

# QUARTERLY REPORT 1Q 2021



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# VERY SOLID START TO 2021!

	31/3 2020	Profit before tax of DKK 47.2 million compared to DKK 22.3 million in 1Q 2020
	CORE EARNINGS	Increased by 9.4 % to DKK 47.9 million
	NET INTEREST AND FEE INCOME	Increased by 4.0 % to DKK 95.9 million
	IMPAIRMENT	Write-downs of DKK 2.6 million compared with DKK 10.6 million as of 31 March 2020
	LENDING	Lending growth increased by 7.0 % to DKK 4.5 billion
	CAPITAL	Capital ratio of 20.4%
	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	On 19 April 2021, profit before tax for the full year 2021 has been adjusted upwards to the range of DKK 140 – 155 million from DKK 125 – 140 million

# 5 YEARS IN SUMMARY

1,000 DKK	YEAR					
	2021	2020	2019	2018	2017	2020
<b>PROFIT AND LOSS ACCOUNT</b>						
Net income from interest	50.002	48.543	46.953	44.866	42.451	190.244
Div. on shares and other holdings	243	288	335	328	324	2.089
Charges and commissions (net)	45.722	43.462	35.156	34.176	28.310	155.181
<b>Net inc. from int. &amp; charges</b>	<b>95.967</b>	<b>92.293</b>	<b>82.444</b>	<b>79.370</b>	<b>71.085</b>	<b>347.514</b>
Value adjustments	3.386	-9.822	11.591	66.453	13.217	26.513
Other ordinary income	542	289	264	188	427	1.977
Staff costs and administrative expenses	48.737	49.044	45.635	40.863	36.418	193.929
Depreciation of intangible and tangible assets	1.336	765	765	765	765	5.195
Other operating expenses	16	0	0	0	0	234
Guarantee commission first guarantee scheme	0	0	0	0	0	194
Operating expenses	16	0	0	0	0	40
Write-downs on loans etc. (net)	2.560	10.631	3.730	5.140	5.392	32.874
<b>Operating profit</b>	<b>47.246</b>	<b>22.320</b>	<b>44.169</b>	<b>99.243</b>	<b>42.154</b>	<b>143.772</b>
Taxes	10.394	4.910	9.717	8.210	8.928	28.131
<b>Profit for the period</b>	<b>36.852</b>	<b>17.410</b>	<b>34.452</b>	<b>91.033</b>	<b>33.226</b>	<b>115.641</b>
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.569	1.569	1.569	1.569	6.487
<b>BALANCE SHEET AS PER JUNI 30TH</b>						
summary						
Total assets	9.034.004	7.581.001	6.761.185	6.110.511	5.792.694	8.974.467
Loans and other debtors	4.522.167	4.449.383	4.331.256	4.105.454	3.692.345	4.224.773
Guarantees etc.	2.751.291	2.519.235	1.669.526	1.095.207	856.353	2.630.139
Bonds	951.051	944.990	1.003.922	1.004.135	1.002.900	959.506
Shares etc.	199.880	205.209	230.223	269.157	229.693	201.220
Deposits	6.333.799	6.135.817	5.495.332	4.936.986	4.764.373	6.463.735
Subordinated cap. investments	97.959	97.459	100.000	99.837	99.658	97.834
<b>Capital funds</b>	<b>1.125.700</b>	<b>1.017.460</b>	<b>935.940</b>	<b>880.061</b>	<b>726.946</b>	<b>1.108.059</b>
Dividends						19.280
<b>Capital Base</b>	<b>1.131.788</b>	<b>1.043.459</b>	<b>920.540</b>	<b>808.913</b>	<b>705.971</b>	<b>1.135.869</b>
Total weighted items	5.539.970	5.694.301	5.175.884	5.009.123	4.280.873	5.370.562
<b>CORE EARNINGS</b>						
Core income	98.060	93.659	83.721	79.962	72.710	354.106
Total costs etc.	-50.089	-49.809	-46.400	-41.628	-37.183	-199.358
<b>Core earnings</b>	<b>47.971</b>	<b>43.850</b>	<b>37.321</b>	<b>38.334</b>	<b>35.527</b>	<b>154.748</b>

# FINANCIAL RATIOS - 31ST MARCH

Figures in pct.	2021	2020	2019	2018	2017
Solvency ratio	20,4	18,3	17,8	16,2	16,5
Core capital ratio	18,7	16,6	15,9	14,2	14,3
Return on own funds before tax*	4,4	2,2	4,9	12,4	6,2
Return on own funds after tax*	3,4	1,7	3,8	11,4	4,9
Earning/expense ratio in DKK	1,90	1,37	1,88	3,12	1,95
Interest rate risk	1,1	1,2	1,4	2,3	1,2
Foreign currency position	0,2	0,2	0,8	9,6	0,3
Foreign currency risk	0,0	0,0	0,0	0,1	0,0
Advances against deposits	64,4	77,8	85,3	89,1	84,6
LCR	301	312	245	199	285
Total large commitments**)	137,9	139,4	142,6	146,5	25,3
Accumulated impairment ratio	4,5	4,6	5,7	5,5	6,9
Impairment ratio for the period	0,1	0,1	0,1	0,1	0,1
Increase in loans etc. for the period	7,0	2,9	-0,7	4,6	0,1
Ratio between loans etc. and capital funds	4,0	4,4	4,6	4,7	5,5
(value pr share 100 DKK)					
Earnings per share (result period)*	18,5	8,2	17,1	46,4	16,4
Book value pr share*	553	497	455	426	347
Market value/earning per share	4,5	6,6	3,7	1,4	3,7
Market value/book value*	0,74	0,54	0,69	0,76	0,87
(value pr share 20 DKK)					
Earnings per share (result period)*	3,7	1,6	3,4	9,3	3,3
Book value pr share*	111	99	91	85	69
Market value	82,4	54,0	63,0	64,8	60,0

\*) 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	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
<b>PROFIT AND LOSS ACCOUNT</b>					
Net income from interest	50.002	47.344	48.183	46.174	48.543
Div. on shares and other holdings	243	51	78	1.672	288
Charges and commissions (net)	45.722	40.456	36.304	34.959	43.462
<b>Net inc. from int. &amp; charges</b>	<b>95.967</b>	<b>87.851</b>	<b>84.565</b>	<b>82.805</b>	<b>92.293</b>
Value adjustments	3.386	10.002	10.451	15.882	-9.822
Other ordinary income	542	439	953	296	289
Staff costs and administrative expenses	48.737	51.973	45.547	47.365	49.044
Depreciation of intangible and tangible assets	1.336	1.651	1.181	1.598	765
Other operating expenses	16	40	0	194	0
Guarantee commission first guarantee scheme	0	0	0	194	0
Operating expenses	16	40	0	0	0
Write-downs on loans etc. (net)	2.560	951	4.767	16.525	10.631
<b>Operating profit</b>	<b>47.246</b>	<b>43.677</b>	<b>44.474</b>	<b>33.301</b>	<b>22.320</b>
Taxes	10.394	12.671	3.223	7.327	4.910
<b>Profit for the period</b>	<b>36.852</b>	<b>31.006</b>	<b>41.251</b>	<b>25.974</b>	<b>17.410</b>
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.780	1.569	1.569	1.569
<b>BALANCE</b>					
Loans and other debts	4.522.167	4.224.773	4.258.988	4.230.606	4.449.383
Deposits	6.333.799	6.463.735	6.271.667	6.550.184	6.135.817
Subordinated cap. investments	97.959	97.834	97.709	97.584	97.459
Equity	1.125.700	1.108.059	1.077.215	1.038.051	1.017.460
Total assets	9.034.004	8.974.467	8.819.796	8.008.599	7.581.001
Guarantees etc.	2.751.291	2.630.139	2.553.613	2.308.723	2.519.235
<b>CORE EARNINGS</b>					
Core income	98.060	89.638	86.704	84.105	93.659
Total costs	-50.089	-53.664	-46.728	-49.157	-49.809
<b>Core earnings</b>	<b>47.971</b>	<b>35.974</b>	<b>39.976</b>	<b>34.948</b>	<b>43.850</b>

# MANAGEMENT'S REPORT

After a very satisfactory development in the first 3 months of the year, the expectations for profit for the year were adjusted upwards on 19 April 2021 to the range of DKK 140 – 155 million from DKK 125 – 140 million. At the same time, the expectations for core earnings were specified at the upper end of the range of DKK 140 – 155 million.

The upward adjustment is based on increasing net interest and fee income, a maintained cost level and sharply declining impairment. The Bank was chosen by a huge number 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, as well as assessing the establishment of new business addresses to further strengthen the positive development.

**Chair of the Board Hans Ladekjær Jeppesen states:**

*The Board of Directors is very satisfied with the Bank's general development and solid profit creation and assesses that the Bank has a solid base for the future as a locally based and independent financial institution with the strong relation-based business model and focus on the most important stakeholders.*

*Based on the soaring customer and employee satisfaction, profit has been created over a number of years that is at the very top of the sector and the Board is strongly convinced that in the coming years there is great potential for an independent local bank with a business model like ours and that we can continue the progress we have made in recent years.*

Profit before tax has more than doubled with DKK 47.2 million compared to DKK 22.3 million for Q1 2020. The growth of DKK 24.9 million is due to the increasing net interest and fee income of DKK 3.7 million, increased exchange rate adjustments of DKK 13.2 million and a reduction of loan impairment of DKK 8.1 million.

Impairments of DKK 2.5 million correspond to an impairment rate of 0.1 %. There has still been no need to make write-downs due to the Corona epidemic, but because of the continued uncertainty around the reopening of society, the management estimate of DKK 50 million is maintained from 2020.

As result of the Bank's cautious impairment policy, no net impairment has yet been recognised in the statement of profit or loss for the quarter. If the positive economic development in the Bank's customer portfolio continues and the uncertainty around the reopening of society is reduced during the year, it could lead to negative impairment, which Bank is not currently including in the expectations for the year.

The positive development in impairment need applies to all segments, including the agricultural industry, which generally has positive operations and consolidation. After the political closure of the profession, the mink breeders have gotten some clarification of their financial situation after a political agreement was made in January. In light of this, as well as the fact that the Bank's customers in mink are generally very well consolidated, the Bank does not expect to see losses in the mink segment.

The Bank's exposures in the hotel, restaurant, retail and tourism industries, which are and 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 customers in the private segment have generally done well and the average private household is in a financially strong position after about a year with Corona. There will naturally be an impairment need for individual private customers, but the current expectation is that the impairment need at the portfolio level will be very modest.

The exchange rate adjustments on the Bank's treasury portfolio of securities are positive by DKK 3.4 million, while during the same period last year they were negative by DKK 9.8 million. The Bank continues to pursue a very cautious investment policy.

Core earnings increased to DKK 47.9 million, compared with DKK 43.8 million in 2020, and the positive development in the core earnings that the Bank has realised in recent years thus continues, which is very satisfactory.

The demand for loans has increased sharply in Q1, after a negative lending growth over the past two years. Lending increased by DKK 297 million or 7% during the quarter. 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. For the full year, there is not expected to be a lending growth exceeding 10 %.

Another indicator of the high activity is the Bank's guarantees, which increased to DKK 2,751 million as of 31 March 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 Q1 2021 was maintained at 50%, which is well in line with the Bank's strategic goals in this regard. 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 offers financial leasing to the Bank's business customers via Skjern Bank Leasing. The development is satisfactory and there are 375 active leases as of 31 March 2021, with a residual lease debt of DKK 130.2 million.

The bank's loans and collaterals for guarantees divided by segments as of 31 March 2021 amounted to:

#### LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	31.03.2021	31.12.2020	31.03.2020
Public authorities	0,0%	0,0%	0,0%
Agriculture, hunting, forestry & fishing	10,3%	10,8%	11,1%
Plant production	1,3%	1,2%	1,4%
Cattle farming	5,8%	5,8%	6,0%
Pig farming	1,2%	1,2%	1,3%
Mink production	1,1%	1,8%	1,6%
Other agriculture	0,9%	0,8%	0,8%
Industry and mining	3,7%	3,6%	3,4%
Energy	2,0%	1,8%	2,6%
Building and constructions	5,6%	4,5%	5,9%
Wholesale	6,9%	6,3%	6,7%
Transport, hotels and restaurants	1,4%	1,4%	1,6%
Information and communication	0,5%	0,8%	0,3%
Financial and insurance business	4,7%	4,0%	5,2%
Real-estate	10,9%	11,8%	12,9%
Other business	4,0%	3,8%	4,4%
Private	50,0%	51,2%	45,9%

The liquidity coverage ratio amounted to 301 %, which is satisfactory despite a slight decrease compared to 351 % as of 31 December 2020. The decrease is due to increased lending volumes and reduced deposit volumes, but still follows the Bank's strategy of maintaining a solid liquidity coverage ratio based on stable customer deposits. The Bank has DKK 683 million in surplus relative to the internal goal of always having a minimum LCR of 225 %.

The growth in loans and guarantees has meant that the capital ratio has been reduced in Q1 from 21.2 % to 20.4 %, while the core capital ratio has been reduced from 19.3 % to 18.7 %. The growth in the business has meant that the risk-weighted items have increased by DKK 169 million. It should be noted that the Bank has not chosen to recognise the profit from the quarter in the capital base. If the results had been reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit and a potential dividend for 2021 was not offset, the capital ratio could be calculated at 21.2 % and the core capital ratio at 19.4 %. By the end of the first half of 2021, the Bank will fully recognise the profit for the period.

The individual solvency requirement is calculated at 9.8 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 10.6 %. Compared with the actual capital base of DKK 1,131.8 million, there was a surplus of DKK 543.7 million at 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 345.4 million.

If the Bank had chosen to recognise the profit after tax for Q1 of DKK 36.8 million in the capital base, the surplus relative to the necessary capital would have been able to amount to 7 percentage points, corresponding to a solvency coverage of 149.7 % or DKK 389.7 million.

## **CAPITAL GOALS AND DIVIDEND POLICY**

The Bank has achieved a solid capital coverage, primarily consisting of a core capital of 17.6 % compared with the individual solvency requirements of 9.8 %, which, added to the capital conservation buffer of 2.5% and NEP requirement of 1.865 %, amounts to total capital requirements of 14.165 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.

Based on the dividend policy, the Bank distributed dividends of DKK 19.3 million for the financial year 2020 on 04 March 2021 after its adoption at the Annual General Meeting on 01 March 2020. Prior to the distribution, the Bank engaged in a dialogue with the Danish Financial Supervisory Authority on the soundness of the distribution and the Danish Financial Supervisory Authority took the Bank's statements into consideration.

It is the Bank's unchanged assessment that the capital resources of the Bank are fully adequate and sound after the distribution of dividends, but the Bank will of course monitor the social economy and the impact of the Corona epidemic on the Bank's customers and will then allocate capital resources.

In Q4 2021, the Bank's Board of Directors will make the initial assessment of whether to distribute dividends for the financial year 2021 on this basis, 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

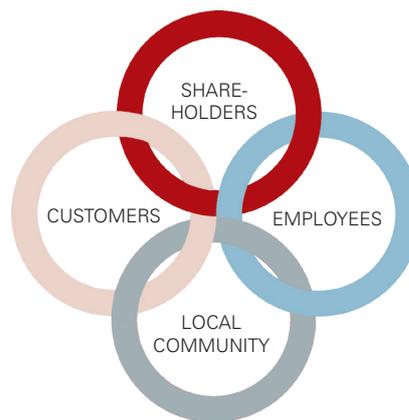
The Bank has a great many private customers in most of the country and small and medium-sized business customers in the Bank's local areas. The Bank is largely chosen by new customers who, like the Bank's many existing customers, want a local Bank where they know their adviser and where they have time for them.

Through a close familiarity with individual customers and their needs, the Bank wants to make a difference when our customers are facing important financial decisions, but also in daily life when online banking, mobile banking and cards have to work. The Bank wants to be close to the customers, to have short response times and to find the financing solutions that work for each customer.

At Skjern Bank, we define this by our key values:

**customer focus, presence, drive and decency.**

The Bank's employees are very humbled by the trust shown by the customers, both when it comes to



managing their finances but also by the customers referring family, friends and acquaintances to the Bank in large numbers via the Bank's customer referral concept. The references from satisfied customers is the biggest reason why the bank experiences high and very satisfactory customer growth year after year.

### **Employees**

The Bank currently employs 172 employees, which is an increase of 2 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 very important for the Bank and there are annual measurements of the development in 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 be part of the employee team.

Employee satisfaction is very high, which is an important foundation for always being able to offer our many customers advice and service at the high level expected by the customers, the employees and the Bank.

### **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.

## NET INTEREST INCOME

Net interest income amounted to DKK 50.0 million as of 31 March 2021, which is an increase of DKK 1.5 million, corresponding to 3.0 % compared to 31 March 2020.

Total interest income, including interest income on deposits, increased by DKK 0.3 million, corresponding to 0.7 % compared to 31 March 2020. The increase is primarily due to an increase in interest income from deposits, as the interest income from loans has decreased by DKK 2.7 compared to last year.

Interest expense amounted to DKK 4.1 million and was reduced by DKK 0.3 million as a result of reduced interest expense to Danmarks Nationalbank, while the interest expense for customer deposits was reduced by DKK 0.8 million.

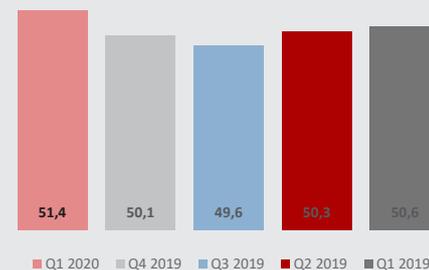
## NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 45.7 million, compared to DKK 43.5 million in 2020, and thus increased by a very satisfactory DKK 2.2 million. The high activity in the loan area has led to an income growth of DKK 1.0 million in loan fees compared with Q1 2020. Guarantee provisions increased by DKK 0.6 million, and income from securities trading and custody accounts increased by DKK 1.7 million, while payment services, other fees and fees paid were reduced by a total of DKK 1.1 million.

Dividends of DKK 0.2 million were realised, which is the same level as last year.

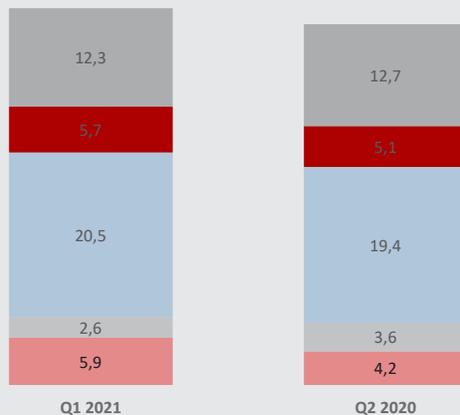
Net interest and fee income amounted to DKK 95.9 million, which is DKK 3.7 million or 4.0 % higher than Q1 2020.

Interest income  
Million DKK

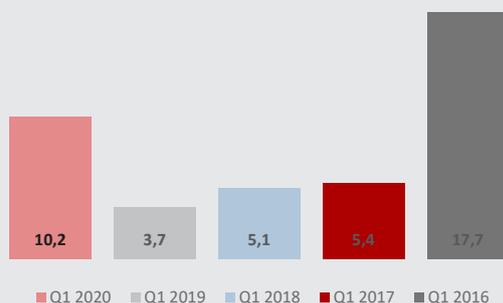


### Charges and commissions receivable (Million DKK)

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



### Write-downs on loans etc. Million DKK



## EXCHANGE RATE ADJUSTMENTS

The total exchange rate adjustments were positive by DKK 3.4 million, compared with negative exchange rate adjustments of DKK 9.8 million in Q1 2020.

The exchange rate adjustments were divided into DKK -2.8 million in the bond portfolio and DKK 4.3 million in the shareholdings, of which sectoral shares comprise capital gains of DKK 2.8 million. In addition, currencies, derivative financial instruments and pooling arrangements achieved an income of DKK 1.9 million during the same period.

## EXPENSES

Costs for personnel and administration etc. were DKK 0.3 million less than the same period last year and amount to DKK 48.7 million.

Personnel expenses are unchanged compared to Q1 2020, as salaries and pensions as a result of an increase in the number of employees increased by DKK 0.5 million, while payroll tax was reduced by DKK 0.5 million.

Administration costs decreased by DKK 0.3 million, distributed between IT expenses, marketing and other administrative costs.

## IMPAIRMENT

Net impairment for the period of DKK 2.6 million compared with DKK 10.6 million in 2020.

The Bank's management estimate for impairment has been maintained unchanged at DKK 50 million, as there has been no need for impairment on the Bank's customers as a result of Corona. The management estimate is maintained as a result of

the continued uncertainty in connection with the ongoing reopening of Denmark.

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 47.2 million compared with DKK 22.3 million as of 31 March 2020. After taxes, profit for the period amounted to DKK 36.9 million.

The management is pleased to note that the profit before tax has increased significantly as a result of an increase in net interest and fee income, exchange rate adjustments and a reduced level of impairment. The profit is at a satisfactory level and the Bank also considers the business development to be very satisfactory, with the increasing number of customers, increased lending and guarantees and continued stable customer deposits.

Core earnings of DKK 47.9 million were realised, which is DKK 4.1 million higher than 31 March 2020. The increase is due to an increase in core income, while core expenses were maintained at the same level. The profit is considered very satisfactory.

## CORE EARNINGS 1 JANUARY - 31 MARCH

Beløb i 1.000 kr.	2021	2020	1.1-31.12 2020
Net income from interest	50.002	48.543	190.244
Net charges and commission	45.722	43.462	155.181
Dividend on shares and other holdings	243	288	2.089
Foreign currency value adjustments*	1.551	1.077	4.615
Other ordinary income	542	289	1.977
<b>Core income</b>	<b>98.060</b>	<b>93.659</b>	<b>354.106</b>
Staff costs and administrative expenses	48.737	49.044	193.929
Depreciation and write-downs on intangible and tangible assets	1.336	765	5.195
Other operating expenses	16	0	234
<b>Costs</b>	<b>50.089</b>	<b>49.809</b>	<b>199.358</b>
<b>Core earnings</b>	<b>47.971</b>	<b>43.850</b>	<b>154.748</b>
Write-downs	-2.560	-10.631	-32.874
Value adjustments*	1.835	-10.899	21.898
<b>Result before tax</b>	<b>47.246</b>	<b>22.320</b>	<b>143.772</b>
Tax	10.394	4.910	28.131
<b>Net-result for the financial year</b>	<b>36.852</b>	<b>17.410</b>	<b>115.641</b>

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

## **CAPITAL**

Equity amounted to DKK 1,125.7 million compared to DKK 1,108.1 million at the end of the previous year. Equity increased by DKK 17 million, as dividends of DKK 19.3 distributed in March 2021 were deducted from equity. 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 1,131.8 million. The realised profit after tax for Q1 2021 of DKK 36.9 million is not included in the Bank's capital base.

In Q1 2021, the Bank has increased risk-weighted items by DKK 169 million to DKK 5,540 billion. The capital ratio was estimated at 20.4 % without recognition of profit for the quarter, which is a reduction of 0.8 % points since 31 December 2020.

The necessary capital of 14.165 % is comprised of the individual solvency requirement of 9.8 % 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 345.4 million. If the profit for the quarter were included, the surplus relative to the necessary capital would have been able to amount to 7 percentage points, corresponding to a solvency coverage of 149.7 % or DKK 389.7 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 6,334 million, of which DKK 5,906 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 institutions must have a coverage of at least 100%.

The Bank fulfils this requirement and has a liquidity coverage ratio of 301 %.

## **SKJERN BANK SHARES**

The Bank is owned by 15,327 shareholders. The share price was 82.4 on 31 March 2021, compared with 70.4 at the beginning of the year. The market price thus amounts to DKK 794.3 million, corresponding to a rate / intrinsic value of 0.74.

## **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 140 – 155 million, assuming positive exchange rate adjustments at the level of DKK 7 million and 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.

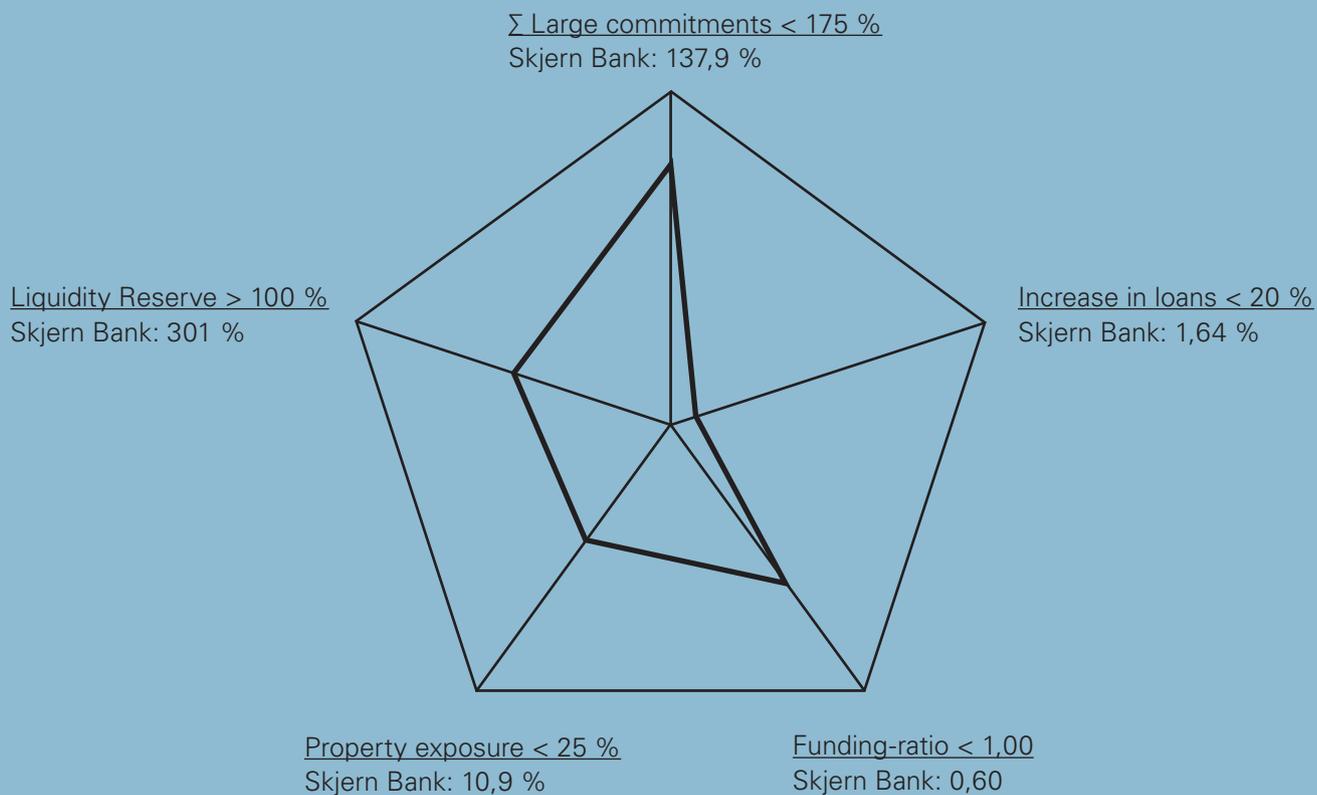
The Bank’s status for each indicator as of 31 March 2021 is calculated in the figure below, where the indicators established by the Danish Financial Supervisory Authority are also shown.

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 301 % as of 31 March 2021 compared to 349 % as of 31 December 2020.

# THE SUPERVISORY DIAMOND



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 60 %. As of 31 December 2020, the funding ratio amounted to 57 %.

Property exposure (maximum 25 percent):

Property exposure is 10.9 %, 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 137.9 %, compared with 118.3 % at the end of 2020.

Property exposure (maximum 20 percent):

The Bank has realised an increase in lending of 1.64 % as of 31 March 2021 compared with a decrease in lending of 2.33 % at the end of 2020.

## **TRANSACTIONS WITH RELATED PARTIES**

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

## **CONTRIBUTION TO THE SETTLEMENT FUND**

The Bank's annual contribution to the Settlement Fund of DKK 0.5 million is due in Q2 2021.

## **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 31 MARCH 2021**

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

**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.

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 quarterly report for the period of 1 January – 31 March 2021 for Skjern Bank A/S.

The quarterly 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 requirements 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.

The quarterly report has not been audited or reviewed, and there has been no recognition of the third quarter's earnings in core capital.

Skjern, 6 May 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 Christian Poulsen

Niels Erik Kjærgaard

Lars Skov Hansen

Carsten Jensen

Michael Tang Nielsen

# PROFIT AND LOSS ACCOUNT AND STATE- MENT OF COMPREHENSIVE INCOME JANUARY 1ST - MARCH 31ST

1,000 DKK	2021	2020	1.1-31.12 2020
Interest receivable	48.673	51.397	195.693
Interest receivable deposits	5.458	2.379	15.119
Interest receivable	1.423	2.300	8.344
Interest payable central banks	2.706	2.933	12.224
<b>Net income from interest</b>	<b>50.002</b>	<b>48.543</b>	<b>190.244</b>
Dividend on shares and other holdings	243	288	2.089
Charges and commission receivable	47.068	44.916	160.113
Charges and commission payable	1.346	1.454	4.932
<b>Net income from interest and charges</b>	<b>95.967</b>	<b>92.293</b>	<b>347.514</b>
Value adjustments	3.386	-9.822	26.513
Other ordinary income	542	289	1.977
Staff costs and administrative expenses	48.737	49.044	193.929
Depreciation and write-downs on intangible and tangible assets	1.336	765	5.195
Other operating expenses	16	0	234
Contribution to the Guarantee Fund for deposits	0	0	194
Guarantee commission first guarantee scheme	16	0	40
Write-downs	2.560	10.631	32.874
<b>Result before tax</b>	<b>47.246</b>	<b>22.320</b>	<b>143.772</b>
Tax	10.394	4.910	28.131
<b>Net-result for the financial year</b>	<b>36.852</b>	<b>17.410</b>	<b>115.641</b>
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.569	6.487
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	36.852	17.410	115.641
Other comprehensive income after tax	0	0	0
<b>Total comprehensive income</b>	<b>36.852</b>	<b>17.410</b>	<b>115.641</b>



# BALANCE BY MARCH 31

1,000 DKK	2021	2020	1.1-31.12 2020
<b>ASSETS</b>			
Cash in hand and demand deposits with central banks	354.488	214.914	192.109
Receivables at credit institutions and central banks	1.669.417	1.625.360	2.225.139
Loans and other receivables at amortised cost	4.522.167	4.449.383	4.224.773
Bonds at fair value	951.051	944.990	959.506
Shares etc.	199.880	205.209	201.220
Shares associated with pool schemes	1.177.782	-	1.039.002
Land and buildings (total)	65.829	46.841	66.758
Investment properties	3.019	3.019	3.019
Owner-occupied properties	42.809	43.822	43.166
Owner-occupied properties, leasing	20.001	-	20.573
Other tangible assets	3.979	4.177	4.253
Current tax assets	18.114	21.967	183
Other assets	70.652	66.264	60.806
Prepayments	645	1.896	718
<b>Total assets</b>	<b>9.034.004</b>	<b>7.581.001</b>	<b>8.974.467</b>

1,000 DKK	2021	2020	1.1-31.12 2020
<b>LIABILITIES</b>			
<b>DEBT</b>			
Debt to credit institutions and central banks	203.397	258.361	181.165
Deposits and other debts	6.333.799	6.135.817	6.463.735
Deposits in pooled schemes	1.177.782	-	1.039.002
Other liabilities	67.047	59.638	71.121
Prepayments	3.278	1.677	1.656
<b>Total debt</b>	<b>7.785.303</b>	<b>6.455.493</b>	<b>7.756.679</b>
<b>PROVISIONS</b>			
Provisions for deferred tax	1.423	675	1.423
Provisions for loss on guarantees	23.619	9.914	10.472
<b>Total provisions</b>	<b>25.042</b>	<b>10.589</b>	<b>11.895</b>
<b>SUBORDINATED DEBT</b>			
Subordinated loan capital	97.959	97.459	97.834
<b>Total subordinated debt</b>	<b>97.959</b>	<b>97.459</b>	<b>97.834</b>
<b>EQUITY</b>			
Share capital	192.800	192.800	192.800
Revaluation reserves	417	417	417
Retained earnings	872.990	764.125	834.814
Dividend	-	-	19.280
<b>Capital owners share of equity</b>	<b>1.066.207</b>	<b>957.342</b>	<b>1.047.311</b>
Holders of hybrid capital <b>Total equity</b>	59.493 <b>1.125.700</b>	60.118 <b>1.017.460</b>	60.748 <b>1.108.059</b>
<b>Total liabilities</b>	<b>9.034.004</b>	<b>7.581.001</b>	<b>8.974.467</b>

## OFF-BALANCE-SHEET ITEMS BY MARCH 31

1,000 DKK	2021	2020	1.1-31.12 2020
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	766.147	498.086	689.786
Guarantees against losses on mortgage credit loans	827.049	702.579	787.151
Registration and conversion guarantees	1.027.577	220.406	1.015.910
Other contingent liabilities	130.518	1.098.164	137.292
<b>Total</b>	<b>2.751.291</b>	<b>2.519.235</b>	<b>2.630.139</b>
Other binding engagements			
Irrevocable credit-undertakings	405.550	69.770	466.619
<b>Total</b>	<b>405.550</b>	<b>69.770</b>	<b>466.619</b>

# INFORMATION ON CHANGES IN EQUITY

## MARCH 31

1,000 DKK	2021	2020	1.1-31.12 2020
Share capital beginning-of-year	192.800	192.800	192.800
<b>Share capital end-of-year</b>	<b>192.800</b>	<b>192.800</b>	<b>192.800</b>
Revaluation reserves beginning-of-year	417	417	417
<b>Revaluation reserves end-of-year</b>	<b>417</b>	<b>417</b>	<b>417</b>
Retained earnings beginning-of-year	834.814	744.402	744.402
Profit or loss for the financial year	35.563	15.841	89.873
Dividends own shares	1	30	30
Purchase of own funds	1	21	509
<b>Retained earnings end-of-year</b>	<b>870.379</b>	<b>760.294</b>	<b>834.814</b>
Dividends beginning-of-year	19.280	28.920	28.920
Proposes dividends	0	0	19.280
Dividends paid	-16.669	-25.089	-28.920
<b>Dividends</b>	<b>2.611</b>	<b>3.831</b>	<b>19.280</b>
Holder 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)	1.289	1.569	6.211
Paid interest	-2.544	-1.481	-4.707
<b>Holder of hybrid capital end-of-year</b>	<b>59.493</b>	<b>60.118</b>	<b>60.748</b>
<b>Total equity</b>	<b>1.125.700</b>	<b>1.017.460</b>	<b>1.108.059</b>

# NOTES PER MARCH 31

1,000 DKK	2021	2020	1.1-31.12 2020
<b>INTEREST INCOME</b>			
Loans and other receivables	45.502	48.559	185.039
Bonds	1.230	1.357	5.022
Other derivative financial instruments, total	1.941	1.481	5.249
of which			
Currency contracts	1.979	1.728	-533
Interest-rate contracts	-38	-247	5.782
Other interest income	0	0	383
<b>Total</b>	<b>48.673</b>	<b>51.397</b>	<b>195.693</b>
<b>INTEREST EXPENSES</b>			
Deposits	-407	717	640
Subordinated debt	1.556	1.574	6.542
Other interest expenses	274	9	1.162
<b>Total</b>	<b>1.423</b>	<b>2.300</b>	<b>8.344</b>
<b>FEES AND COMMISSION INCOME</b>			
Securities trading and custody accounts	5.907	4.180	21.647
Payment services	2.641	3.554	11.098
Loan fees	20.478	19.430	76.106
Guarantee commission	5.690	5.076	20.919
Other fees and commission	12.352	12.676	30.343
<b>Total</b>	<b>47.068</b>	<b>44.916</b>	<b>160.113</b>
<b>VALUE ADJUSTMENTS</b>			
Bonds	-2.807	-5.279	-1.040
Total shares	4.309	-5.623	23.433
Shares in sector companies etc.	2.834	2.687	9.012
Other shares	1.475	-8.310	14.421
Foreign currency	1.551	1.077	4.615
Other financial instruments	140	3	-219
Assets linked to pooled schemes	38.307	-	-71.313
Deposits in pooled schemes	-38.114	-	71.037
<b>Total</b>	<b>3.386</b>	<b>-9.822</b>	<b>26.513</b>

1,000 DKK	2021	2020	1.1-31.12 2020
<b>STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
<b>SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.</b>			
Board of managers	810	810	3.378
Fixed fees	810	810	3.378
Management board	354	326	1.370
Audit Committee	0	0	90
Committee of representatives	0	0	165
<b>Total salaries and remuneration of board etc.</b>	<b>1.164</b>	<b>1.136</b>	<b>5.003</b>
<b>STAFF COSTS</b>			
Wages and salaries	25.218	24.732	88.152
Pensions	2.520	2.443	9.725
Social security costs	345	328	1.243
Payroll tax	3.767	4.310	15.637
<b>Total staff costs</b>	<b>31.850</b>	<b>31.813</b>	<b>114.757</b>
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>15.723</b>	<b>16.095</b>	<b>74.169</b>
<b>Total staff costs and administrative expenses</b>	<b>48.737</b>	<b>49.044</b>	<b>193.929</b>
<b>EMPLOYEES</b>			
Average number of employees converted into full-time employees	161	159	158
<b>WRITE-DOWNS ON LOANS AND RECEIVABLES</b>			
Write-downs and provisions during the year	83.442	56.131	177.716
Reversal of write-downs made in previous years	-79.439	-40.436	-135.040
Finally lost, not previously written down	672	565	4.828
Interest on the written-down portion of loans	-1.952	-2.819	-11.188
Recoveries of previously written off debt	-163	-2.810	-3.442
<b>Total</b>	<b>2.560</b>	<b>10.631</b>	<b>32.874</b>

# NOTES PER MARCH 31 (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	7.538	5.283	12.848
-hereby new facilities in the period: 4,991 TDKK			
Stage 1 impairment reversed during the period	-6.057	-4.822	-11.582
<b>Cummulative stage 1 impairment total</b>	<b>22.752</b>	<b>20.466</b>	<b>21.271</b>
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	33.134	10.024	92.635
Stage 2 impairment reversed during the period	-29.229	-11.245	-45.938
<b>Cummulative stage 2 impairment total</b>	<b>113.678</b>	<b>61.855</b>	<b>109.773</b>
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	27.019	39.696	66.707
Reversal of stage 3 impairment charges during the period	-42.124	-21.227	-70.684
Recognised as a loss, covered by stage 3 impairment charges	-19.319	-12.118	-18.389
<b>Cummulative stage 3 impairment total</b>	<b>183.462</b>	<b>246.603</b>	<b>217.886</b>
<b>Total cumulative impairment charges IFRS9</b>	<b>319.892</b>	<b>328.924</b>	<b>348.930</b>
GUARANTEES			
Provisions beginning of the year	10.472	13.590	13.590
Loss on guarantees	15.751	1.128	5.527
Reversal of provisions	-2.029	-3.142	-6.906
Provisions for losses	-575	-1.739	-1.739
<b>Guarantees end of year</b>	<b>23.619</b>	<b>9.837</b>	<b>10.472</b>
<b>Total cumulative impairment charges IFRS9 and guarantees</b>	<b>343.511</b>	<b>338.761</b>	<b>359.402</b>

1,000 DKK

	2021	2020	1.1-31.12 2020
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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
<b>Beginning</b>			
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
<b>End</b>			
Impairment	22.753	113.678	183.461
- in % of total impairment	7%	36%	57%
Maximum credit risk	8.078.765	1.108.322	439.817
- in % of maximum credit risk	84%	12%	5%
Rating, weighted average	3,2	7,0	10,0

The development in Stage 3 is mainly due to the fact that an extra amount of DKK 25 million has been reserved. DKK to a management estimate based on the Corona crisis.

LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	95.204	99.845	61.596
<b>SHARE CAPITAL</b>			
Number of shares at 20 DKK each	9.640.000	9.640.000	9.640.000
Share capital	192.800	192.800	192.800
<b>OWN CAPITAL SHARES</b>			
Number of shares (pcs)	5.631	10.317	6.047
Nominal value hereof	113	206	121
Market value hereof	474	557	426
Own shares proportion of share capital (pct.)	0,06%	0,11%	0,06%

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