

Quarterly report 1Q 2020

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Acceptable profit

	31/3 2020	Profit before tax amounts to DKK 22.3 million.
	CORE EARNINGS	Increased to DKK 43.8 million, compared with DKK 37.3 million as of 31 March 2019
	NET INTEREST AND FEE INCOME	Increased by 11.9 % to DKK 92.3 million
	IMPAIRMENT	Impairment of DKK 10.6 million after reservation of DKK 25 million for Corona-related risk
	LENDING	Lending growth increased by 2.7 % to DKK 4.4 billion from 31 March 2019
	CAPITAL	Capital ratio of 18.3 % and core capital ratio of 16.6 %. Solvency requirements are 9.6 %
	CORE EARNINGS EXPECTATIONS	The originally announced core earnings in the range of DKK 125-140 million have been maintained for the entire year of 2020.
	EXPECTATIONS ANNUAL PROFIT BEFORE TAX	Expectations for profit before tax for 2020 are still suspended

5 years in summary

1,000 DKK	YEAR					
	2020	2019	2018	2017	2016	2019
PROFIT AND LOSS ACCOUNT						
Net income from interest	48.543	46.953	44.866	42.451	39.396	185.287
Div. on shares and other holdings	288	335	328	324	1.252	5.863
Charges and commissions (net)	43.462	35.156	34.176	28.310	20.587	143.257
Net inc. from int. & charges	92.293	82.444	79.370	71.085	61.235	334.407
Value adjustments	-9.822	11.591	66.453	13.217	434	40.225
Other ordinary income	289	264	188	427	261	1.945
Staff costs and administrative expenses	49.044	45.635	40.863	36.418	36.486	191.861
Depreciation of intangible and tangible assets	765	765	765	765	966	2.821
Other operating expenses	0	0	0	0	0	112
Operating expenses	0	0	0	0	0	112
Guarantee commission first guarantee scheme	0	0	0	0	0	0
Write-downs on loans etc. (net)	10.631	3.730	5.140	5.392	17.730	16.831
Operating profit	22.320	44.169	99.243	42.154	6.748	164.952
Taxes	4.910	9.717	8.210	8.928	1.126	29.469
Profit for the period	17.410	34.452	91.033	33.226	5.622	135.483
Of which are holders of shares of hybrid core capital instruments etc.	1.569	1.569	1.569	1.569	1.630	6.626
BALANCE SHEET AS PER JUNI 30TH						
summary						
Total assets	7.581.001	6.761.185	6.110.511	5.792.694	5.387.381	7.614.080
Loans and other debtors	4.449.383	4.331.256	4.105.454	3.692.345	3.614.852	4.325.613
Guarantees etc.	2.519.235	1.669.526	1.095.207	856.353	773.498	2.379.168
Bonds	944.990	1.003.922	1.004.135	1.002.900	710.160	1.045.717
Shares etc.	205.209	230.223	269.157	229.693	212.903	225.094
Deposits	6.135.817	5.495.332	4.936.986	4.764.373	4.423.826	6.223.604
Subordinated cap. investments	97.459	100.000	99.837	99.658	169.480	97.334
Capital funds	1.017.460	935.940	880.061	726.946	623.525	1.026.569
Dividends						28.920
Capital Base	1.043.459	920.540	808.913	705.971	656.536	1.032.679
Total weighted items	5.694.301	5.175.884	5.009.123	4.280.873	4.118.446	5.551.264
CORE EARNINGS						
Core income	93.659	83.721	79.962	72.710	62.440	340.939
Total costs etc.	-49.809	-46.400	-41.628	-37.183	-37.452	-194.794
Core earnings	43.850	37.321	38.334	35.527	24.988	146.145

Financial ratios - 31st March

Figures in pct.	2020	2019	2018	2017	2016
Solvency ratio	18,3	17,8	16,2	16,5	15,9
Core capital ratio	16,6	15,9	14,2	14,3	13,9
Return on own funds before tax*	2,2	4,9	12,4	6,2	0,9
Return on own funds after tax*	1,7	3,8	11,4	4,9	0,7
Earning/expense ratio in DKK	1,37	1,88	3,12	1,95	1,09
Interest rate risk	1,2	1,4	2,3	1,2	-0,6
Foreign currency position	0,2	0,8	9,6	0,3	0,8
Foreign currency risk	0,0	0,0	0,1	0,0	0,0
Advances against deposits	77,8	85,3	89,1	84,6	90,4
LCR	312	245	199	285	274
Total large commitments**)	139,4	142,6	146,5	25,3	24,7
Accumulated impairment ratio	4,6	5,7	5,5	6,9	8,0
Impairment ratio for the period	0,1	0,1	0,1	0,1	0,4
Increase in loans etc. for the period	2,9	-0,7	4,6	0,1	2,9
Ratio between loans etc. and capital funds	4,4	4,6	4,7	5,5	6,4
(value pr share 100 DKK)					
Earnings per share (result period)*	8,2	17,1	46,4	16,4	2,1
Book value pr share*	497	455	426	347	293
Market value/earning per share	6,6	3,7	1,4	3,7	15,5
Market value/book value*	0,54	0,69	0,76	0,87	0,55
(value pr share 20 DKK)					
Earnings per share (result period)*	1,6	3,4	9,3	3,3	0,4
Book value pr share*	99	91	85	69	59
Market value	54,0	63,0	64,8	60,0	32,5

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

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



Quarterly overviews

1,000 DKK	1Q 2020	4Q 2019	3Q 2019	2Q 2019	1Q 2019
PROFIT AND LOSS ACCOUNT					
Net income from interest	48.543	46.713	45.425	46.196	46.953
Div. on shares and other holdings	288	76	981	4.471	335
Charges and commissions (net)	43.462	37.368	36.974	33.759	35.156
Net inc. from int. & charges	92.293	84.157	83.380	84.426	82.444
Value adjustments	-9.822	3.432	22.587	2.615	11.591
Other ordinary income	289	593	368	720	264
Staff costs and administrative expenses	49.044	51.156	48.320	46.750	45.635
Depreciation of intangible and tangible assets	765	526	765	765	765
Other operating expenses	0	0	0	112	0
Operating expenses	0	0	0	112	0
Guarantee commission first guarantee scheme	0	0	0	0	0
Write-downs on loans etc. (net)	10.631	5.629	4.009	3.463	3.730
Operating profit	22.320	30.871	53.241	36.671	44.169
Taxes	4.910	4.591	7.093	8.068	9.717
Profit for the period	17.410	26.280	46.148	28.603	34.452
Of which are holders of shares of hybrid core capital instruments etc.	1.569	1.919	1.569	1.569	1.569
BALANCE					
Loans and other debts	4.449.383	4.325.613	4.289.001	4.330.603	4.331.256
Deposits	6.135.817	6.223.604	5.772.673	5.821.940	5.495.332
Subordinated cap. investments	97.459	97.334	99.209	97.083	100.000
Equity	1.017.460	1.026.569	1.002.122	957.456	935.940
Total assets	7.581.001	7.614.080	7.332.658	7.192.148	6.761.185
Guarantees etc.	2.519.235	2.379.168	2.262.047	2.048.683	1.669.526
CORE EARNINGS					
Core income	93.659	85.832	85.026	86.360	83.721
Total costs	-49.809	-51.682	-49.085	-47.627	-46.400
Core earnings	43.850	34.150	35.941	38.733	37.321

Management's report

The month of March has been historically challenging for everyone as a result of the global Corona epidemic. Skjern Bank has of course also been heavily impacted by this, but notes that Q1 has been very satisfactory with solid growth in significant areas, primarily including interest and fee income. Net interest and fee income increased by 11.9 % with growth in both interest income and fee income. In a difficult and competitive market, it is considered satisfactory to raise the level of interest income, while the increase in fee income is very satisfactory and due to increases in loan fees but also due to increases in brokerage in securities trading and other fees.

However, profit before tax was heavily impacted by negative exchange rate adjustments of DKK 9.8 million and impairment of DKK 10.6 million after extraordinary reservations for Corona risks of DKK 25 million.

The Bank has always had a strategy of low interest rate risk and short-term maturity in the bond portfolio, and a limited trading portfolio of shares. The uncertain market as a result of the Corona epidemic has meant that the Bank has realised a negative exchange rate development of only DKK 9.8 million, which is considered acceptable after a very turbulent month of March in the stock exchanges.

Under impairment, the Bank has made a managerial estimate of the impact of the Corona epidemic. In Q1 2020, DKK 25 million has been allocated to the negative impact Corona may have on the Bank's customers. No impairment need on individual customers has yet been identified, but it has been assessed as necessary to allocate a significant amount to upcoming impairment. The Bank's customers are generally economically well-off and if DKK 25 million had not been allocated as a result of Corona, impairment for the quarter would have been recognised in the statement of profit or loss, as the net operating impact alone amounts to DKK 10.6 million.

As a result of the Bank's cautious impairment policy, no net impairment has been recognised in the statement of profit or loss.

As a result of the turbulence in society, in the stock markets and amongst the Bank's customers, on 25 March 2020 the Bank suspended its profit expectations for the entire year of 2020. As a result of the continued uncertainty, primarily with regard to the exchange rate development in the Bank's share and bond portfolios, the suspension of the expectation for profit before tax has been maintained.

The Bank no longer sees a need to suspend the core earnings expectation for the full year of 2020,

which, due to a realised core earnings of DKK 43.8 million, has been established at the originally announced range of DKK 125 – 140 million.

Profit before tax amounted to DKK 22.3 million as of 31 March 2020, which is a reduction of DKK 21.8 million compared to the same period in 2019. The decline is despite a growth in net interest and fee income of almost DKK 10 million and is due to negative exchange rate adjustments and increasing expenses and impairment.

Core earnings grew to DKK 43.8 million compared with DKK 37.3 million in 2019, which is very satisfactory considering the increased costs of DKK 3.4 million, primarily for more employees and other strategic initiatives.

Impairments amount to DKK 10.6 million, corresponding to an impairment rate of 0.2 % for the period. The impairment need has been heavily impacted by a managerial estimate of DKK 25 million as a result of the Corona epidemic and in light of this, the total impairment of DKK 10.6 million constitutes a satisfactory level.

The reversal of write-downs on completed and thus established impairment customers, together with the settlement of impaired loan facilities of about DKK 14 million, amounts to more than the newly identified impairment.

Without the provision of the extraordinary managerial estimate of DKK 25 million, the Bank would have had negative impairment at the level of DKK 14.4 million for the quarter.

The positive development in impairment need applies to all of the Bank's segments, including the agricultural industry, which generally has positive operations and consolidation. However, mink breeders, as the only production industry within agriculture, still have very low settlement prices and exchange rates, and in light of this, positive consolidation is not possible. Most of the Bank's limited number of customers within mink are very well consolidated, so there is not considered to be a significant risk associated with this.

The Bank's exposure within the hotel, restaurant, retail and tourism industries, which were hard hit by the Corona epidemic, is very limited but the Bank is in close dialogue with all customers and is following the situation in all industries closely and is in dialogue with all of the Bank's business customers regarding these challenges.

The Bank is ready to help our customers through the crisis in cases where it makes business sense for the customer and thus also the Bank.

The customers in the private segment are generally doing well and the average private household

is strongly equipped to withstand the ongoing crisis. Obviously, there will be impairment need for individual private customers, but the expectation is that there will not be a major impairment need at the portfolio level.

The development in the loan portfolio is positive again, with an increase of DKK 124 million or 2.9% during the quarter.

A considerable influx of new customers has been noted, and the demand for loans from existing customers is increasing again. For the full year, there is not expected to be a lending growth exceeding 5 %.

Another indicator of the high activity is the Bank's guarantees, which significantly increased to DKK 2,519 million as of 31 March 2020 compared with DKK 2,379 million at the end of 2019. The increase is primarily due to a high interest in restructuring mortgages, where customers have largely made use of the opportunity to convert mortgage debt into fixed-rate mortgage loans with a historically low interest rate all the way down to 0.50 %. During the month of March, the increasing bond yields have meant that some customers have taken the opportunity to convert their mortgages primarily back to 2 % loans in order to reduce outstanding debt.

The proportion of lending and guarantees to private customers increased by 1.9 % to 45.9 % during 2020, which is nicely in line with the Bank's goal of increasing the proportion of lending and guarantees to private customers. This development is expected to continue. 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 385 leases were established as of 31 March 2020.

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	31.03.2020	31.12.2019	31.03.2019
Public authorities	0,0%	0,0 %	0,0%
Agriculture, hunting, forestry & fishing	11,1%	12,0 %	10,8%
Plant production	1,4%	1,6 %	1,1%
Cattle farming	6,0%	6,7 %	5,7%
Pig farming	1,3%	1,5 %	1,3%
Mink production	1,6%	1,5 %	1,6%
Other agriculture	0,8%	0,7 %	1,1%
Industry and mining	3,4%	4,0 %	4,6%
Energy	2,6%	2,6 %	4,0%
Building and constructions	5,9%	6,2 %	6,5%
Wholesale	6,7%	5,9 %	6,9%
Transport, hotels and restaurants	1,6%	1,7 %	1,5%
Information and communication	0,3%	0,2 %	0,2%
Financial and insurance business	5,2%	5,1 %	4,7%
Real-estate	12,9%	13,4 %	13,2%
Other business	4,4%	4,9 %	4,8%
Private	45,9%	44,0 %	42,8%

The liquidity coverage ratio amounted to 312 % after LCR, which is satisfactory despite a slight decrease compared to 357 % as of 31 December 2019. The decrease is due to increased lending volumes and reduced deposit volumes, which follows the Bank's strategy of maintaining a solid liquidity coverage ratio based on stable customer deposits. The Bank has thus continued to have just over DKK 750 million in surplus relative to the internal goal of always having a minimum LCR of 225 %.

The Bank's capital ratio decreased during Q1 2020 from 18.6 % to 18.3 %, while the core capital ratio correspondingly decreased from 16.9 % to 16.6 %. The reduction is due to a combination of increasing lending and guarantees, and as a result, increasing risk-weighted items of DKK 143 million, and is also due to the profit after tax for the quarter not being recognised in the capital base.

If the results 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 18.7 % and the core capital ratio at 17.0 %.

The individual solvency requirement is calculated at 9.6 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 8.7 %. Compared with the actual capital base of DKK 1,043.5 million, there was a surplus of DKK 496.2 million at the end of Q1 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 4.335 % points, corresponding to a solvency coverage of 131.0 %, or DKK 246.8 million. The cyclical buffer, which was phased in at 1 % as of 31 December 2019, was suspended in March 2020 as a result of the Corona epidemic in order to ensure an increased capital buffer in the banking sector.

If the Q1 profit after tax of DKK 17.4 million had been reviewed by the Bank's external audit and the profit for the quarter thus recognised in the capital base, the surplus relative to the necessary capital would have been able to amount to 4.735 percentage points, corresponding to a solvency coverage of 133.9 % or DKK 269.6 million.

CAPITAL GOALS AND DIVIDEND POLICY

The Bank has achieved a solid capital coverage, primarily consisting of a core capital of 15.6 % compared with the individual solvency requirements of 9.6 %, which, added to the capital conservation buffer of 2.5% and NEP requirement of 1.865 %, amounts to total capital requirements of 13.425 percentage points.

The Bank has an unchanged focus on 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.

Based on the dividend policy, the Bank distributed dividends for the financial year 2019 on 5 March 2020 after its adoption at the Annual General Meeting on 2 March 2020. The Bank's distribution was thus made before the outbreak of the Corona epidemic and the Danish Financial Supervisory Authority and Danish government's request to avoid paying dividends.

It is the Bank's unchanged assessment that the capital resources of the Bank were and are still fully adequate and sound after the distribution of dividends, but the Bank will of course follow the impact of the Corona crisis on the Bank's customers and capital resources very closely and will act accordingly.

In Q4 2020, the Bank's Board of Directors will make the initial 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, either as share buy-backs or cash distributions, to amount to 30-50 % of the annual profit after tax, which exceeds a return on equity of 6 %.

THE BANK'S IMPORTANT STAKEHOLDERS

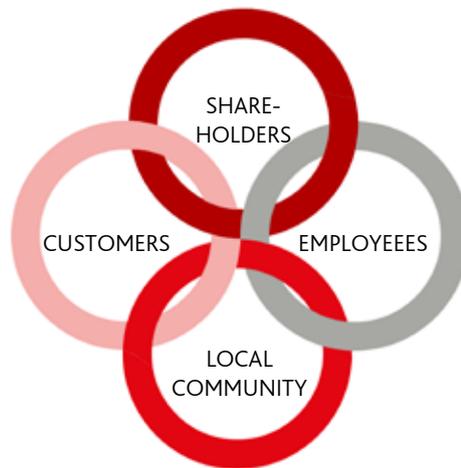
The Bank's management considers the cooperation with and involvement of the Bank's many stakeholders and the running of a well-functioning local Bank to be equally important.

The Bank believes that stakeholders' interests closely coincide.

Shareholders

The Bank's is owned by just over 16,000 shareholders who have been very loyal to the Bank and have shown great patience with regard to dividend payments. As described under the capital goals and dividend policies, in the future the management wants to distribute portions of the future earnings 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 170 employees, which is an increase of 10 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 all of our local communities, both as a partner for the many small business owners but of course also for the local population in general. It is important for the Bank to back local initiatives and the Bank helps a great number of new local businesses with counselling and financing, so that entrepreneurs' dreams have the best chance of being realised.

The Bank is also 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 48.5 million as of 31 March 2020, which is an increase of DKK 1.6 million, corresponding to 3.4 % compared to 31 March 2019.

Total interest income, including interest income on deposits, increased by DKK 3.0 million, corresponding to 6 % compared to 31 March 2019. The increase is primarily due to an increase in interest income from deposits, but also to an increase in derivative financial instruments, while the interest income from lending is at an unchanged level compared to last year.

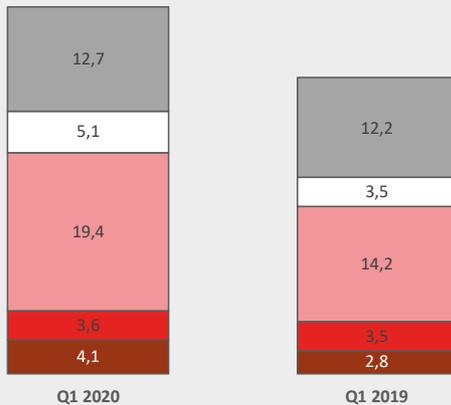
The interest expense amounted to DKK 5.2 million including interest expense to Danmarks Nationalbank, and has increased by DKK 1.4

Interest income
Million DKK



Charges and commissions receivable (Million DKK)

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



million as a result of a sharp increase in interest expense to Danmarks Nationalbank of DKK 1.9 million, while the interest expense for customer deposits reduced by DKK 0.5 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 is primarily invested in certificates of deposit with Danmarks Nationalbank.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 43.5 million, compared to DKK 35.1 million in 2019, and thus increased by a very satisfactory DKK 8.4 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 5.2 million in loan fees compared with Q1 2019.

Dividends of DKK 0.3 million were realised, which is the same level as last year.

Net interest and fee income amounted to DKK 92.3 million, which is DKK 9.8 million or 11.9 % higher than Q1 2019.

EXCHANGE RATE ADJUSTMENTS

In March, the securities market was characterised by major negative price fluctuations in both the stock market and the bond market. The market stabilised towards the end of March, which contributed to the overall negative exchange rate adjustments being limited to DKK 9.8 million compared to capital gains of DKK 11.6 million as of 31 March 2019. Thus, a difference of DKK -21.4 million.

As of 31 March 2020, the negative exchange rate adjustments were divided into DKK -5.3 million in the bond portfolio and DKK -5.6 million in the shareholdings, of which sectoral shares comprise DKK 2.7 million. In addition, exchange rates and derivative financial

Write-downs on loans etc. (Million DKK)



instruments achieved an income of DKK 1.1 million in the same period.

EXPENSES

Staff and administration expenses etc. increased by DKK 3.4 million, corresponding to 7.5 % and amounted to DKK 49.0 million as at 31 March 2020, compared with DKK 45.6 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 4.8 million compared to 31 March 2019. This also includes increased payroll tax of DKK 0.7 million as well as collective agreement wage increases.

Administration costs decreased by DKK 1.4 million, distributed between IT expenses, marketing and other administrative costs.

IMPAIRMENT

Net impairment for the period of DKK 10.6 million compared with DKK 3.7 million in 2019.

There has not yet been a specific impairment need on individual customers as a result of the Corona crisis, but an estimated DKK 25 million has been expensed for any upcoming impairment need as a result of the Corona crisis.

The Bank's lending to the hardest-hit industries, including the hotel, restaurant and retail 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 necessary backing from the bank for some.

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

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

PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 22.3 million compared with DKK 44.1 million as of 31 March

2019. After taxes, profit for the period amounted to DKK 17.4 million.

The management is pleased to note that profit before tax, despite negative exchange rate adjustments and an increased level of impairment of an estimated DKK 25 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 43.8 million were realised, which is DKK 6.5 million higher than 31 March 2019. The profit is very satisfactory considering the increased costs for strategic activity expansions.

Beløb i 1.000 kr.	2020	2019	1.1-31.12 2019
Net income from interest	48.543	46.953	185.287
Net charges and commission	43.462	35.156	143.257
Dividend on shares and other holdings	288	335	5.863
Foreign currency value adjustments*	1.077	1.013	4.587
Other ordinary income	289	264	1.945
Core income	93.659	83.721	340.939
Staff costs and administrative expenses	49.044	45.635	191.861
Depreciation and write-downs on intangible and tangible assets	765	765	2.821
Other operating expenses	0	0	112
Costs	49.809	46.400	194.794
Core earnings	43.850	37.321	146.145
Write-downs	-10.631	-3.730	-16.831
Value adjustments*	-10.899	10.578	35.638
Result before tax	22.320	44.169	164.952
Tax	4.910	9.717	29.469
Net-result for the financial year	17.410	34.452	135.483

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

Equity amounted to DKK 1,017.4 million compared to DKK 1,026.6 million at the end of the previous year. Equity has been reduced as a result of distributed dividends of DKK 28.9 million in March 2020. A unchanged hybrid core capital of DKK 60 million was recognised in the Bank's equity on 31 March 2020.

After addition of subordinated capital contributions of DKK 100 million and adjustments for reduction in weighting and other deductions, the Bank's capital base as of 31 March 2020 amount-

ted to DKK 1,043.5 million. The realised profit after tax for Q1 2020 of DKK 17.4 million is not included in the Bank's capital base for 31 March 2020.

In Q1 2020, the Bank has increased risk-weighted items by DKK 143 million to DKK 5,694 billion. The capital ratio was estimated at 18.3 % without recognition of profit after tax for the quarter, which is a reduction of 0.3 % points since 31 December 2019.

The necessary capital of 13.965 % is comprised of the individual solvency requirement of 9.6 % 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 %.

The Bank thus still has foundation capital with a coverage of 4.335 % points, corresponding to a surplus of 131.0 % relative to the necessary capital. The surplus adds up to DKK 246.8 million. If the results were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit, the surplus relative to the necessary capital could be calculated at 4.735 percentage points, corresponding to a solvency coverage of 133.9 % of DKK 269.6 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 6,136 million, of which DKK 4,743 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 31 March 2020 has an LCR financial ratio of 312 %.

SKJERN BANK SHARES

As of 31 March 2020, the Bank was owned by 15,746 shareholders.

The Bank's share price was 54.0 on 31 March 2020, compared with 62.2 at the beginning of the year.

The market price thus amounts to DKK 520.6 million as of 31 March 2020, corresponding to an intrinsic value of 0.54.

EXPECTATIONS

The Bank expects core earnings in 2020 in the range of DKK 125 - 140 million. The expectation is the same as expectation expressed in the Annual Report for 2019. The expectation was suspended in the stock exchange announcement on 25 March 2020 as a result of the uncertainty about the consequences of the Corona epidemic.

The Bank has still suspended its expectations for profit before tax, as it is still uncertain how much of an impact the Corona epidemic will have on the Bank's exchange rate adjustments and impairment on customer lending.

"THE SUPERVISORY DIAMOND"

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

The Bank's status for each indicator as of 31 March 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 31 March 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 311 % as of 31 March 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 61 %. As of 31 December 2019, the funding ratio amounted to 62 %.

Property exposure (maximum 25 percent):

Skjern Bank has an attractive industry spread; compared to the real estate sector, the exposure is 12,7 % as of 31 March 2020. As of December 2019, the exposure was 13.2 %.

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 139.4 % as of 31 March 2020, compared to 136.5 % as of 31 December 2019.

Property exposure (maximum 20 percent):

The Bank has realised an increase in lending of 2.7 % as of 31 March 2020 compared with a decrease in lending of 0.78 % as of 31 December 2019.

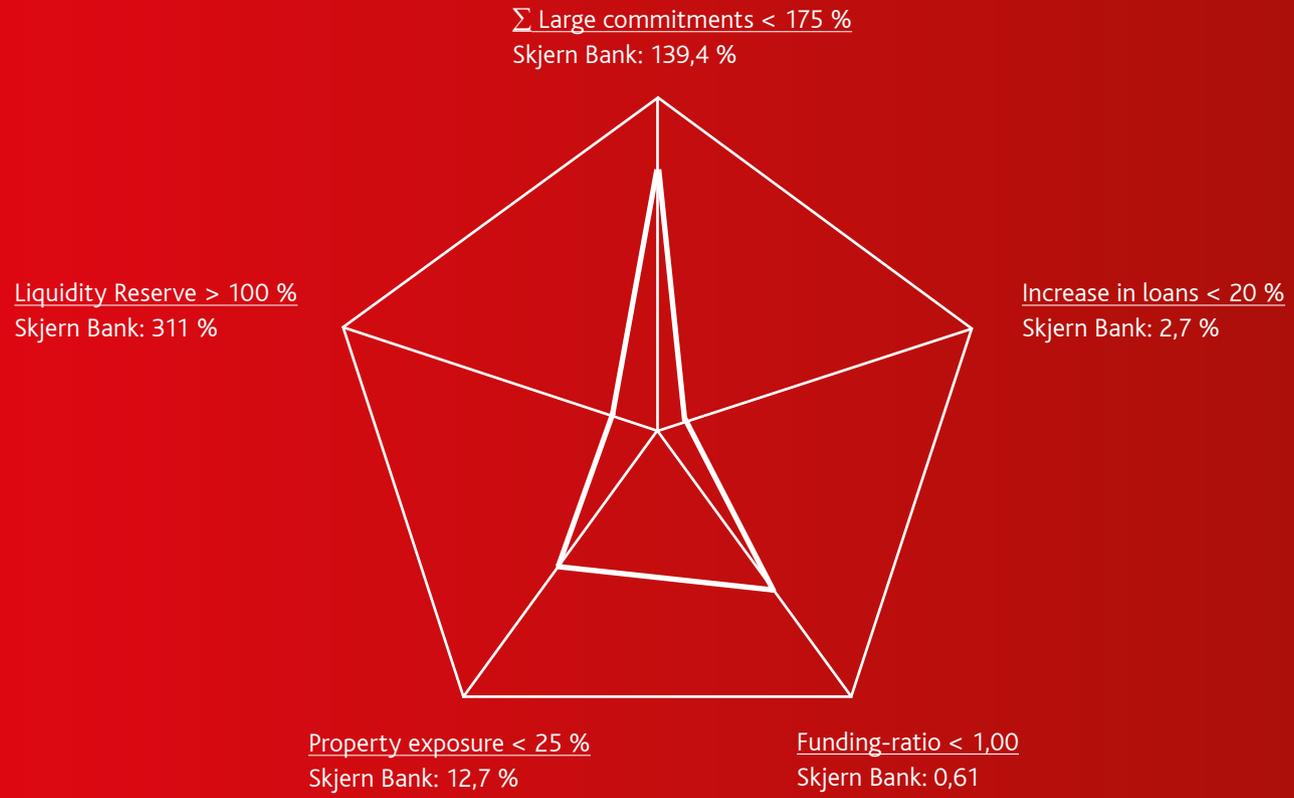
TRANSACTIONS WITH RELATED PARTIES

As of 31 March 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 is due in Q2 2020.

The Supervisory Diamond



ACCOUNTING POLICIES USED

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

The accounting practice used is unchanged compared to the annual report for 2019.

EVENTS AFTER 31 MARCH 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

Hans Ladekjær Jeppesen
Chair of the Board

Per Munck
Director

Management's statement

We have on today's date discussed and approved the quarterly report for the period of 1 January–31 March 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 Q1 earnings in core capital.

Skjern, 30 April 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 - March 31st

1,000 DKK	2020	2019	1.1-31.12 2019
Interest receivable	51.397	50.638	200.586
Interest receivable deposits	2.379	95	2.157
Interest receivable	2.300	2.772	10.032
Interest payable central banks	2.933	1.008	7.424
Net income from interest	48.543	46.953	185.287
Dividend on shares and other holdings	288	335	5.863
Charges and commission receivable	44.916	36.181	146.937
Charges and commission payable	1.454	1.025	3.680
Net income from interest and charges	92.293	82.444	334.407
Value adjustments	-9.822	11.591	40.225
Other ordinary income	289	264	1.945
Staff costs and administrative expenses	49.044	45.635	191.861
Depreciation and write-downs on intangible and tangible assets	765	765	2.821
Other operating expenses	0	0	112
Contribution to the Guarantee Fund for deposits	0	0	112
Guarantee commission first guarantee scheme	0	0	0
Write-downs	10.631	3.730	16.831
Result before tax	22.320	44.169	164.952
Tax	4.910	9.717	29.469
Net-result for the financial year	17.410	34.452	135.483
Of which are holders of shares of hybrid core capital instruments etc.	1.569	1.569	6.626
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	17.410	34.452	135.483
Other comprehensive income after tax	0	0	0
Total comprehensive income	17.410	34.452	135.483

Balance by March 31

1,000 DKK	2020	2019	1.1-31.12 2019
ASSETS			
Cash in hand and demand deposits with central banks	214.914	189.683	229.494
Receivables at credit institutions and central banks	1.625.360	863.060	1.673.392
Loans and other receivables at amortised cost	4.449.383	4.331.256	4.325.613
Bonds at fair value	944.990	1.003.922	1.045.717
Shares etc.	205.209	230.223	225.094
Land and buildings (total)	46.841	48.131	47.140
Investment properties	3.019	2.961	2.961
Owner-occupied properties	43.822	45.170	44.179
Other tangible assets	4.177	3.775	3.323
Current tax assets	21.967	26.555	4.804
Deferred tax assets	0	1.922	0
Other assets	66.264	61.334	58.396
Prepayments	1.896	1.324	1.107
Total assets	7.581.001	6.761.185	7.614.080



1,000 DKK	2020	2019	1.1-31.12 2019
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	258.361	164.917	206.536
Deposits and other debts	6.135.817	5.495.332	6.223.604
Other liabilities	59.638	52.551	44.386
Prepayments	1.677	2.075	1.386
Total debt	6.455.493	5.714.875	6.475.912
PROVISIONS			
Provisions for deferred tax	675	0	675
Provisions for loss on guarantees	9.914	10.370	13.590
Total provisions	10.589	10.370	14.265
SUBORDINATED DEBT			
Subordinated loan capital	97.459	100.000	97.334
Total subordinated debt	97.459	100.000	97.334
EQUITY			
Share capital	192.800	192.800	192.800
Revaluation reserves	417	417	417
Retained earnings	764.125	682.955	744.402
Dividend	-	-	28.920
Capital owners share of equity	957.342	876.172	966.539
Holders of hybrid capital Total equity	60.118 1.017.460	59.768 935.940	60.030 1.026.569
Total liabilities	7.581.001	6.761.185	7.614.080

Off-balance-sheet items by March 31

1,000 DKK	2020	2019	1.1-31.12 2019
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	498.086	357.605	512.488
Guarantees against losses on mortgage credit loans	702.579	588.179	663.378
Registration and conversion guarantees	1.121.407	140.681	961.248
Other contingent liabilities	197.163	583.061	242.054
Total	2.519.235	1.669.526	2.379.168
Other binding engagements			
Irrevocable credit-undertakings	69.770	220.133	121.121
Total	69.770	220.133	121.121

Information on changes in equity

March 31

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	744.402	644.923	644.923
Profit or loss for the financial year	15.841	32.883	99.936
Dividends own shares	30	30	30
Purchase of own funds	21	-488	-487
Retained earnings end-of-year	760.294	677.348	744.402
Dividends beginning-of-year	28.920	28.920	28.920
Proposed dividends	0	0	28.920
Dividends paid	-25.089	-23.313	-28.920
Dividends	3.831	5.607	28.920
Holders of hybrid capital beginning-of-year	60.030	59.680	59.680
Net profit or loss for the year (interest hybrid capital)	1.569	1.569	6.626
Paid interest	-1.481	-1.481	-6.276
Holders of hybrid capital end-of-year	60.118	59.768	60.030
Total equity	1.017.460	935.940	1.026.569

Notes per March 31

1,000 DKK	2020	2019	1.1-31.12 2019
INTEREST INCOME			
Loans and other receivables	48.559	48.728	191.626
Bonds	1.357	1.778	6.521
Other derivative financial instruments, total	1.481	132	2.439
of which			
Currency contracts	1.728	-59	2.755
Interest-rate contracts	-247	191	-316
Other interest income	0	0	0
Total	51.397	50.638	200.586
INTEREST EXPENSES			
Credit institutions and central banks	0	0	0
Deposits	717	1.087	3.506
Subordinated debt	1.574	1.684	6.525
Other interest expenses	9	1	1
Total	2.300	2.772	10.032
FEEES AND COMMISSION INCOME			
Securities trading and custody accounts	4.180	2.817	16.238
Payment services	3.554	3.505	12.423
Loan fees	19.430	14.207	68.877
Guarantee commission	5.076	3.480	16.918
Other fees and commission	12.676	12.172	32.481
Total	44.916	36.181	146.937
VALUE ADJUSTMENTS			
Bonds	-5.279	1.446	-4.551
Total shares	-5.623	9.062	39.974
Shares in sector/companies etc.	2.687	3.676	8.858
Other shares	-8.310	5.386	31.116
Foreign currency	1.077	1.013	4.587
Other financial instruments	3	70	215
Total	-9.822	11.591	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	810	810	3.285
Fixed fees	810	810	3.285
Pension contributions	0	0	0
Management board	326	316	1.303
Audit Committee	0	0	80
Committee of representatives	0	0	177
Total salaries and remuneration of board etc.	1.136	1.126	4.845
STAFF COSTS			
Wages and salaries	24.732	20.907	82.245
Pensions	2.443	2.247	9.138
Social security costs	328	290	1.182
Payroll tax	4.310	3.606	14.859
Total staff costs	31.813	27.050	107.424
OTHER ADMINISTRATIVE EXPENSES	16.095	17.459	79.592
Total staff costs and administrative expenses	49.044	45.635	191.861
EMPLOYEES			
Average number of employees converted into full-time employees	159	149	150
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	56.131	39.367	116.865
Reversal of write-downs made in previous years	-40.436	-32.967	-91.928
Finally lost, not previously written down	565	55	3.998
Interest on the written-down portion of loans	-2.819	-1.983	-10.512
Recoveries of previously written off debt	-2.810	-742	-1.592
Total	10.631	3.730	16.831

Notes per March 31 (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	5.283	3.703	11.997
-hereby new facilities in the period: 3,764 TDKK			
Stage 1 impairment reversed during the period	-4.822	-3.473	-8.760
Cummulative stage 1 impairment total	20.466	16.998	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	10.024	4.441	36.250
Stage 2 impairment reversed during the period	-11.245	-9.804	-21.824
Cummulative stage 2 impairment total	61.855	43.287	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	39.696	33.701	63.590
Reversal of stage 3 impairment charges during the period	-21.227	-23.119	-60.576
Recognised as a loss, covered by stage 3 impairment charges	-12.118	-417	-48.902
Cummulative stage 3 impairment total	246.603	296.305	240.252
Total cumulative impairment charges IFRS9	328.924	356.590	323.333
GUARANTEES			
Provisions beginning of the year	13.590	9.420	9.420
Loss on guarantees	1.128	1.420	9.193
Reversal of provisions	-3.142	0	0
Provisions for losses	-1.739	-470	-5.023
Guarantees end of year	9.837	10.370	13.590
Total cumulative impairment charges IFRS9 and guarantees	338.761	366.960	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	20.466	36.369	20	25.466	246.603	328.924
- in % of total impairment	6%	11%	0%	8%	75%	100%
Maximum credit risk	6.830.569	874.598	2.501	184.763	509.844	8.402.275
- in % of maximum credit risk	81%	10%	0%	2%	6%	100%
Rating, weighted average	3,3	5,9	2,0	10,0	10,0	4,1

There is a minimal change in the Stage 1 and 2 write-downs, which is solely due to model conditions.

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	99,845	119,542	83,586
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)	10.317	16.957	16.957
Nominal value hereof	206	339	339
Market value hereof	557	1.068	1.055
Own shares proportion of share capital (pct.)	0,11%	0,18%	0,18%

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VIRUM

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