
Other financial instruments	356	-245	-219
Assets linked to pooled schemes	-29.772	-	-71.313
Deposits in pooled schemes	29.683	-	71.037
Total	8.953	6.060	26.513

1,000 DKK	2021	2020	1.1-31.12 2020
STAFF COSTS AND ADMINISTRATIVE EXPENSES			
SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.			
Board of managers	1.621	1.621	3.378
Fixed fees	1.621	1.621	3.378
Management board	689	674	1.370
Audit Committee	0	0	90
Committee of representatives	7	0	165
Total salaries and remuneration of board etc.	2.317	2.295	5.003
STAFF COSTS			
Wages and salaries	50.383	47.004	88.152
Pensions	5.105	4.842	9.725
Social security costs	643	614	1.243
Payroll tax	8.373	8.118	15.637
Total staff costs	64.504	60.578	114.757
OTHER ADMINISTRATIVE EXPENSES	34.645	33.536	74.169
Total staff costs and administrative expenses	101.466	96.409	193.929
EMPLOYEES			
Average number of employees converted into full-time employees	161	159	158
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	115.654	100.134	177.716
Reversal of write-downs made in previous years	-123.465	-66.367	-135.040
Finally lost, not previously written down	2.438	2.078	4.828
Interest on the written-down portion of loans	-3.826	-5.663	-11.188
Recoveries of previously written off debt	-569	-3.026	-3.442
Total	-9.768	27.156	32.874

NOTES PER JUNE 30 (continued)

1,000 DKK	2021	2020	1.1-31.12 2020
DEVELOPMENT IN WRITE-DOWNS AND PROVISIONS RELATING TO FINANCIAL ASSETS AT AMORTIZED COST AND OTHER CREDIT RISKS, ASSETS INCLUDED IN IFRS9			
STAGE 1 IMPAIRMENT CHARGES			
Stage 1 impairment charges at the end of the previous financial year	21.271	20.005	20.005
Stage 1 impairment charges / value adjustment during the period	9.054	7.541	12.848
-hereby new facilities in the period: 7.541 TDKK			
Stage 1 impairment reversed during the period	-11.115	-8.622	-11.582
Cummulative stage 1 impairment total	19.210	18.924	21.271
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	109.773	63.076	63.076
Stage 2 impairment charges / value adjustment during the period	37.054	37.543	92.635
Stage 2 impairment reversed during the period	-40.679	-19.465	-45.938
Cummulative stage 2 impairment total	106.148	81.154	109.773
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	217.886	240.252	240.252
Stage 3 and impairment charges / value adjustment during the period	56.202	52.115	66.707
Reversal of stage 3 impairment charges during the period	-68.521	-33.735	-70.684
Recognised as a loss, covered by stage 3 impairment charges	-47.070	-12.921	-18.389
Cummulative stage 3 impairment total	158.497	245.711	217.886
Total cumulative impairment charges IFRS9	283.855	345.789	348.930
GUARANTEES			
Provisions beginning of the year	10.472	13.590	13.590
Loss on guarantees	13.344	2.935	5.527
Reversal of provisions	-3.155	-4.545	-6.906
Provisions for losses	-575	-1.739	-1.739
Guarantees end of year	20.086	10.241	10.472
Total cumulative impairment charges IFRS9 and guarantees	303.941	356.030	359.402

1,000 DKK

2021

2020

1.1-31.12

2020

The development can be explained by the following development in the distribution in stages of the maximum credit risk and development in the weighted average of the rating:

	Stage 1	Stage 2	Stage 3
Beginning			
Impairment	21.271	109.773	217.886
- in % of total impairment	6%	31%	62%
Maximum credit risk	7.386.203	1.153.356	332.182
- in % of maximum credit risk	83%	13%	4%
Rating, weighted average	3,2	6,9	10,0
End			
Impairment	19.210	106.147	158.497
- in % of total impairment	7%	37%	56%
Maximum credit risk	10.657.648	1.100.399	358.450
- in % of maximum credit risk	88%	9%	3%
Rating, weighted average	3,2	6,9	10,0

The development in Stage 3 is mainly due to the fact that the loss of DKK 47.1 million has been booked. The amount is covered by write-downs.

LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	52.179	90.443	61.596
SHARE CAPITAL			
Number of shares at 20 DKK each	9.640.000	9.640.000	9.640.000
Share capital	192.800	192.800	192.800
OWN CAPITAL SHARES			
Number of shares (pcs)	4.686	10.927	6.047
Nominal value hereof	94	218	121
Market value hereof	454	656	426
Own shares proportion of share capital (pct.)	0,05%	0,11%	0,06%

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