













3rd quarterly report 2018

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Satisfactory profit

	30/9 2018	Profit before taxes rose to DKK 160 million, of which around DKK 60 million were extraordinary capital gains
	EQUITY	Opening equity accrued interest of around 23% per annum before taxes and 15 % without extraordinary capital gains
	CORE EARNINGS	Core earnings are calculated to be DKK 104 million
	NET INTEREST AND FEE INCOME	Net interest and fee income increases with 3 % to DKK 230 million
	IMPAIRMENT	Unchanged level of impairment of DKK 14 million.
	LENDING	Lending growth of 12.4 % for DKK 4,246 million
	CAPITAL	The capital ratio is 18.2% without recognition of profits. The solvency requirement is calculated at 9.3%.
	CORE EARNINGS EXPECTATIONS	For the full year 2018, core earnings are in the range of DKK 135 - 145 million
	EXTRAORDINARY NON-RECURRING IT- COST	The expectations for core earnings for the year were impacted by IT costs of DKK 13 million and hereafter amount to DKK 120 - 130 million.
	DIVIDEND POLICY	Expectation of payment of dividends for the financial year 2018

5 years in summary

1,000 DKK	30/9 2018	30/9 2017	30/9 2016	30/9 2015	30/9 2014	YEAR 2017
PROFIT AND LOSS ACCOUNT						
Net income from interest	138,609	128,610	121,330	121,864	123,343	171,972
Div. on shares and other holdings	3,397	9,866	12,340	11,641	6,454	10,020
Charges and commissions (net)	88,028	84,816	64,613	59,310	58,757	114,620
Net inc. from int. & charges	230,034	223,292	198,283	192,815	188,554	296,612
Value adjustments	72,585	28,214	13,630	3,059	15,277	31,045
Other ordinary income	989	874	1,284	1,278	912	1,031
Staff costs and administrative expenses	127,793	116,247	109,608	100,400	100,818	161,052
Depreciation of intangible and tangible assets	2,295	2,295	2,898	3,837	3,974	3,071
Other operating expenses	52	52	52	6,796	7,473	52
Operating expenses	52	52	52	6,655	7,241	52
Guarantee commission first guarantee scheme	0	0	0	141	234	0
Write-downs on loans etc. (net)	13,939	14,133	24,682	39,713	31,528	19,886
Profit on holdings in associated and affiliated companies	0	0	0	-700	-190	0
Operating profit	159,529	119,653	75,930	45,706	60,760	144,627
Taxes	20,438	15,834	15,882	10,741	16,062	20,804
Profit for the period	139,091	103,819	60,048	34,965	44,698	123,823
Of which are holders of shares of hybrid core capital instruments etc.	4,707	4,707	4,707	0	0	5,168
BALANCE SHEET AS PER 30TH SEPTEMBER						
summary						
Total assets	6,596,150	6,101,940	5,663,036	5,464,455	5,375,117	6,367,636
Loans and other debtors	4,245,526	3,776,094	3,668,106	3,712,516	3,736,819	3,924,509
Guarantees etc.	1,335,451	1,025,649	784,090	645,476	564,211	1,125,541
Bonds	1,034,147	1,089,020	775,596	782,006	822,324	1,072,833
Shares etc.	250,872	246,068	216,833	172,735	218,047	245,686
Deposits	5,293,337	5,011,635	4,666,404	4,483,568	4,255,959	5,240,913
Subordinated cap. investments	99,917	99,738	99,519	169,340	268,779	99,797
Capital funds	925,150	794,347	657,473	554,581	608,223	814,332
Dividends						0
Capital Base	923,911	770,595	654,297	599,282	712,551	819,582
Total weighted items	5,077,414	4,386,135	4,224,968	4,163,140	4,191,164	4,605,145
CORE EARNINGS						
Core income	234,421	227,229	140,709	143,402	127,789	301,505
Total costs etc.	-130,140	-118,595	-74,217	-75,691	-68,429	-164,175
Core earnings	104,281	108,634	66,492	67,711	59,360	137,330

Financial ratios - 30th September

Figures in pct.	2018	2017	2016	2015	2014
Solvency ratio	18.2	17.6	15.8	15.6	16.5
Core capital ratio	16.2	15.5	13.9	13.9	13.8
Return on own funds before tax*	19.1	16.1	12.3	8.5	10.2
Return on own funds after tax*	16.6	13.9	9.7	6.5	7.5
Earning/expense ratio in DKK	2.11	1.87	1.52	1.30	1.42
Interest rate risk	1.6	1.8	0.6	-1.4	-1.5
Foreign currency position	0.1	0.3	0.4	0.2	0.3
Foreign currency risk	0.0	0.0	0.0	0.0	0.0
Advances against deposits	86.8	82.2	87.1	94.8	95.3
Statutory liquidity surplus	168.8	190.9	156.4	124.9	137.6
LCR	236	300	325	240	-
Total large commitments**)	x	28.7	22.8	29.7	10.4
Accumulated impairment ratio	6.0	6.7	7.3	7.9	5.4
Impairment ratio for the period	0.2	0.3	0.5	0.8	0.7
Increase in loans etc. for the period	8.2	2.4	6.6	1.1	3.5
Ratio between loans etc. and capital funds	4.6	4.8	6.1	6.6	6.1
(value pr share 100 DKK)					
Earnings per share (result period)*	69.7	51.4	28.7	18.1	23.2
Book value pr share*	449	412	320	289	321
Market value/earning per share	4.7	7.3	7.0	9.9	9.0
Market value/book value*	0.73	0.91	0.63	0.62	0.65
(value pr share 20 DKK)					
Earnings per share (result period)*	13.9	15.0	5.7	3.6	4.6
Book value pr share*	90	82	64	58	64
Market value	65.4	75	39	36	41

*) 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 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
PROFIT AND LOSS ACCOUNT					
Net income from interest	47,130	46,613	44,866	43,362	42,474
Div. on shares and other holdings	487	2,582	328	154	122
Charges and commissions (net)	27,415	26,437	34,176	29,804	25,887
Net inc. from int. & charges	75,032	75,632	79,370	73,320	68,483
Value adjustments	3,217	2,915	66,453	2,831	7,585
Other ordinary income	486	315	188	157	152
Staff costs and administrative expenses	44,110	42,820	40,863	44,805	41,710
Depreciation of intangible and tangible assets	765	765	765	776	765
Other operating expenses	0	52	0	0	0
Operating expenses	0	52	0	0	0
Guarantee commission first guarantee scheme	0	0	0	0	0
Write-downs on loans etc. (net)	3,812	4,987	5,140	5,753	3,314
Profit on holdings in associated and affiliated companies	0	0	0	0	0
Operating profit	30,048	30,238	99,243	24,974	30,431
Taxes	6,266	5,962	8,210	4,970	6,350
Profit for the period	23,782	24,276	91,033	20,004	24,081
Of which are holders of shares of hybrid core capital instruments etc.	1,569	1,569	1,569	461	1,569
BALANCE					
Loans and other debts	4,245,526	4,154,581	4,105,454	3,924,509	3,776,094
Deposits	5,293,337	5,384,055	4,936,986	5,240,913	5,011,635
Subordinated cap. investments	99,917	99,877	99,837	99,797	99,738
Equity	925,150	902,849	880,061	814,332	794,347
Total assets	6,596,150	6,588,065	6,110,511	6,367,636	6,101,940
Guarantees etc.	1,335,451	1,184,971	1,095,207	1,125,541	1,025,649
CORE EARNINGS					
Core income	76,787	77,672	79,962	74,276	69,858
Total costs	-44,875	-43,637	-41,628	-45,580	-42,476
Core earnings	31,912	34,035	38,334	28,696	27,382

Management's report

The first three quarters of the year have been satisfactory, with strong growth in net interest and fee income, exchange rate gains from the sale of the ownership interest in Value Invest Asset Management s.a. of about DKK 60 million and a continued satisfactory impairment level.

Profit before tax increased by DKK 39.9 million to an extremely satisfactory DKK 159.5 million.

Profit before tax amounted to DKK 99.5 million excluding capital gains on the sale of ownership interest in Value Invest Asset Management s.a. During the same period in 2017, profit was DKK 119.6 million. Despite the increased interest income of a total of DKK 10 million, a reduction of DKK 20.1 million was realised in the profit before tax. This is due to a loss of dividends of about DKK 8.0 million as a result of the sale of Value Invest Asset Management S.A. and a decrease in other exchange rate adjustments which are outside the Bank's core earnings. In addition, the Bank's costs increased by DKK 11.5 million, primarily due to an increasing number of employees as a result of the organic growth and handling of the increased regulation.

Core earnings amounted to DKK 104.3 million, compared with DKK 108.6 million in 2017, which is satisfactory when the decreased dividends of DKK 8 million and the increased costs for strategic measures are taken into consideration.

Impairments amounted to DKK 13.9 million, corresponding to an impairment rate of 0.2% during the period. The level of impairment is unchanged, despite the major production types within the agricultural industry, pig production, milk production and mink, again experiencing decreasing settlement prices, with terms of trade decreasing as a result. This is due to the Bank's other segments progressing very satisfactorily, and we can point to continued significant reversals of previously impaired exposures.

Demand for loans in the Bank's market area is increasing with the Bank's existing customers. At the same time, the Bank has a very solid customer intake, which altogether increased lending by DKK 321 million or 8.2% as of 30 September 2018. This is compared to the lending as of 30/9/2017, when a lending growth of DKK 469.4 million was realised, corresponding to about 12.4%. Another milestone of the high activity the Bank is experiencing with the many new and existing customers is the Bank's provision of guarantees, which, like the lending, has increased significantly to DKK 1,335 million as of 30 September 2018, compared with DKK 1,125 million at the end of 2017.

The proportion of lending and guarantees to private customers increased to 40.0%, which is the goal in the Bank's strategy plan 2019. Even though the ambitious goals have been achieved 5 quarters ahead of time, there is still the goal of increasing the private segment further, initially to 42.5% before the end of 2019.

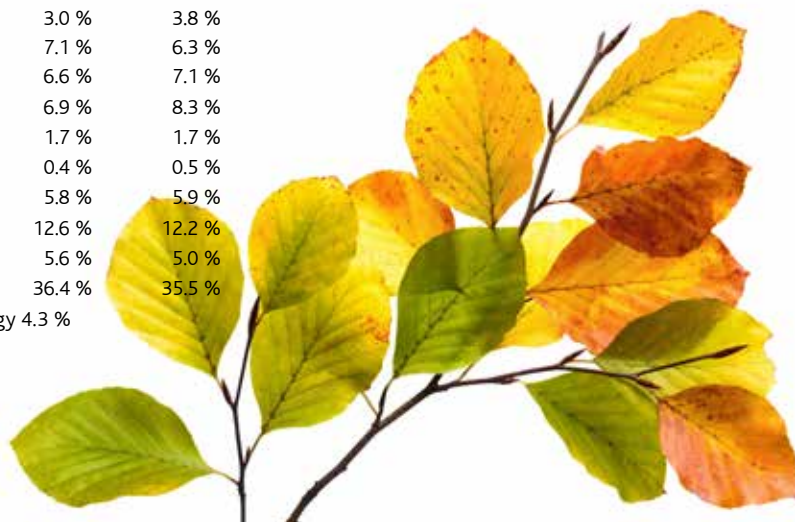
Excess liquidity amounts to 225% after LCR, which is satisfactory. The coverage was reduced by 52 percentage points last quarter, partially as a result of the increasing lending volume of about DKK 90 million, while at the same time the deposit volume was reduced by about DKK 90 million as a result of the Bank's last high-interest deposits expiring. The Bank's unchanged strategy is to maintain a solid excess liquidity based on stable customer deposits.

The Bank's capital ratio was reduced during Q3 from 19.1% to 18.2%, while the core capital ratio decreased from 17.1% to 16.2%. The reduction was primarily due to risk-weighted assets increasing by DKK 209 million, which on its own reduces the capital ratio by 0.8 percentage points. The Bank chooses not to include the results for Q3 in the capital base as a result of the satisfactory capital coverage. If the results had been reviewed by the Bank's external auditor and this did not give rise to changes to the calculated results, the capital ratio would have been calculated at 18.8% and the core capital ratio at 16.7%.

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.09.2018	31.12.2017	30.09.2017
Public authorities	0.0%	0.0 %	0.0 %
Agriculture, hunting, forestry & fishing	12.0%	13.9 %	13.7 %
Plant production	1.5%	1.5 %	1.7 %
Cattle farming	6.6%	7.9 %	8.2 %
Pig farming	1.5%	1.6 %	1.7 %
Mink production	1.3%	1.7 %	0.9 %
Other agriculture	1.1%	1.2 %	1.2 %
Industry and mining	2.8%	3.0 %	3.8 %
Energy	6.0%	7.1 %	6.3 %
Building and constructions	6.7%	6.6 %	7.1 %
Wholesale	6.6%	6.9 %	8.3 %
Transport, hotels and restaurants	1.4%	1.7 %	1.7 %
Information and communication	0.3%	0.4 %	0.5 %
Financial and insurance business	6.6%	5.8 %	5.9 %
Real-estate	12.2%	12.6 %	12.2 %
Other business	5.4%	5.6 %	5.0 %
Private	40.0%	36.4 %	35.5 %

From the above sectoral distribution represents alternative energy 4.3 %



The individual solvency requirements are calculated at 9.3% and the Bank thus has a solvency coverage of 196.0%. Compared with the actual capital base of DKK 924 million, there was a surplus of DKK 452 million at the end of Q3 2018. In relation to the necessary capital, which is expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 1.875%, the coverage can be calculated at 7.025% points, corresponding to a solvency coverage of 163%, or DKK 357 million.

OBJECTIVES FOR CAPITAL AND DIVIDEND POLICIES

Through the satisfactory operating earnings, the Bank has achieved comfortable capital reserves, primarily consisting of a solid actual core capital of 15.0% compared to the individual solvency requirements of 9.3% which, added to the capital conservation buffer of 1.875%, gives a total capital requirement of 11.175%. Moving forward, the management will also have the highest focus on ensuring that the Bank has a solid capital foundation to support the continued development of the Bank's activities, as well as implementation of current and upcoming regulatory capital requirements.

The capital base will continue to be largely based on actual core capital but, to the extent that the Bank's management deems appropriate and if it can occur on favourable terms, acquisition of foreign capital may also be included in the composition of the future capital base.

After many years in a row of solidly increasing earnings and restraint with dividends to the Bank's many loyal shareholders, the Bank has achieved a solid excess liquidity. Therefore, it is the management's assessment that there is sufficient basis to favour the Bank's shareholders with an appropriate share of the future operating profit.

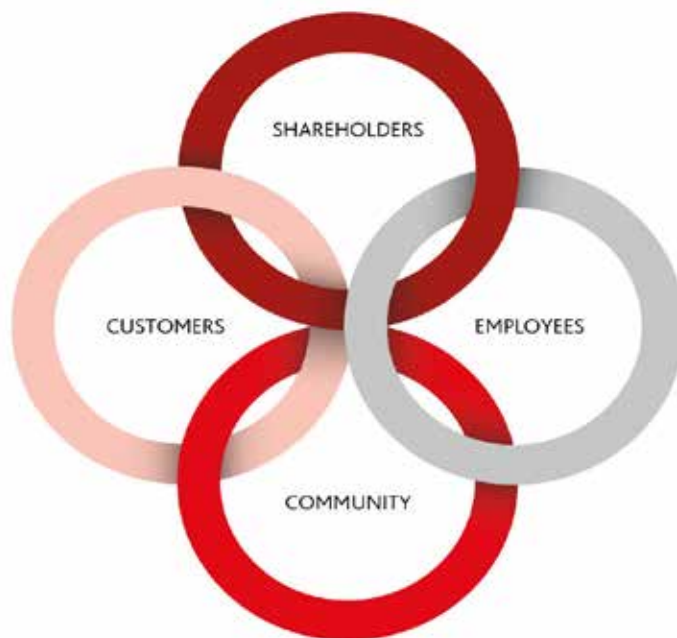
The Bank's management has thus decided that the following capital goals and dividend policies will take effect from the financial year 2018:

Capital goals

It is the Bank's goal to be well capitalised to ensure the Bank's strategic goals and accommodate regulatory requirements, even during future downturns. The management will continually 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 paying dividends. The goal is to pay dividends constituting 30-50% of the annual profit after tax, which exceeds a return on equity of 6%.



THE BANK'S IMPORTANT STAKEHOLDERS

The Bank's management equates cooperation and involvement with the Bank's many stakeholders with running a well-functioning local bank.

Shareholders

The Bank's almost 17,000 shareholders have been very loyal to the Bank and have exhibited great patience with regard to the payment of dividends from the Bank. As described in the capital goals and dividend policies, in the future the management wants to pay part of the future earnings as dividends to shareholders.

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

Customers

The Bank has quite a lot of private customers in most of the country, but primarily in our local areas and small and medium businesses in the Bank's local area. The Bank appeals in a big way to 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 the individual customer and their needs, the Bank makes a difference when our customers want to make important financial decisions, but also on a daily basis when online banking, mobile banking and cards need to work. The Bank wants to be close to the customers, to have short response times and to find the financial solutions that work for each customer. At Skjern Bank, we call it presence, empowerment and individual solutions.

All employees in the Bank are very humbled by the trust shown by the customers, who have in a big way referred their families, friends and acquaintances to the Bank via the Bank's ambassador concept. The referrals 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 158 skilled employees, which is an increase of 15 employees in 1 year. All employees are offered market-based employment terms and relevant training and education to ensure a continually high level of professionalism.

Employee job satisfaction is very important to the Bank and we conduct annual surveys of developments in employee satisfaction in each department and in the Bank as a whole. It is a strategic goal for the Bank to have employees who are happy and proud to work at the Bank. There is very high job satisfaction amongst the employees, which is an important foundation for being able to continually offer our many customers advice and service at the high level that the customers, employees and the Bank expect.

Local community

The Bank's goal is to play an important role in our local community, both as a partner for the many small businesses, but of course also for the local community as a whole. It is important for the Bank to back local initiatives and the Bank helps a great many local start-up businesses with advice and funding so that the entrepreneurs' dreams have the best chance of being realised.

The Bank is also a partner for many of the local area's associations and supports sports, culture and association activities in general. The Bank has been well-received by associations and because of this the Bank has had a great many productive partnerships to the benefit of both individual associations and their members as well as the Bank.

The foundation for banking operations in Skjern Bank is the many shareholders, customers, skilled employees and our surrounding 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 get the many stakeholders to work together for the benefit of both the stakeholders and the Bank.



NET INTEREST INCOME

Net interest income amounts to DKK 138.6 million as of 30 September 2018. As of 30 September 2017, net interest income amounted to DKK 128.6 million, and has thus increased by DKK 10.0 million, corresponding to 7.8%.

Interest income increased by DKK 5.8 million, corresponding to 4.0%, compared to 30 September 2017. The primary reason for this development is that the Bank's interest expense of DKK 3.1 million on placement of surplus liquidity in Denmark's Nationalbanken on 30/9/2018 is added to interest expenses, while in 2017 they were deducted from interest income. The Bank's interest income from customer lending increased by DKK 3.1 million compared with the same period in 2017. This slight improvement is due to the continued low interest rate level and the competitive situation in the market, as the Bank's lending growth is considered to be very satisfactory.

Interest expenses amounted to DKK 13.3 million and, as expected, were reduced by DKK 4.1 million, corresponding to 24.0%. The reduction in interest expenses for customer deposits, which results from low interest rates and the expiration of high interest accounts, amounts to DKK 7.3 million. On the other hand, interest expenses increased on the Bank's deposits in Nationalbanken of DKK 3.1 million, which were expensed under interest expenses in 2018 and were previously included in interest income.

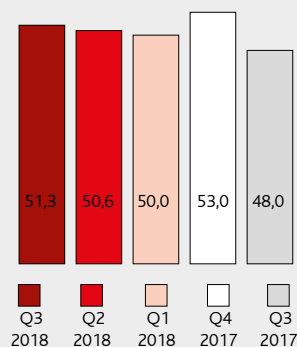
Altogether, net interest income increased by DKK 10 million, or 7.8%.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 88.0 million, compared to DKK 84.8 million in 2017, and thus increased by DKK 3.2 million. The increase in fee income is due to a large intake of customers and generally high activity. Payment services have increased by DKK 1.6 million, while guarantee provisions have also increased by DKK 1.8 million. The amount of other fee and commission income increased by a total of DKK 0.2 million, while borrowing fees decreased by DKK 0.7 million.

Interest income

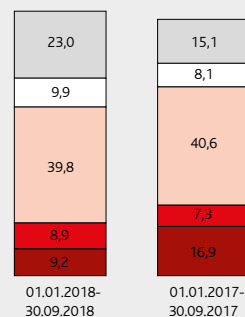
Million DKK



Charges and commissions receivable

(Million DKK)

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



Net interest and fee income amounts to DKK 230.0 million, which is DKK 6.7 million higher than 30 September 2017.

EXCHANGE RATE ADJUSTMENTS

After a period of large fluctuations in the securities markets, the portfolio of stocks and bonds earned profits totalling DKK 72.6 million, compared with DKK 28.2 million on 30 September 2017.

The capital gains of DKK -3.7 million from the bond portfolio and DKK 72.9 million from the shareholdings were distributed. In addition, exchange rates and derivative financial instruments achieved an income of DKK 3.4 million in the same period.

Out of the total exchange rate gains on shares of DKK 72.6 million, the exchange rate gain on the sale of Value Invest Asset Management s.a. accounts for about DKK 60 million.

COSTS

Staff and administration expenses etc. increased by 9.9% and amounted to DKK 127.8 million as of 30 September 2018, compared with DKK 116.2 million in the same period in 2017.

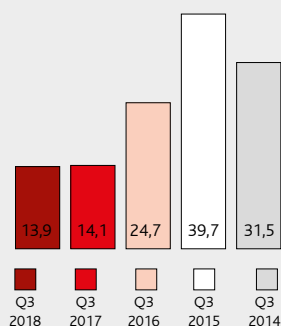
The number of employees has been strategically increased with regard to the organic growth and handling of increased regulations. In light of this, staff costs have increased by DKK 6.7 million compared to 30 September 2017. This also includes increased payroll tax of DKK 1.2 million, and a general collective agreement wage increase.

Administrative expenses increased by DKK 4.7 million. The increased costs are divided between IT operations, marketing and other administrative expenses.

It is the management's expectation that regular expenditures in 2018 will increase in the range of 7 - 8% for the full year of 2018, compared to expenses of DKK 161 million in 2017, as a result of strategically adopted business expansion.

In addition, in Q4 2018 there were extraordinary one-time costs for IT

Write-downs on loans etc.
(Million DKK)



at the level of DKK 13 million as a result of changed accounting policies for activating system development of the Bank's data processing centre, Bankdata.

IMPAIRMENT

Net impairment for the period of DKK 13.9 million compared with DKK 14.1 million in 2017.

There is increased impairment of DKK 55.4 million, and reversals of previous impairment of DKK 33.8 million. Recorded losses for the period amounted to DKK 39.5 million, of which only DKK 1.2 million had not been previously written down.

Devaluations on loans, etc. for the period correspond to 0.2% of the total loans and guarantees.

For the full year of 2018, an impairment need in the range of DKK 17-20 million is expected, corresponding to the need in 2017.

In addition to the impact on operations of DKK 13.9 million, at the beginning of the year the Bank also wrote down DKK 23.8 million after tax directly in equity as a result of the implementation of IFRS 9.

PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 159.5 million compared with DKK 119.6 million as of 30 September 2017. After taxes, the period's net profit amounted to DKK 139.1 million.

The management is pleased to note that both core earnings and profit before tax (adjusted for extraordinary circumstances) are at the highest levels in the Bank's history and the Bank's management expects the business development and profit to be extremely satisfactory.

CAPITAL

Equity amounted to DKK 925.1 million compared to DKK 814.3 million at the end of the previous year. A hybrid core capital of DKK 59.6 million was recognised in the Bank's equity on 30 September 2018.

After addition of subordinated capital contributions of DKK 99.9 million and adjustments for reduction in weighting and other deductions, the Bank's capital base as of 30 September 2018 amounted to DKK 923.9 million.

In the first three quarters of the year, the Bank's risk-weighted items increased by DKK 472 million



to DKK 5.1 billion. The capital ratio was estimated at 18.2% without recognition of the Q3 profit after tax of DKK 23.8 million, which is an increase of 0.4 percentage points since 31 December 2017. The increase in the capital ratio, despite the extremely satisfactory profit of DKK 139.1 million, of which DKK 115.3 million is recognised in the capital base, is limited to 0.4% as a result of the capital expenditures to cover the increase in risk-weighted assets of DKK 472 million, as well as the full phasing-in of IFRS 9 in the capital base of DKK 23.8 million as of 1 January 2018.

Compared with 30 September 2017, the Bank's capital ratio increased from 17.6% to 18.2%, while the core capital ratio increased from 15.5% to 16.2%.

The necessary capital of 11.175% is comprised of the individual solvency requirement of 9.3% plus the capital conservation buffer of 1.875%. At the end of 2017, the necessary capital was 10.65%, consisting of an individual solvency requirement of 9.4% and a capital reservation buffer of 1.25%

The bank thus still has a solid capital foundation with a sufficient surplus of 163% compared to the necessary capital. The surplus corresponds to DKK 357 million.

SHAREHOLDERS

The Bank has two major shareholders, Lind Value III A/S, Aarhus and Investeringselskabet of 15 May (AP Pension Livsforsikringsaktieselskab, København Ø.), who, at the last stock exchange announcement, owned 24.77% and 20.75% respectively. Both possess 5% of the voting rights.



LIQUIDITY

Customer deposits amount to DKK 5,293 million, of which DKK 4,145 million is covered by the Danish Deposit Guarantee Scheme. The deposits are considered stable, as most of them come from core customer relationships.

The Liquidity Coverage Ratio shows how banks are able to meet their payment obligations for an upcoming 30-day period without access to market funding. As of 1 January 2018, all institutions must have a coverage of at least 100%.

The Bank fulfils this requirement and as of 30 September 2018 has an LCR financial ratio of 225%.

SKJERN BANK SHARES

On 30 September 2018, the Bank owned 16,496 shares, which is 455 fewer than on 31 December 2017.

The Bank's share price was 65.4 on 30 September 2018, compared with 73.5 at the beginning of the year.

The market price thus amounts to DKK 630.4 million as of 30 September 2018, corresponding to a net asset value of 0.73. Shares were traded actively in the market and there is a satisfactory liquidity in the shares.

EXPECTATIONS

The Bank expects unchanged regular core earnings in 2018 in the range of DKK 135 - 145 million and a profit before tax in the range of DKK 185 - 195 million, assuming positive exchange rate adjustments at the level of DKK 10 million in addition to capital gains of DKK 60 million from the sale of Value Invest Management s.a. and impairment in the range of DKK 17 - 20 million.

As a result of changes in accounting policies in the Bank's data processing centre, Bankdata, in Q4 2018 the Bank had extraordinary one-time IT costs in the range of DKK 12 - 13 million. The Bank chooses to expense the entire amount in 2018 and as a result of this, core earnings are expected in the range of DKK 120 - 130 million and a profit before tax in the range of DKK 170 - 180 million, assuming positive exchange rate adjustments at the level of DKK 10 million in addition to capital gains of DKK 60 million from the sale of Value Invest Management s.a. and impairment in the range of DKK 17 - 20 million.

"THE SUPERVISORY DIAMOND"

The Danish Financial Supervisory Authority's mandatory Supervisory Diamond specifies five

indicators for banking activities with increased risk.

The Bank's status for each indicator as of 30 September 2018 is calculated in the figure below, where the indicators established by the Danish Financial Supervisory Authority are also shown.

Skjern Bank continues to comply with all limit values as of 30 September 2018 and has not exceeded any of the limit values at any time during the Supervisory Diamond's existence.

Liquidity Reserve (min 100 %):

Skjern Bank's liquidity reserve is reduced, but still sufficient and amounts to 225% as of 30 September 2018 compared to 262% as of 31 December 2017. The milestone for September 2018 is calculated as the LCR coverage.

Funding-ratio (max 100 procent):

The current funding situation leaves room for significantly more loans, as the Bank's deposits compared to loans, equity and debt securities are only 67%. As of 31 December 2017, the Bank's funding ratio could be calculated at 64%.

Property exposure (max 25 procent):

Skjern Bank has an attractive industry spread; compared to the real estate sector the exposure is 13.0%. As of 31 December 2017, the exposure was 13.5%.

Large commitments (max 175 procent):

Large exposures are defined as the total of the Bank's 20 large exposures compared to the actual core capital. Skjern Bank primarily targets small and medium businesses, as well as private customers, and as of 30 September 2018, it had two major customer engagements of a total of 142%, compared 146% as of 31 December 2017.

Increase in loans (max 20 procent):

The Bank has realised a lending growth of 8.2% as of 30 September 2018 compared to 6.4% as at 31 December 2017.

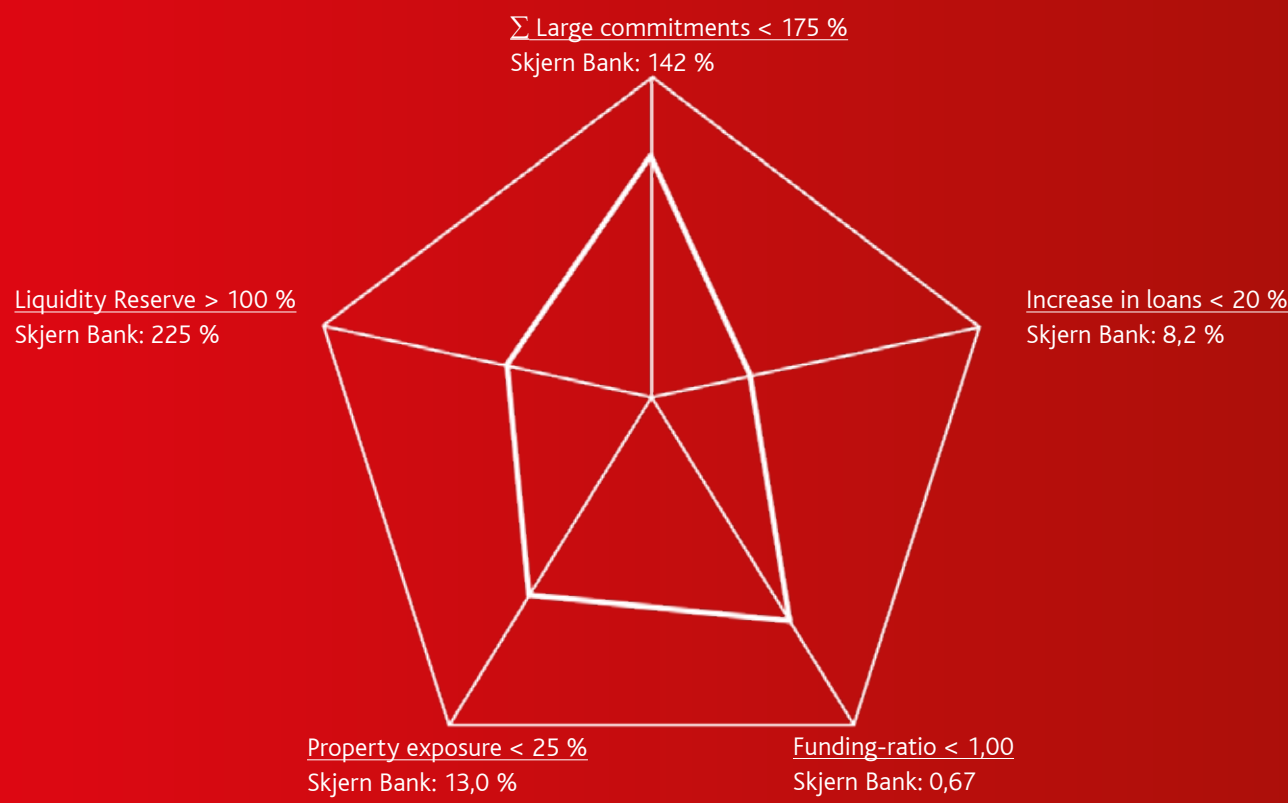
TRANSACTIONS WITH RELATED PARTIES

As of 30 September 2018, there have not been major transactions between Skjern Bank and the Bank's related parties.

CONTRIBUTION TO THE SETTLEMENT FUND/DANISH DEPOSIT GUARANTEE SCHEME

As of 30 September 2018, the Bank has paid the annual contribution to the Settlement Fund of DKK 52 thousand.

The Supervisory Diamond



ACCOUNTING PRACTICES 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 policies used are unchanged compared to the annual report for 2017.

The Bank's accounting policies for the calculation of impairment losses on loans have been changed with effect from 1 January 2018. Because it is not feasible to change the comparative figures for 2017 and earlier with regard to the changed part of the accounting policies, no changes have been made to these.

EVENTS AFTER 30 SEPTEMBER 2018

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.

Kind regards
Skjern Bank

Hans Ladekjær Jeppesen
Chairman of the board of directors

Per Munck
Director



Statement by the board of directors and executive board

We have on today's date discussed and approved the quarterly report for the period of 1 January - 30 September 2018 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 requirement for interim reports for listed financial institutions.

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

We consider the management's statement to contain a fair review 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 Q3 earnings in core capital.

Skjern, 8th November 2018

Per Munck
Director

THE BOARD OF DIRECTORS

Hans Ladekjær Jeppesen
Chairman

Jens Okholm
Deputy Chairman

Bjørn Jepsen

Finn Erik Kristiansen

Søren Dalum Tinggaard

Troels Bülow-Olsen

Lars Lerke

Carsten Jensen

Lars Skov Hansen

Profit and loss account and Statement of comprehensive income

1st January - 30th September

1,000 DKK	2018	2017	1.1-31.12 2017
Interest receivable	151,888	146,073	198,977
Interest payable	13,279	17,463	27,005
Net income from interest	138,609	128,610	171,972
Dividend on shares and other holdings	3,397	9,866	10,020
Charges and commission receivable	90,818	87,974	118,547
Charges and commission payable	2,790	3,158	3,927
Net income from interest and charges	230,034	223,292	296,612
Value adjustments	72,585	28,214	31,045
Other ordinary income	989	874	1,031
Staff costs and administrative expenses	127,793	116,247	161,052
Depreciation and write-downs on intangible and tangible assets	2,295	2,295	3,071
Other operating expenses	52	52	52
Contribution to the Guarantee Fund for deposits	52	52	52
Guarantee commission first guarantee scheme	0	0	0
Write-downs	13,939	14,133	19,886
Result before tax	159,529	119,653	144,627
Tax	20,438	15,834	20,804
Net-result for the financial year	139,091	103,819	123,823
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	139,091	103,819	123,823
Other comprehensive income after tax	0	0	0
Total comprehensive income	139,091	103,819	123,823

Core earnings

1st January – 30th September

1,000 DKK	2018	2017	1.1-31.12 2017
Net income from interest	138,609	128,610	171,972
Net charges and commission	88,028	84,816	114,620
Dividend on shares and other holdings	3,397	9,866	10,020
Foreign currency value adjustments*	3,398	3,062	3,862
Other ordinary income	989	874	1,031
Core income	234,421	227,228	301,505
Staff costs and administrative expenses	127,793	116,247	161,052
Depreciation and write-downs on intangible and tangible assets	2,295	2,295	3,071
Other operating expenses	52	52	52
Costs	130,140	118,594	164,175
Core earnings	104,281	108,634	137,330
Write-downs	-13,939	-14,133	-19,886
Value adjustments*	69,187	25,152	27,183
Result before tax	159,529	119,653	144,627
Tax	20,438	15,834	20,804
Net-result for the financial year	139,091	103,816	123,823

*) Foreign currency value adjustments and value adjustments specificer i noten "Value adjustments" on page 26.

Balance by 30th September

1,000 DKK	2018	2017	1.1-31.12 2017
ASSETS			
Cash in hand and demand deposits with central banks	174,060	148,881	148,746
Receivables at credit institutions and central banks	773,142	720,332	851,222
Loans and other receivables at amortised cost	4,245,526	3,776,094	3,924,509
Bonds at fair value	1,034,147	1,089,020	1,072,833
Shares etc.	250,872	246,068	245,686
Land and buildings (total)	48,716	49,436	49,389
Investment properties	2,961	2,961	2,961
Owner-occupied properties	45,755	46,475	46,428
Other tangible assets	4,617	4,095	5,158
Current tax assets	5,036	0	1,099
Deferred tax assets	3,664	7,787	5,816
Other assets	53,345	56,758	58,053
Prepayments	3,025	3,469	5,125
Total assets	6,596,150	6,101,940	6,367,636

1,000 DKK	2018	2017	1.1-31.12 2017
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	224,999	140,683	158,466
Deposits and other debts	5,293,337	5,011,635	5,240,913
Current tax liabilities	0	993	0
Other liabilities	43,215	50,315	50,245
Prepayments	1,101	1,102	1,305
Total debt	5,562,652	5,204,728	5,450,929
PROVISIONS			
Provisions for loss on guarantees	8,431	3,127	2,578
Total provisions	8,431	3,127	2,578
SUBORDINATED DEBT			
Subordinated loan capital	99,917	99,738	99,797
Total subordinated debt	99,917	99,738	99,797
EQUITY			
Share capital	192,800	192,800	192,800
Revaluation reserves	417	417	417
Retained earnings	672,341	542,150	561,785
Capital owners share of equity	865,558	735,367	755,002
Holders of hybrid capital	59,592	58,980	59,330
Total equity	925,150	794,347	814,332
Total liabilities	6,596,150	6,101,940	6,367,636



Off-balance-sheet items by 30th September

1,000 DKK	2018	2017	1.1-31.12 2017
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	39,644	16,533	31,905
Guarantees against losses on mortgage credit loans	536,946	457,833	480,478
Registration and conversion guarantees	263,002	161,119	183,440
Other contingent liabilities	495,859	390,164	429,718
Total	1,335,451	1,025,649	1,125,541
Other binding engagements			
Irrevocable credit-undertakings	195,165	346,953	285,731
Total	195,165	346,953	285,731

Information on changes in equity

30th September

1,000 DKK	2018	2017	1.1-31.12 2017
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	561,785	443,117	443,117
Changed accounting policy for impairment charges	-23,823	0	0
Profit or loss for the financial year	134,384	99,112	117,197
Tax of interest hybrid capital	0	0	1,458
Sale of own funds	19,517	25,510	32,730
Purchase of own funds	-19,522	-25,590	-32,717
Retained earnings end-of-year	672,341	542,149	561,785
Holders of hybrid capital beginning-of-year	59,330	58,979	58,979
Net profit or loss for the year (interest hybrid capital)	4,707	4,707	6,626
Paid interest	-4,444	-4,705	-6,275
Holders of hybrid capital end-of-year	59,593	58,981	59,330
Total equity	925,151	794,347	814,332

Notes per 30th September

1,000 DKK	2018	2017	1.1-31.12 2017
INTEREST INCOME			
Receivables at credit institutions and central banks	0	-3,093	0
Loans and other receivables	144,600	141,483	188,771
Bonds	6,508	7,095	9,484
Other derivative financial instruments, total	780	588	722
of which			
Currency contracts	109	219	448
Interest-rate contracts	671	369	274
Other interest income	0	0	0
Total	151,888	146,073	198,977
INTEREST EXPENSES			
Credit institutions and central banks	3,164	14	4,234
Deposits	5,249	12,543	16,098
Subordinated debt	4,857	4,910	6,613
Other interest expenses	9	-4	60
Total	13,279	17,463	27,005
FEES AND COMMISSION INCOME			
Securities trading and custody accounts	9,212	16,850	21,888
Payment services	8,876	7,310	9,828
Loan fees	39,830	40,597	52,865
Guarantee commission	9,943	8,097	11,168
Other fees and commission	22,957	15,120	22,798
Total	90,818	87,974	118,547
VALUE ADJUSTMENTS			
Other loans	0	13	13
Bonds	-3,678	4,813	3,937
Total shares	72,896	20,383	23,114
Shares in sectorcompanies etc.	10,016	8,556	9,178
Other shares	62,880	11,827	13,936
Foreign currency	3,398	3,062	3,862
Other financial instruments	-31	-57	119
Total	72,585	28,214	31,045

1,000 DKK	2018	2017	1.1-31.12 2017
STAFF COSTS AND ADMINISTRATIVE EXPENSES			
SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.			
Board of managers	1,988	1,988	2,830
Fixed fees	1,958	1,958	2,790
Pension contributions	30	30	40
Management board	868	792	1,053
Audit Committee	0	0	50
Committee of representatives	0	0	177
Total salaries and remuneration of board etc.	2,856	2,780	4,110
STAFF COSTS			
Wages and salaries	58,327	53,259	71,633
Pensions	6,461	5,845	7,843
Social security costs	683	847	982
Payroll tax	9,843	8,594	11,644
Total staff costs	75,314	68,545	92,102
OTHER ADMINISTRATIVE EXPENSES	49,623	44,922	64,840
Total staff costs and administrative expenses	127,793	116,247	161,052
EMPLOYEES			
Average number of employees converted into full-time employees	149	134	135
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	55,375	50,711	68,360
Reversal of write-downs made in previous years	-33,775	-27,968	-38,149
Finally lost, not previously written down	1,275	2,686	4,215
Interest on the written-down portion of loans	-7,320	-9,360	-12,480
Recoveries of previously written off debt	-1,616	-1,936	-2,060
Total	13,939	14,133	19,886

Notes per 30th September (continued)

1,000 DKK	2018	2017	1.1-31.12 2017
INDIVIDUAL WRITE-DOWNS AND PROVISIONS			
Write-downs - beginning of the year	313,345	316,473	316,040
Changed accounting policy for impairment charges	-313,345	0	0
Write-downs during the year	0	47,687	62,025
Reversal of write-downs made in previous years	0	-27,968	-33,933
Write-downs in precious years	0	-20,484	-30,787
Individual write-downs total	0	312,580	313,345
GROUP WRITE-DOWNS AND PROVISIONS			
Write-downs - beginning of the year	26,364	26,364	26,391
Changed accounting policy for impairment charges	-26,364	0	0
Write-downs during the year	0	3,024	0
Group write-downs - end of year	0	0	-27
Group write-downs total	0	29,388	26,364
Write-downs total	0	341,968	339,709
STAGE 1 IMPAIRMENT CHARGES			
Stage 1 impairment charges at the end of the previous financial year	0	-	-
Changed accounting policy for impairment charges	14,750	-	-
Stage 1 impairment charges / value adjustment during the period	2,008	-	-
Cummulative stage 1 impairment total	16,758	-	-
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	0	-	-
Changed accounting policy for impairment charges	25,020	-	-
Stage 2 impairment charges / value adjustment during the period	2,818	-	-
Cummulative stage 2 impairment total	27,838	-	-

1,000 DKK	2018	2017	1.1-31.12 2017
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	306,943	-	-
Changed accounting policy for impairment charges	17,137	-	-
Stage 2 impairment charges / value adjustment during the period	50,548	-	-
Reversal of stage 3 impairment charges during the period	-33,073	-	-
Recognised as a loss, covered by stage 3 impairment charges	-38,274	-	-
Cummulative stage 3 impairment total	303,281	-	-
Total cumulative impairment charges for loans and other receivables on the balance sheet date	347,877	341,968	339,709
GUARANTEES			
Provisions beginning of the year	2,578	2,578	433
Changed accounting policy for provisions for losses on guarantees	6,556	-	0
Loss on guarantees	4,119	2,694	2,234
Transferred to liabilities	-4,821	0	-89
Guarantees end of year	8,432	5,272	2,578
Total cumulative impairment charges for loans and other receivables and provisions for losses on guarantees and unutilised credit facilities on the balance sheet date	356,309	347,240	342,287
LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	92,174	137,421	117,440
SHARE CAPITAL			
Number of shares at 20 DKK each	9,640,000	9,640,000	9,640,000
Share capital	192.800	192,800	192,800
OWN CAPITAL SHARES			
Number of shares (pcs)	10,000	10,646	10,000
Nominal value hereof	200	213	200
Market value hereof	654	798	735
Own shares proportion of share capital (pct.)	0.10%	0.10%	0.10%

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