

3rd quarterly report 2020

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Very acceptable profit

	30/9 2020	Profit before tax amounts to DKK 100.1 million
	CORE EARNINGS	Increased to DKK 118.8 million, compared with DKK 112.0 million as of 30 September 2019
	NET INTEREST AND FEE INCOME	Increased by 3.8 % to DKK 259.7 million
	IMPAIRMENT	Impairment of DKK 31.9 million after reservation of DKK 40 million for Corona-related risk
	LENDING	Deposits increased 9 % to DKK 6.3 billion and lending decreased 0.7% to DKK 4.3 billion
	CAPITAL	Capital ratio of 20.3 % and core capital ratio of 18.4 % Solvency requirements are 9.8 %.
	CORE EARNINGS EXPECTATIONS	Core earnings have been adjusted upwards to the range of DKK 140 – 155 million for the entire year of 2020
	EXPECTATIONS ANNUAL PROFIT BEFORE TAX	Profit before tax has been adjusted upwards to the range of DKK 125 – 140 million for the full year 2020

5 years in summary

1,000 DKK	YEAR					
	2020	2019	2018	2017	2016	2019
PROFIT AND LOSS ACCOUNT						
Net income from interest	142.900	138.574	138.609	128.610	121.330	185.287
Div. on shares and other holdings	2.038	5.787	3.397	9.866	12.340	5.863
Charges and commissions (net)	114.725	105.889	88.028	84.816	64.613	143.257
Net inc. from int. & charges	259.663	250.250	230.034	223.292	198.283	334.407
Value adjustments	16.511	36.793	72.585	28.214	13.603	40.225
Other ordinary income	1.538	1.352	989	874	1.284	1.945
Staff costs and administrative expenses	141.956	140.705	127.793	116.247	109.608	191.861
Depreciation of intangible and tangible assets	3.544	2.295	2.295	2.295	2.898	2.821
Other operating expenses	194	112	52	52	52	112
Guarantee commission first guarantee scheme	194	112	52	52	52	112
Write-downs on loans etc. (net)	31.923	11.202	13.939	14.133	24.682	16.831
Operating profit	100.095	134.081	159.529	119.653	75.930	164.952
Taxes	15.460	24.878	20.438	15.834	15.882	29.469
Profit for the period	84.635	109.203	139.091	103.819	60.048	135.483
Of which are holders of shares of hybrid core capital instruments etc.	4.707	4.707	4.707	4.707	4.707	6.626
BALANCE SHEET AS PER JUNI 30TH						
summary						
Total assets	8.819.796	7.332.658	6.596.150	6.101.940	5.683.466	7.614.080
Loans and other debtors	4.258.988	4.289.001	4.245.526	3.776.094	3.741.418	4.325.613
Guarantees etc.	2.553.613	2.262.047	1.335.451	1.025.649	831.003	2.379.168
Bonds	882.716	1.043.597	1.034.147	1.089.020	807.658	1.045.717
Shares etc.	194.652	209.928	250.872	246.068	218.356	225.094
Deposits	6.271.667	5.772.673	5.293.337	5.011.635	4.711.560	6.223.604
Subordinated cap. investments	97.709	99.209	99.917	99.738	99.559	97.334
Capital funds	1.077.215	1.002.122	925.150	794.347	674.984	1.026.569
Dividends						28.920
Capital Base	1.067.258	975.788	923.911	770.595	678.095	1.032.679
Total weighted items	5.267.200	5.484.325	5.077.414	4.386.135	4.282.495	5.551.264
CORE EARNINGS						
Core income	264.468	255.107	234.421	227.229	202.558	340.939
Total costs etc.	-145.694	-143.112	-130.140	-118.595	-112.558	-194.794
Core earnings	118.774	111.995	104.281	108.634	90.000	146.145

Financial ratios - 30th September

Figures in pct.	2020	2019	2018	2017	2016
Solvency ratio	20,3	17,8	18,2	17,6	15,8
Core capital ratio	18,4	16,0	16,2	15,5	13,9
Return on own funds before tax*	9,6	14,3	19,1	16,1	12,3
Return on own funds after tax*	8,1	11,6	16,6	13,9	9,7
Earning/expense ratio in DKK	1,56	1,87	2,11	1,87	1,52
Interest rate risk	1,1	1,8	1,6	1,8	0,6
Foreign currency position	0,2	0,3	0,1	0,3	0,4
Foreign currency risk	0,0	0,0	0,0	0,0	0,0
Advances against deposits	63,5	80,2	86,8	82,2	87,1
LCR	307	282	236	300	325
Total large commitments**)	130	137	142	40,5	22,8
Accumulated impairment ratio	4,9	5,2	6,0	6,7	7,3
Impairment ratio for the period	0,4	0,2	0,2	0,3	0,7
Increase in loans etc. for the period	-1,5	-1,6	8,2	2,4	6,6
Ratio between loans etc. and capital funds	4,0	4,3	4,6	4,8	6,1
(value pr share 100 DKK)					
Earnings per share (result period)*	41,5	54,2	69,7	51,4	28,7
Book value pr share*	528	490	449	412	320
Market value/earning per share	7,4	5,5	4,7	7,3	7,0
Market value/book value*	0,58	0,61	0,73	0,91	0,63
(value pr share 20 DKK)					
Earnings per share (result period)*	8,3	10,8	13,9	10,3	5,7
Book value pr share*	106	98	90	82	64
Market value	61,0	59,8	65,4	75	39

*) 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	3Q 2020	2Q 2020	1Q 2019	2Q 2019	3Q 2019
PROFIT AND LOSS ACCOUNT					
Net income from interest	48.183	46.174	48.543	46.713	45.425
Div. on shares and other holdings	78	1.672	288	76	981
Charges and commissions (net)	36.304	34.959	43.462	37.368	36.974
Net inc. from int. & charges	84.565	82.805	92.293	84.157	83.380
Value adjustments	10.451	15.882	-9.822	3.432	22.587
Other ordinary income	953	296	289	593	368
Staff costs and administrative expenses	45.547	47.365	49.044	51.156	48.320
Depreciation of intangible and tangible assets	1.181	1.598	765	526	765
Other operating expenses	0	194	0	0	0
Guarantee commission first guarantee scheme	0	194	0	0	0
Write-downs on loans etc. (net)	4.767	16.525	10.631	5.629	4.009
Operating profit	44.474	33.301	22.320	30.871	53.241
Taxes	3.223	7.327	4.910	4.591	7.093
Profit for the period	41.251	25.974	17.410	26.280	46.148
Of which are holders of shares of hybrid core capital instruments etc.	1.569	1.569	1.569	1.919	1.569
BALANCE					
Loans and other debts	4.258.988	4.230.606	4.449.383	4.325.613	4.289.001
Deposits	6.271.667	6.550.184	6.135.817	6.223.604	5.772.673
Subordinated cap. investments	97.709	97.584	97.459	97.334	99.209
Equity	1.077.215	1.038.051	1.017.460	1.026.569	1.002.122
Total assets	8.819.796	8.008.599	7.581.001	7.614.080	7.332.658
Guarantees etc.	2.553.613	2.308.723	2.519.235	2.379.168	2.262.047
CORE EARNINGS					
Core income	86.704	84.105	93.659	85.832	85.026
Total costs	-46.728	-49.157	-49.809	-51.682	-49.085
Core earnings	39.976	34.948	43.850	34.150	35.941

Management's report

After a very satisfactory development in the first 9 months of the year, in the stock exchange announcement on 6 October the Bank raised its expectations for the profit before tax for the year from the original DKK 115 – 130 million to DKK 125 – 140 million and simultaneously raised the expectation for core earnings from DKK 125 – 140 million to DKK 140 – 155 million.

It is extremely positive that the generation of profit in the Bank has strengthened so significantly compared to the original expectations and even at the same time as additional reserves are made for write-downs in the range of DKK 20 million compared to the originally announced range.

The first 9 months of the year have been challenging for everyone as a result of the global Corona epidemic. Skjern Bank, like most other companies, has also been heavily impacted by this, but notes that the first 9 months of the year have had satisfactory progress in several areas, primarily including interest and fee income.

Net interest and fee income increased by DKK 9.4 million, corresponding to 3.8 %, with growth in both interest income and fee income. In a competitive market, it is considered satisfactory to raise the level of interest income, while the increase in fee income is very satisfactory and is due to increases in loan fees, brokerage on securities trading and other fees as a result of a generally high activity amongst existing customers and strong customer growth in recent years.

Exchange rate adjustments on the Bank's treasury portfolio of securities have developed extremely positively after a difficult start to 2020. After a strong Q3, exchange rate adjustments are calculated at a total of DKK 16.5 million for the first 9 months of the year, which is described as very satisfactory.

In an uncertain market as a result of the Corona epidemic, the Bank's strategy of low interest risk and short maturity in the bond portfolio has led to a limited negative exchange rate adjustment of DKK 1.0 million in the bond portfolio. Positive exchange rate adjustments of DKK 14.5 million were realised for the first 3 quarters of the year, of which DKK 6.2 million originate from sector shares.

Profit before tax was affected by impairment of DKK 31.9 million. The increase in write-downs of DKK 20.7 million is solely due to the fact that as of Q3, the write-downs include an unchanged management estimate of a total of DKK 40 million for Corona-related risks. The management estimate has not been lowered, as there is still considered to be significant uncertainty in Q4 2020 and all the way into 2021.

It is primarily on a corporate loan that a management estimate has been made as a result of the

uncertainty surrounding operations in line with aid packages ceasing.

Core earnings has increased by DKK 6.8 million to DKK 118.8 million compared with DKK 112 million in 2019, which is satisfactory considering the increased costs of DKK 1.2 million, primarily for more employees and increased expenses for IT.

The growth in business volume and stricter compliance requirements increase the need for recruiting in the Bank. It is positive that the Bank is being chosen by highly qualified employees, including an increasing number of young people, for many exciting positions in the Bank.

Profit before tax amounted to DKK 100.1 million as of 30 September 2020, which is a reduction of DKK 34.0 million compared to the same period in 2019. The decrease is despite a growth in net interest and fee income of DKK 9.4 million and is due to reduced exchange rate adjustments of DKK 20.3 million, increased costs of DKK 1.2 million and increased write-downs of DKK 20.7 million, primarily as a result of Corona provisions. Without the provision of the extraordinary managerial estimate of DKK 40 million, the Bank would have had an income under impairment of DKK 8.1 million and a profit before tax that was DKK 6.0 million higher than in 2019.

The impairment need was negatively affected by the Corona epidemic, but there is still a generally positive development in all segments, including the agricultural industry, which has generally positive operations and consolidation. However, mink breeders still have very low settlement prices and exchange rates, and in light of this, positive consolidation is not possible. At the turn of the quarter, the Corona epidemic has largely spread to the mink industry and at the time of writing it is most likely that the authorities' demands for mass killing of mink herds will be implemented, regardless of whether or not the individual mink breeder's herd is infected. The affected mink breeders will receive compensation for the lost herds, but it is hardly expected that the compensation will hold the breeders financially harmless.

The Bank's customers in the mink industry are very well consolidated, so there is not considered to be a significant risk associated with this. The Bank has a very limited exposure within the hotel, restaurant, retail and tourism industries, which are still being hit hard by the Corona epidemic. The Bank is generally in close dialogue with all customers on the challenges and is closely monitoring the situation in all industries. The Bank is still ready to help our customers through the Corona crisis in cases where it makes business sense for the customer and thus also the Bank.

The Bank's customers in the private segment are generally doing well and the average private household is strongly equipped to withstand the ongoing crisis as a result of the Corona pandemic. There will be impairment need for individual private customers, but the current expectation is that the impairment need at the portfolio level will be very modest.

The demand for loans has been slightly increasing again in Q3, and due to this the lending portfolio increased by DKK 28.4 million in Q3 2020. In total, there was a decrease of DKK 66.6 million for the first 3 quarters of the year, corresponding to 1.5 %. The influx of new customers in 2020 is still very solid, but ordinary repayments of major exposures exceed the slightly increasing demand for loans from new and existing customers and therefore lending has slightly decreased for the period overall. Lending is expected to decline slightly for the full year, despite the very satisfactory customer growth in all of the Bank's branches.

The Bank's guarantees are at a high level of DKK 2,553 million as of 30 September 2020 compared with DKK 2,379 million as of the end of 2019. The high level of guarantees reflects a high level of activity amongst the Bank's customers.

The proportion of lending and guarantees to private customers increased by 5.0 % to 49.0 % during 2020, which is nicely in line with the Bank's goal of increasing the proportion of lending and guarantees to private customers. The Bank's long-term goal is a distribution of 50 % to the private segment and 50 % to the business segments. It has been strategically decided that the exposure to individual business segments must not exceed 15 %.

The Bank offers financial leasing to the Bank's business customers via Skjern Bank Leasing. The development is satisfactory, and as of 30 September 2020, well over 425 leasing contracts were established with a remaining leasing debt of approximately DKK 120 million.

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.09.2020	31.12.2019	30.09.2019
Public authorities	0,0%	0,0 %	0,0%
Agriculture, hunting, forestry & fishing	10,5%	12,0 %	11,7%
Plant production	1,3%	1,6 %	1,6%
Cattle farming	5,8%	6,7 %	6,3%
Pig farming	0,9%	1,5 %	1,6%
Mink production	1,8%	1,5 %	1,2%
Other agriculture	0,7%	0,7 %	1,0%
Industry and mining	3,8%	4,0 %	3,4%
Energy	2,3%	2,6 %	2,9%
Building and constructions	5,5%	6,2 %	6,2%
Wholesale	6,0%	5,9 %	6,0%
Transport, hotels and restaurants	1,2%	1,7 %	1,4%
Information and communication	0,3%	0,2 %	0,4%
Financial and insurance business	5,3%	5,1 %	5,0%
Real-estate	11,9%	13,4 %	12,6%
Other business	4,2%	4,9 %	5,5%
Private	49,0%	44,0 %	44,8%

The liquidity surplus amounts to 307 % after LCR, which is a decrease compared to the end of 2019, when it was 357 %. The liquidity surplus is satisfactory and follows the Bank's strategy of maintaining a solid liquidity surplus based on stable customer deposits. The Bank thus has DKK 787 million in liquidity surplus relative to the internal goal of always having a minimum LCR of 225 %.

The Bank's capital ratio increased in 2020 from 18.6 % to 20.3 %, while the core capital ratio increased from 16.9 % to 18.4 %. The increase is due to significant recognition of profit after tax of DKK 43.3 million for the first half of the year. In Q3, the Bank recognised the effect of the changed capital rules - CRR quick-fix - which has increased the capital reserves by approximately 0.6 percentage points.

The individual solvency requirement is calculated at 9.8 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 10.5 %. Compared with the actual capital base of DKK 1,067.2 million, there was a surplus of DKK 549.8 million at the end of the third quarter of 2020.

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 6.135 % points, corresponding to a solvency coverage of 143.3 %, or DKK 323.1 million.

If the profit for Q3 2020 were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit, the capital ratio could be calculated at 21.1 % and the core capital ratio at 19.3 %. The reserves relative to the necessary capital could thus be calculated at approximately 6.9 percentage points, corresponding to a solvency coverage of 149.0 % or approximately DKK 365 million.

CAPITAL GOALS AND DIVIDEND POLICY

The Bank has solid capital reserves, primarily consisting of an actual core capital of 17.3 % 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.

The Bank has an unchanged goal of maintaining a solid capital 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 2020, the Bank's Board of Directors will make an assessment of whether to distribute dividends for the financial year 2020, 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 to amount to 30-50 % of the annual profit after tax, either as share buy-backs and/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 Bank believes that stakeholders' interests closely coincide.

Shareholders

The Bank is owned by upwards of 15,300 shareholders. As described under the capital goals and dividend policies, in the future the management wants the Bank to be stable in distributing dividends, such that portions of the future earnings are distributed to the shareholders when this can be done safely relative to the capital goals.

As a local bank, the management recognises the importance of a stable and loyal shareholder community and aims to always give them competitive returns on their investment. The shareholders' loyalty and continued backing, from small shareholders to major professional investors, is important to the continued development of the Bank.



Customers

The Bank has a great many private customers in most of the country, though primarily in local areas 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.

This is what we at Skjern Bank call

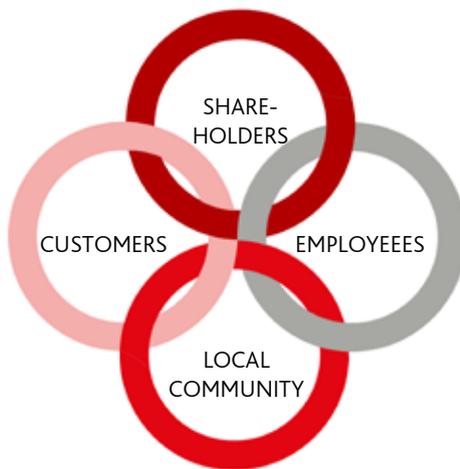
customer focus, presence, drive and decency.

All the employees at the Bank are very humbled by the trust shown by the customers. This is true when it comes to managing their own finances but also when they refer 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 169 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 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 are passionate about the Bank's values, who give their utmost every day and are happy and 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 the local communities, both as a partner for the many small business owners but of course also for many private customers who have entrusted the Bank with their business.

The Bank is a partner for a wide range of local community associations and organisations and supports both sports and culture and associations in general. The Bank has been very well received by the association community and the Bank has had a wide range of very productive mutual partnerships to the benefit of the specific association and its members as well as the Bank.

Skjern Bank's foundation is the many shareholders, customers, talented 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 142.9 million as of 30 September 2020, which is an increase of DKK 4.3 million, corresponding to 3.1 % compared to 30 September 2019.

Total interest income, including interest income on deposits, increased by DKK 7.2 million, corresponding to 4.8 % compared to 30 September 2019.

The increase is due to an increase in interest income from deposits, but also to an increase in derivative financial instruments, while the interest income from lending has decreased by 2.2 %, corresponding to DKK 3.2 million.

The interest expense amounted to DKK 15.4 million and has increased by DKK 2.9 million as a result of a sharp increase in interest expense to Danmarks Nationalbank of DKK 4.4 million, while the interest expense for customer deposits has decreased by DKK 1.5 million. The increase in interest expense to Danmarks Nationalbank is due to a major increase in customer deposits, which increases the Bank's liquidity reserves, which to a significant extent is invested in certificates of deposit with Danmarks Nationalbank.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 114.7 million, compared to DKK 105.9 million in 2019, and thus increased by DKK 8.8 million. The increase in fee income is primarily due to a major influx of customers, who contribute to the increase of general fees and brokerage income. The high activity in the loan area has led to an income growth of DKK 4.8 million in loan fees compared with 30 September 2019. The fees from securities trading and deposits increased by a satisfactory DKK 4.3 million.

Dividends of DKK 2.0 million were realised, which is DKK 3.7 million higher than last year.

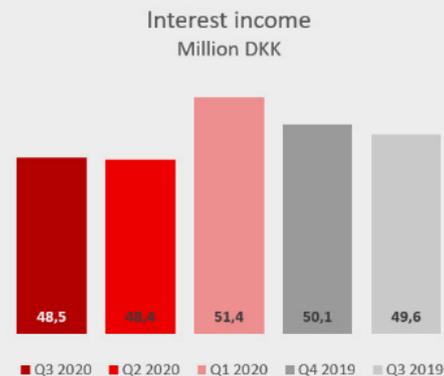
Net interest and fee income consequently amounted to DKK 259.7 million, which is DKK 9.4 million or 3.8 % higher than 30 September 2019.

EXCHANGE RATE ADJUSTMENTS

In the first 3 quarters of the year, the securities market was characterised by major price fluctuations in both the stock market and the bond market. The development has stabilised during Q2 and Q3, which has contributed to the total exchange rate adjustments being positive by DKK 16.5 million as of 30 September 2020 compared with positive exchange rate adjustments of DKK 36.8 million as of 30 June 2019.

In Q3 2019, the Bank sold shares in SparInvest Holding SE and thereby achieved a capital gain of DKK 20.9 million. Excluding this, the Bank's exchange rate adjustments are marginally higher than during the same period last year.

As of 30 September 2020, exchange rate adjustments were divided into DKK -1.0 million in the bond portfolio and DKK 14.5 million in the shareholdings, of which sectoral shares comprise DKK 6.1 million. In addition, exchange rates and derivative financial instruments achieved an income of DKK 3.0 million in the same period.



EXPENSES

Staff and administration expenses etc. increased by DKK 1.2 million, corresponding to 0.9 %, and amounted to DKK 141.9 million compared with DKK 140.7 million in the same period in 2019.

With regard to the organic growth and handling the increased regulation in the sector, the number of employees increased and staff costs increased by DKK 4.0 million compared to 30 September 2019. This also includes increased payroll tax of DKK 0.4 million as well as collective agreement wage increases. Administration costs decreased by DKK 2.9 million, distributed between IT expenses, marketing and other administrative costs.

IMPAIRMENT

Net impairment for the period of DKK 31.9 million compared with DKK 11.2 million in 2019.

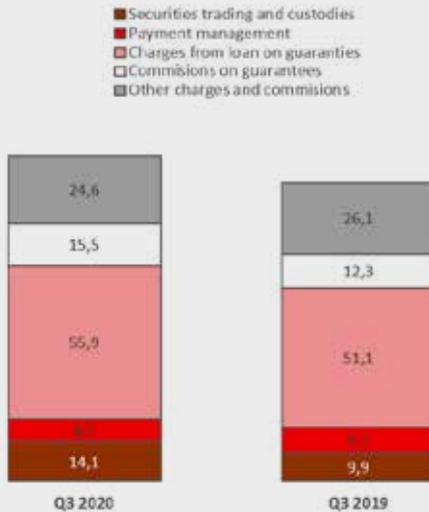
The Bank has made Corona-related management estimates of DKK 40 million for any future impairment needs as a result of Corona. The Bank has not realised any impairment as a result of Corona in Q3 2020 but maintains the management estimate of DKK 40 million.

The Bank's lending to the hardest-hit industries, including the hotel, restaurant and retail industries and industries within tourism, is very limited, and the Bank's customers are generally economically strong and considered to be able to get through the crisis, though with the use of state aid packages and the necessary backing from the Bank for some.

In light of this, the Bank has an unchanged expectation of an increased impairment need in 2020, but not a scenario with a major increase in impairment need as during the financial crisis.

Devaluations on loans, etc. for the period correspond to 0.4 % of the total loans and guarantees.

Charges and commissions receivable
(Million DKK)



Write-downs on loans etc.
(Million DKK)



PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 100.1 million compared with DKK 134.1 million as of 30 September 2019. After taxes, profit for the period amounted to DKK 84.6 million.

The management is pleased to note that profit before tax, despite lower exchange rate adjustments and an increased level of impairment of an estimated DKK 40 million as a result of the Corona crisis, is at a satisfactory level and also considers business development to be satisfactory.

Core earnings of DKK 118.8 million were realised, which is DKK 6.8 million higher than 30 September 2019. The results are very satisfactory despite the increased costs, primarily for personnel and IT and write-downs as a result of activated leased premises in 2020.

CORE EARNINGS 1 JANUARY - 30 SEPTEMBER

Beløb i 1.000 kr.	2020	2019	1.1-31.12 2019
Net income from interest	142.900	138.574	185.287
Net charges and commission	114.725	105.889	143.257
Dividend on shares and other holdings	2.038	5.787	5.863
Foreign currency value adjustments*	3.267	3.505	4.587
Other ordinary income	1.538	1.352	1.945
Core income	264.468	255.107	340.939
Staff costs and administrative expenses	141.956	140.705	191.861
Depreciation and write-downs on intangible and tangible assets	3.544	2.295	2.821
Other operating expenses	194	112	112
Costs	145.694	143.112	194.794
Core earnings	118.774	111.995	146.145
Write-downs	-31.923	-11.202	-16.831
Value adjustments*	13.261	33.288	35.638
Result before tax	100.112	134.081	164.952
Tax	15.460	24.878	29.469
Net-result for the financial year	84.652	109.203	135.483

*) Foreign currency value adjustments and value adjustments specificeres i noten "Value adjustments" on page 34.

CAPITAL

Equity amounted to DKK 1,077.2 million compared to DKK 1,026.6 million at the end of the previous year. Despite the recognition of profit of DKK 79.9 million after deduction of interest for hybrid core capital, equity has only increased by DKK 50.6 million as a result of the distributed dividends of DKK 28.9 million in March 2020. A hybrid core capital was recognised in the Bank's equity of nominally DKK 60 million. The shareholders' share of the Bank's equity is calculated at DKK 1,017.7 million.

After addition of subordinated capital contributions of DKK 100 million and adjustments for reduction in weighting and other deductions, the Bank's capital base amounted to DKK 1,067.2 million. The Bank's realised profit after tax just for the first half of 2020 was a total of DKK 40.2 million, which is recognised in the Bank's capital base. The realised profit in Q3 2020 of DKK 41.2 million less interest on hybrid core capital is not recognised in the capital base as of 30 September 2020.

The Bank's risk-weighted items were reduced by DKK 284 million to DKK 5,267.2 billion in 2020. Without recognition of profit after tax for Q3, the capital ratio was estimated at 20.3 %, which is an increase of 1.7 % points since 31 December 2019.

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 %. At the end of 2019, the necessary capital was 13.725 %, consisting of an individual solvency requirement of 9.6 %, a capital reservation buffer of 2.5 %, cyclical buffer of 1% and an NEP supplement of 0.625 %.

After prior permission from the Danish Financial Supervisory Authority, the Bank has repaid hybrid core capital of nominally DKK 60 million early on 15 September 2020 and has simultaneously taken out a corresponding hybrid core capital loan of nominally DKK 60 million. The transaction thus does not affect the capital coverage and is made to reduce the interest expense on the hybrid core capital.

The Bank thus still has foundation capital with a coverage of 6.135 % points, corresponding to a surplus of 143.3 % relative to the necessary capital. The surplus adds up to DKK 323.1 million.

If the profit for Q3 2020 were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit, the capital ratio could be calculated at 21.1 % and the core capital

ratio at 19.3 %. The reserves relative to the necessary capital could thus be calculated at approximately 6.935 percentage points, corresponding to a solvency coverage of approximately DKK 365 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 6,272 million, of which DKK 5,669 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 as of 30 September 2020 has an LCR financial ratio of 307 %.

SKJERN BANK SHARES

As of 30 September 2020, the Bank was owned by 15,309 shareholders and the price of the Bank's shares was 61.0 compared with 62.2 at the beginning of the year. The market price thus amounts to DKK 576.4 million as of 30 September 2020, corresponding to an intrinsic value of 0.58.

EXPECTATIONS

The Bank's very satisfactory profit for Q3 2020 has meant that on 6 October 2020 the Bank raised its expectations for core earnings in 2020 from the range of DKK 125 – 140 to core earnings in the range of DKK 140 – 155 million. At the same time, the Bank has raised its expectation of profit before tax from the range of DKK 115 – 130 million to the range of DKK 125 – 140 million.

The upward adjustment is primarily due to a very satisfactory development in net interest and fee income, which exceeds the Bank's initial expectations and is due to increasing income on deposits and a very satisfactory development in fee income.

"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 September 2020 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 as of 30 September 2020 and has not exceeded any of the limit values at any time during the Supervisory Diamond's existence.

Liquidity reserve (minimum 100 %):

Skjern Bank's liquidity reserve is reduced, but still sufficient and amounts to 305 % as of 30 September 2020 compared to 357 % as of 31 December 2019.

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 2019, the funding ratio amounted to 62 %.

Property exposure (maximum 25 percent):

Skjern Bank has a good industry spread, and it can be noted that the exposure to the real estate sector is 11.9 % compared with 13.2% at the end of 2019.

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 129.9 % as of 30 September 2020, compared to 136.5 % as of 31 December 2019.

Property exposure (maximum 20 percent):

The Bank realised a decrease in lending of 0.70 % as of 30 September 2020 compared with a decrease in lending of 0.78 % for the full year of 2019.

TRANSACTIONS WITH RELATED PARTIES

As of 30 September 2020, there have not been major transactions between Skjern Bank and the Bank's related parties.

CONTRIBUTION TO THE SETTLEMENT FUND

The Bank's annual contribution to the Settlement Fund of DKK 194 thousand was paid in Q2 2020.

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.

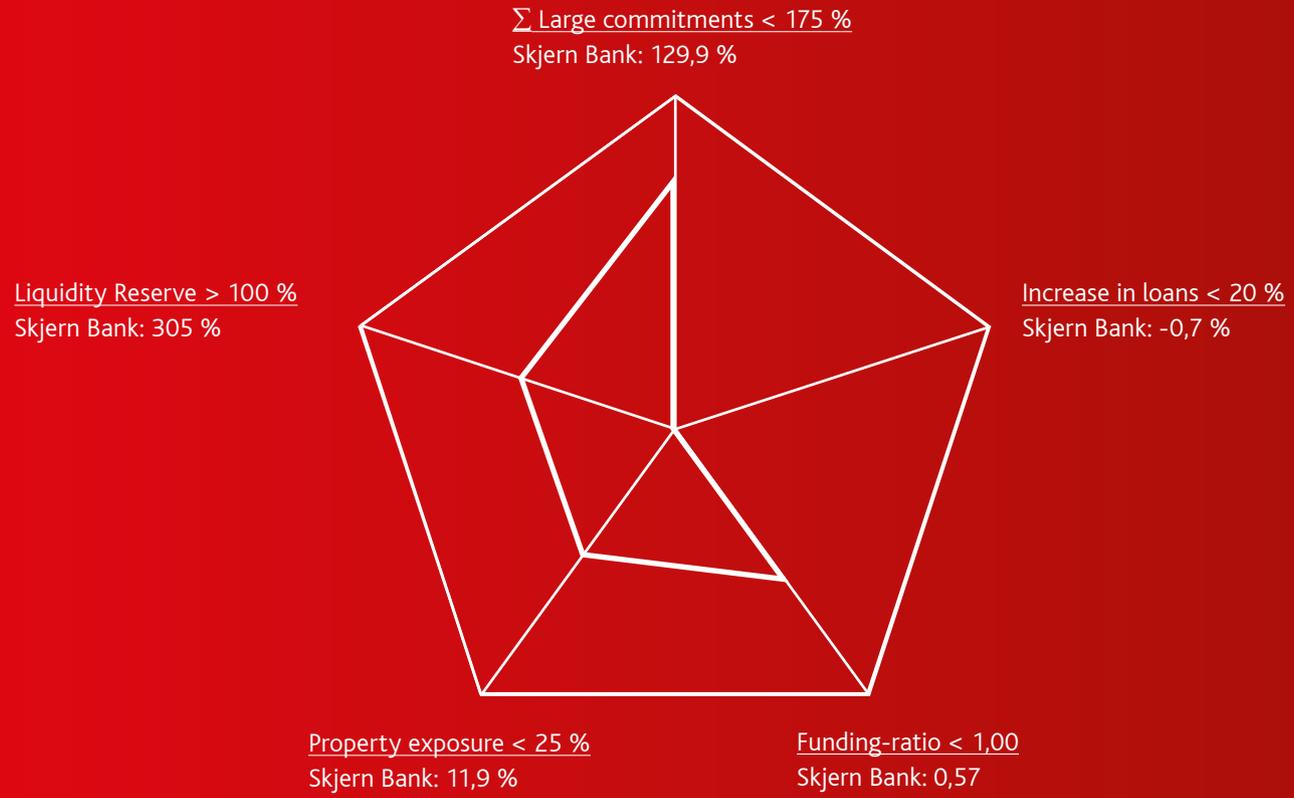
At the beginning of 2020, the Bank changed its accounting policies, as IFRS 16 - Leasing Contracts has come into force.

The change in rules and policies means that the way lessees are handled in terms of accounting no longer requires a distinction between financial leasing and operational leasing. All lease agreements, including rental 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. 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.

The change in rules and policies thus means that the Bank's tangible assets and liabilities at the beginning of 2020 have been increased by DKK 16.6 million. The operational impact is insignificant, as the Bank has only entered a limited number of lease agreements/rentals, primarily for rentals where two of the Bank's branches are housed.

In addition, the accounting practice used is unchanged compared to the annual report for 2019.

The Supervisory Diamond



EVENTS AFTER 30 SEPTEMBER 2020

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 – 30 September 2020 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, 22 October 2020

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 Statement of comprehensive income

January 1st - September 30th

1,000 DKK	2020	2019	1.1-31.12 2019
Interest receivable	148.315	150.519	200.586
Interest receivable deposits	10.002	580	2.157
Interest receivable	6.435	7.914	10.032
Interest payable central banks	8.982	4.611	7.424
Net income from interest	142.900	138.574	185.287
Dividend on shares and other holdings	2.038	5.787	5.863
Charges and commission receivable	118.653	108.915	146.937
Charges and commission payable	3.928	3.026	3.680
Net income from interest and charges	259.663	250.250	334.407
Value adjustments	16.511	36.793	40.225
Other ordinary income	1.538	1.352	1.945
Staff costs and administrative expenses	141.956	140.705	191.861
Depreciation and write-downs on intangible and tangible assets	3.544	2.295	2.821
Other operating expenses	194	112	112
Contribution to the Guarantee Fund for deposits	194	112	112
Guarantee commission first guarantee scheme	0	0	0
Write-downs	31.923	11.202	16.831
Result before tax	100.095	134.081	164.952
Tax	15.460	24.878	29.469
Net-result for the financial year	84.635	109.203	135.483
Of which are holders of shares of hybrid core capital instruments etc.	4.707	4.707	5.168
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	84.635	109.203	135.483
Other comprehensive income after tax	0	0	0
Total comprehensive income	84.635	109.203	135.483



Balance by September 30

1,000 DKK	2020	2019	1.1-31.12 2019
ASSETS			
Cash in hand and demand deposits with central banks	253.504	312.938	229.494
Receivables at credit institutions and central banks	2.136.040	1.356.975	1.673.392
Loans and other receivables at amortised cost	4.258.988	4.289.001	4.325.613
Bonds at fair value	882.716	1.043.597	1.045.717
Shares etc.	194.652	209.928	225.094
Shares associated with pool schemes	968.375	0	0
Land and buildings (total)	61.843	47.417	47.140
Investment properties	3.019	2.961	2.961
Owner-occupied properties	43.423	44.456	44.179
Owner-occupied properties, leasing	15.401	0	0
Other tangible assets	4.214	3.102	3.323
Current tax assets	4.857	11.395	4.804
Deferred tax assets	0	1.922	0
Other assets	53.727	54.418	58.396
Prepayments	880	1.965	1.107
Total assets	8.819.796	7.332.658	7.614.080

1,000 DKK	2020	2019	1.1-31.12 2019
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	320.474	377.398	206.536
Deposits and other debts	6.271.667	5.772.673	6.223.604
Deposits in pooled schemes	968.377	0	0
Other liabilities	67.976	69.296	44.386
Prepayments	1.074	620	1.386
Total debt	7.629.568	6.219.987	6.475.912
PROVISIONS			
Provisions for deferred tax	675	0	675
Provisions for loss on guarantees	14.629	13.340	13.590
Total provisions	15.304	13.340	14.265
SUBORDINATED DEBT			
Subordinated loan capital	97.709	97.209	97.334
Total subordinated debt	97.709	97.209	97.334
EQUITY			
Share capital	192.800	192.800	192.800
Revaluation reserves	417	417	417
Retained earnings	824.525	748.962	744.402
Dividend	0	0	28.920
Capital owners share of equity	1.017.742	942.179	966.539
Holders of hybrid capital Total equity	59.473 1.077.215	59.943 1.002.122	60.030 1.026.569
Total liabilities	8.819.796	7.332.658	7.614.080

Off-balance-sheet items by September 30

1,000 DKK	2020	2019	1.1-31.12 2019
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	580.957	493.435	512.488
Guarantees against losses on mortgage credit loans	752.771	628.707	663.378
Registration and conversion guarantees	1.048.116	990.116	961.248
Other contingent liabilities	171.769	149.789	242.054
Total	2.553.613	2.262.047	2.379.168
Other binding engagements			
Irrevocable credit-undertakings	246.230	140.441	121.121
Total	246.230	140.441	121.121

Information on changes in equity

September 30

1,000 DKK	2020	2019	1.1-31.12 2019
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
Additions related to reassessed value	0	0	0
Other movements	0	0	0
Revaluation reserves end-of-year	417	417	417
Retained earnings beginning-of-year	773.322	673.843	644.923
Profit or loss for the financial year	79.928	104.496	99.936
Dividends	-28.920	-28.920	0
Dividends own shares	51	30	30
Purchase of own funds	144	-487	-487
Retained earnings end-of-year	824.525	748.962	744.402
Dividends	0	0	28.920
Holders of hybrid capital beginning-of-year	60.030	59.680	59.680
Hybrid capital out	-60.030	0	0
Hybrid capital in	59.210	0	0
Net profit or loss for the year (interest hybrid capital)	4.707	4.707	6.626
Paid interest	-4.444	-4.444	-6.276
Holders of hybrid capital end-of-year	59.473	59.943	60.030
Total equity	1.077.215	1.002.122	1.026.569

Notes per September 30

1,000 DKK	2020	2019	1.1-31.12 2019
INTEREST INCOME			
Loans and other receivables	140.870	144.057	191.626
Bonds	3.788	5.092	6.521
Other derivative financial instruments, total	3.657	1.370	2.439
of which			
Currency contracts	-524	-174	2.755
Interest-rate contracts	4.181	1.544	-316
Total	148.315	150.519	200.586
INTEREST EXPENSES			
Deposits	944	2.472	3.506
Subordinated debt	4.796	4.862	6.525
Other interest expenses	695	0	1
Total	6.435	11.945	10.032
FEES AND COMMISSION INCOME			
Securities trading and custody accounts	14.160	9.894	16.238
Payment services	8.454	9.494	12.423
Loan fees	57.737	51.152	68.877
Guarantee commission	15.543	12.272	16.918
Other fees and commission	22.759	26.103	32.481
Total	118.653	108.915	146.937
VALUE ADJUSTMENTS			
Bonds	-968	-1.714	-4.551
Total shares	14.471	34.647	39.974
Shares in sectorcompanies etc.	6.140	27.162	8.858
Other shares	8.331	7.485	31.116
Foreign currency	3.267	3.505	4.587
Other financial instruments	-242	355	215
Assets linked to pooled schemes	-9.685	0	0
Deposits in pooled schemes	9.668	0	0
Total	16.511	36.793	40.225

1,000 DKK	2020	2019	1.1-31.12 2019
STAFF COSTS AND ADMINISTRATIVE EXPENSES			
SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.			
Board of managers	2.432	2.432	3.285
Fixed fees	2.432	2.432	3.285
Pension contributions	0	0	0
Management board	1.022	863	1.303
Audit Committee	0	0	80
Committee of representatives	0	0	177
Total salaries and remuneration of board etc.	3.454	3.295	4.845
STAFF COSTS			
Wages and salaries	67.107	64.037	82.245
Pensions	7.305	6.795	9.138
Social security costs	954	928	1.182
Payroll tax	11.726	11.289	14.859
Total staff costs	87.092	83.049	107.424
OTHER ADMINISTRATIVE EXPENSES	51.410	54.361	79.592
Total staff costs and administrative expenses	141.956	140.705	191.861
EMPLOYEES			
Average number of employees converted into full-time employees	158	149	150
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	116.321	96.913	116.865
Reversal of write-downs made in previous years	-76.737	-80.526	-91.928
Finally lost, not previously written down	3.995	2.994	3.998
Interest on the written-down portion of loans	-8.487	-7.352	-10.512
Recoveries of previously written off debt	-3.169	-827	-1.592
Total	31.923	11.202	16.831

Notes per September 30 (continued)

1,000 DKK	2020	2019	1.1-31.12 2019
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	20.005	16.768	16.768
Stage 1 impairment charges / value adjustment during the period	10.473	7.065	11.997
-hereby new facilities in the period: 7,637 TDKK			
Stage 1 impairment reversed during the period	-10.356	-7.706	-8.760
Cummulative stage 1 impairment total	20.122	16.127	20.005
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	63.076	48.650	48.650
Stage 2 impairment charges / value adjustment during the period	41.229	23.531	36.250
Stage 2 impairment reversed during the period	-25.658	-20.502	-21.824
Cummulative stage 2 impairment total	78.647	51.679	63.076
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	240.252	286.140	286.140
Stage 3 and impairment charges / value adjustment during the period	56.134	59.048	63.590
Reversal of stage 3 impairment charges during the period	-35.018	-48.968	-60.576
Recognised as a loss, covered by stage 3 impairment charges	-17.753	-18.049	-48.902
Cummulative stage 3 impairment total	243.616	278.171	240.252
Total cumulative impairment charges IFRS9	342.385	345.977	323.333
GUARANTEES			
Provisions beginning of the year	13.590	9.420	9.420
Loss on guarantees	8.451	7.037	9.193
Reversal of provisions	-5.673	-3.118	-5.023
Provisions for losses	-1.739	0	0
Guarantees end of year	14.629	13.339	13.590
Total cumulative impairment charges IFRS9 and guarantees	357.014	359.316	336.923

1,000 DKK

	2020	2019	1.1-31.12 2019
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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 (due to migration)	Stage 2 (due to overdraft)	Stage 2 (weak)	Stage 3	Total
Beginning						
Impairment	20.005	44.916	13	18.147	240.252	323.333
- in % of total impairment	6%	14%	0%	6%	74%	100%
Maximum credit risk	6.546.649	903.469	2.026	182.988	571.517	8.206.649
- in % of maximum credit risk	80%	11%	0%	2%	7%	100%
Rating, weighted average	3,3	5,9	2,0	10,0	10,0	4,2
End						
Impairment	20.122	59.280	43	19.324	243.616	342.385
- in % of total impairment	6%	17%	0%	6%	71%	100%
Maximum credit risk	6.485.095	804.291	8.314	135.543	561.092	7.994.335
- in % of maximum credit risk	81%	10%	0%	2%	7%	100%
Rating, weighted average	3,2	6,1	1,5	10,0	10,0	4,1

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	85.419	110.936	83.586
SHARE CAPITAL			
Number of shares at 20 DKK each	9.640.000	9.640.800	9.640.000
Share capital	192.800	192.800	192.800
OWN CAPITAL SHARES			
Number of shares (pcs)	7.213	16.957	16.957
Nominal value hereof	144	339	339
Market value hereof	440	1.014	1.055
Own shares proportion of share capital (pct.)	0,08%	0,20%	0,18%

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