

Quarterly report 1Q 2019



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Satisfactory profit

 31/3 2019	Profit before tax amounts to DKK 44.2 million
 EQUITY	Opening equity is expected to bear interest in the range of 13-15 % per year
 CORE EARNINGS	Core earnings amounted to DKK 37.3 million
 NET INTEREST AND FEE INCOME	Net interest and fee income increased by 3.9 % to DKK 82.4 million
 IMPAIRMENT	Impairment was marginally reduced by DKK 3.7 million
 LENDING	Lending growth of 5.5 % to DKK 4,331 million compared to 31 March 2018
 CAPITAL	Capital ratio is 17.8 % without recognition of profits. Solvency requirements are 9.4 %.
 CORE EARNINGS EXPECTATIONS	For the full year 2019, regular core earnings are expected to be in the range of DKK 130 - 145 million.

5 years in summary

1,000 DKK	31/3 2019	31/3 2018	31/3 2017	31/3 2016	31/3 2015	YEAR 2018
PROFIT AND LOSS ACCOUNT						
Net income from interest	46,953	44,866	42,451	39,396	39,364	185,242
Div. on shares and other holdings	335	328	324	1,252	489	3,476
Charges and commissions (net)	35,156	34,176	28,310	20,587	16,502	119,515
Net inc. from int. & charges	82,444	79,370	71,085	61,235	56,355	308,233
Value adjustments	11,591	66,453	13,217	434	10,908	69,389
Other ordinary income	264	188	427	261	607	1,503
Staff costs and administrative expenses	45,635	40,863	36,418	36,486	34,081	191,626
Depreciation of intangible and tangible assets	765	765	765	966	858	3,004
Other operating expenses	0	0	0	0	2,218	127
Operating expenses	0	0	0	0	2,218	52
Guarantee commission first guarantee scheme	0	0	0	0	0	75
Write-downs on loans etc. (net)	3,730	5,140	5,392	17,730	9,898	19,729
Operating profit	44,169	99,243	42,154	6,748	20,815	164,639
Taxes	9,717	8,210	8,928	1,126	4,891	22,126
Profit for the period	34,452	91,033	33,226	5,622	15,924	142,513
Of which are holders of shares of hybrid core capital instruments etc.	1,569	1,569	1,569	1,630	0	6,626
BALANCE SHEET AS PER MARCH 31ST						
summary						
Total assets	6,761,185	6,110,511	5,792,694	5,387,381	5,306,522	6,703,573
Loans and other debtors	4,331,256	4,105,454	3,692,345	3,614,852	3,651,080	4,359,561
Guarantees etc.	1,669,526	1,095,207	856,353	773,498	644,719	1,543,324
Bonds	1,003,922	1,004,135	1,002,900	710,160	816,600	1,016,994
Shares etc.	230,223	269,157	229,693	212,903	173,244	220,498
Deposits	5,495,332	4,936,986	4,764,373	4,423,826	4,385,376	5,457,413
Subordinated cap. investments	100,000	99,837	99,658	169,480	169,300	99,976
Capital funds	935,940	880,061	726,946	623,525	538,413	926,740
Dividends						28,920
Capital Base	920,540	808,913	705,971	656,536	585,487	923,409
Total weighted items	5,175,884	5,009,123	4,280,873	4,118,446	4,080,757	5,310,230
CORE EARNINGS						
Core income	83,721	79,962	72,710	62,440	57,218	314,385
Total costs etc.	-46,400	-41,628	-37,183	-37,452	-34,939	-194,757
Core earnings	37,321	38,334	35,527	24,988	22,279	119,628

Financial ratios - March 31

Figures in pct.	2019	2018	2017	2016	2015
Solvency ratio	17.8	16.2	16.5	15.9	14.4
Core capital ratio	15.9	14.2	14.3	13.9	12.4
Return on own funds before tax*	4.9	12.4	6.2	0.9	3.9
Return on own funds after tax*	3.8	11.4	4.9	0.7	3.0
Earning/expense ratio in DKK	1.88	3.12	1.95	1.09	1.44
Interest rate risk	1.4	2.3	1.2	-0.6	-2.9
Foreign currency position	0.8	9.6	0.3	0.8	2.1
Foreign currency risk	0.0	0.1	0.0	0.0	0.0
Advances against deposits	85.3	89.1	84.6	90.4	91.6
LCR	245	199	285	274	244
Total large commitments**)	142.6	146.5	25.3	24.7	52.7
Accumulated impairment ratio	5.8	5.5	6.9	8.0	7.9
Impairment ratio for the period	0.1	0.1	0.1	0.4	0.2
Increase in loans etc. for the period	-0.7	4.6	0.1	2.9	0.2
Ratio between loans etc. and capital funds	4.6	4.7	5.5	6.4	6.8
(value pr share 100 DKK)					
Earnings per share (result period)*	17.1	46.4	16.4	2.1	8.3
Book value pr share*	455	426	347	293	280
Market value/earning per share	3.7	1.4	3.7	15.5	3.9
Market value/book value*	0.69	0.76	0.87	0.55	0.57
(value pr share 20 DKK)					
Earnings per share (result period)*	3.4	9.3	3.3	0.4	1.7
Book value pr share*	91	85	69	59	56
Market value	63.0	64.8	60.0	32.5	32.0

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

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

Quarterly overviews

1,000 DKK	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
PROFIT AND LOSS ACCOUNT					
Net income from interest	46,953	46,633	47,130	46,613	44,866
Div. on shares and other holdings	335	79	487	2,582	328
Charges and commissions (net)	35,156	31,487	27,415	26,437	34,176
Net inc. from int. & charges	82,444	78,199	75,032	75,632	79,370
Value adjustments	11,591	-3,196	3,217	2,915	66,453
Other ordinary income	264	514	486	315	188
Staff costs and administrative expenses	45,635	63,833	44,110	42,820	40,863
Depreciation of intangible and tangible assets	765	709	765	765	765
Other operating expenses	0	75	0	52	0
Operating expenses	0	0	0	52	0
Guarantee commission first guarantee scheme	0	75	0	0	0
Write-downs on loans etc. (net)	3,730	5,790	3,812	4,987	5,140
Operating profit	44,169	5,110	30,048	30,238	99,243
Taxes	9,717	1,688	6,266	5,962	8,210
Profit for the period	34,452	3,422	23,782	24,276	91,033
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	4,331,256	4,359,561	4,245,526	4,154,581	4,105,454
Deposits	5,495,332	5,457,413	5,293,337	5,384,055	4,936,986
Subordinated cap. investments	100,000	99,976	99,917	99,877	99,837
Equity	935,940	926,740	925,150	902,849	880,061
Total assets	6,761,185	6,703,573	6,596,150	6,588,065	6,110,511
Guarantees etc.	1,669,526	1,543,324	1,335,451	1,184,971	1,095,207
CORE EARNINGS					
Core income	83,721	79,964	76,787	77,672	79,962
Total costs	-46,400	-64,617	-44,875	-43,637	-41,628
Core earnings	37,321	15,347	31,912	34,035	38,334

Management's report

Q1 has been satisfactory with growth of 3.9 % in net interest and fee income, positive capital gains of DKK 11.6 million and a continued satisfactory and decreasing level of impairment. Profit before tax was realised at a satisfactory DKK 44.2 million, which is DKK 55.1 million lower compared with 2018 as a result of the capital gains of approximately DKK 60 million in Q1 2018 after the sale of Value Invest Asset Management S.A.

Core earnings were DKK 37.3 million, compared with DKK 38.3 million in 2018, which is satisfactory considering the increased costs for strategic initiatives.

The realised impairment of DKK 3.7 million is considered satisfactory and corresponds to an impairment percentage of 0.1 % during the period. The level of impairment is marginally reduced despite the agricultural industry continuing to be challenged, where all the larger production types, pig production, milk production and mink, have experienced less than satisfactory terms of trade for a long time. Milk prices are now at a level where profitability is satisfactory in effective businesses, and pig prices have increased significantly in recent weeks, primarily as a result of significantly reduced production in China. The mink industry has been characterised by very low – not profitable – sales prices and fluctuating demand for a long time. However, recent auctions have shown increasing sales and higher prices and there is hope that the development will continue. The Bank's other segments are progressing very satisfactorily, and we can point to continued significant reversals of previously impaired exposures.

Demand for loans with existing customers in the Bank's market areas is still satisfactory. The Bank also has a very solid customer growth, which altogether has increased lending by DKK 225.8 million or 5.5 % compared to lending as of 31 March 2018. Taken in isolation, a decrease in lending of DKK 28.3 million was realised in Q1 2019 as a result of regular reductions in exposures with certain major customers. The Bank still expects a satisfactory lending growth of up to 5 % for the full year of 2019. Another indicator of the major activity with the many new and existing customers is guarantees which, like lending, significantly increased to DKK 1,669 million as of 31 March 2019 compared with DKK 1,543 million at the end of 2018.

The percentage of lending and guarantees to private customers increased to 42.8 %. In Q1 2019, the percentage increased to an extremely satisfactory 2.3 % points. The Bank's ambitious goal of increasing the percentage to 42.5 % before the end of 2019 has thus already been achieved by the end of Q1 2019. It will still be the Bank's goal to further increase the percentage of lending and guarantees to private customers in the upcoming years and the current segment goals have thus been increased to 45 %.

The Bank offers financial leasing to business customers via Skjern Bank Leasing. Customers have welcomed the product and therefore over 200 lease agreements have been established in Skjern Bank Leasing.

The liquidity coverage ratio amounts to 245 %, which is satisfactory and at the same level as the end of 2018. The Bank's unchanged strategy is to maintain a solid excess liquidity based on stable customer deposits.

The Bank's capital ratio was increased during the quarter from 17.4 % to 17.8 %, while the core capital ratio increased from 15.5 % to 15.9 %. The increase is due to reduced risk-weighted assets of DKK 134.3 million. The profit for Q1 is not included in the capital base as a result of the satisfactory capital coverage. If the results were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit after tax of DKK 34.4 million, the capital ratio could be calculated at 18.5 % and the core capital ratio at 16.6 %.

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	31.03.2019	31.12.2018	31.03.2018
Public authorities	0,0%	0,0 %	0,0 %
Agriculture, hunting, forestry & fishing	10,8%	11,2 %	11,9 %
Plant production	1,1%	1,2 %	1,4 %
Cattle farming	5,7%	6,0 %	6,2 %
Pig farming	1,3%	1,4 %	1,6 %
Mink production	1,6%	1,6 %	1,5 %
Other agriculture	1,1%	1,0 %	1,2 %
Industry and mining	4,6%	2,8 %	3,3 %
Energy	4,0%	7,0 %	6,1 %
Building and constructions	6,5%	6,7 %	7,1 %
Wholesale	6,9%	6,4 %	7,1 %
Transport, hotels and restaurants	1,5%	1,5 %	1,7 %
Information and communication	0,2%	0,3 %	0,5 %
Financial and insurance business	4,7%	5,7 %	6,0 %
Real-estate	13,2%	12,8 %	13,8 %
Other business	4,8%	5,1 %	5,4 %
Private	42,8%	40,5 %	37,1 %

From the above sectoral distribution represents alternative energy 2,6 %

The individual solvency requirement is calculated at 9.4 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 189.4 %. Compared with the actual capital base of DKK 920 million, there was a surplus of DKK 426 million at the end of Q1 2019.

Relative to the necessary capital, which is expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 2.5 %, cyclical buffer of 0.50 % and the phased-in NEP supplement of 0.625 %, the coverage can be calculated at 4.775 % points, corresponding to a solvency coverage of 137 %, or DKK 247 million.

CAPITAL GOALS AND DIVIDEND POLICIES

Due to the satisfactory operating earnings, the Bank has achieved a comfortable capital coverage, primarily consisting of a solid core capital of 15.9 % compared with the individual solvency requirements of 9.4 % which, added to the capital conservation buffer of 2.5 %, cyclical buffer of 0.50 % and NEP requirement of 0.625 %, amounts to total capital requirements of 13.025 %. In the future, the management will also have the utmost focus on ensuring that the Bank has a solid capital base to support 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 future capital structure if conditions are deemed favourable and the Bank's management deems it appropriate.

After many years of solidly increasing earnings without distribution to the Bank's many loyal shareholders, the Bank has achieved a solid capital coverage. Therefore, it is the management's assessment that there is a sufficient base to reward the Bank's shareholders with an appropriate portion of the future operating profit.

Therefore, the Bank has the following capital goals and dividend policy:

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

Shareholders

The Bank's approximately 16,500 shareholders have been very loyal to the Bank and have shown great patience with regard to dividend payments from the Bank. 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.

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.

In Q1 2019, the Bank's one major shareholder, Lind Invest III ApS, sold their entire shareholdings to a number of investors, each of which purchased shares for between DKK 0.5 million and DKK 20 million. In doing this, an even greater and very satisfactory spread of ownership was secured for 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. At Skjern Bank, we call this presence, drive and individual solutions.

All the employees at the Bank are very humbled by the trust shown by the customers when they refer their family, friends and acquaintances to the Bank in large numbers via the Bank's ambassador concept. The references from satisfied customers, 8 out of 10 new customers, is the biggest reason why the Bank experiences high and satisfactory customer growth year after year.

Employees

The Bank currently employs 158 employees, which is an increase of 6 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 happy and proud to work at the Bank, which is crucial to being able to always offer customers counselling and service at a high level.

Local community

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. The foundation for banking operations in Skjern Bank is the many shareholders, customers, talented employees and our surrounding 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 amounts to DKK 46.9 million as 31 March 2019, compared with DKK 44.9 million in 2018, and thus increased by DKK 2.0 million, corresponding to 4.7 %.

Total interest income increased by DKK 0.6 million, corresponding to 1.3 % compared to 31 March 2018. This slight improvement is due to the continued low level of interest rates and the competitive nature of the market, as the Bank's lending growth is considered to be very satisfactory.

Interest expenses amounted to DKK 3.7 million and have been reduced by DKK 1.4 million, corresponding to 28.3 %. The reduction in interest expenses was realised for interest expenses for customer deposits, which is due to low interest rates and the expiry of high interest accounts, amounting to DKK 1.6 million. On the other hand, the Bank's interest expenses on the Bank's deposits in Danmarks Nationalbank increased by DKK 0.1 million.

In total, net interest income increased by DKK 2.1 million or 4.7 %.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 35.2 million, compared to DKK 34.2 million in 2018, and thus increased by DKK 1.0 million. The increase in the fee income is due to a large intake of customers and generally high activity.

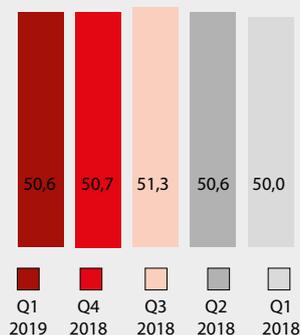
Dividends are unchanged, realised at DKK 0.3 million.

Net interest and fee income amounted to DKK 82.4 million, which is DKK 3.1 million or 3.9 % higher than 31 March 2018.

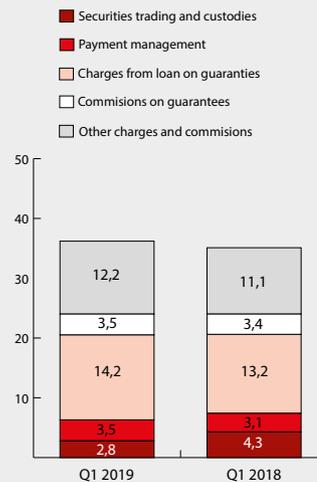
EXCHANGE RATE ADJUSTMENTS

After a turbulent Q4 2018, the markets have generally been positive in Q1 2019. Based on this, the Bank has achieved gains on the portfolio of shares and bonds of a total of DKK 11.6 million, compared with DKK 66.5 million as of 31 March 2018. In Q1 2018, the Bank sold its

Interest income
Million DKK



Charges and commissions receivable
(Million DKK)



ownership interest in Value Invest Asset Management S.A. and realised capital gains of approximately DKK 60 million from this. When adjusted for exchange rate adjustments, this alone is an improvement of DKK 5.1 compared to Q1 2018.

As of 31 March 2019, capital gains were divided into DKK 1.4 million in the bond portfolio and DKK 9.1 million in the shareholdings. In addition, exchange rates and derivative financial instruments achieved an income of DKK 1.1 million in the same period.

COSTS

Staff and administration expenses etc. increased by 11.7 % and amounts to DKK 45.6 million as at 31 March 2019, compared with DKK 40.9 million in the same period in 2018.

The number of employees has been strategically increased to handle organic growth and increased regulation in the sector. In light of this, staff costs have increased by DKK 2.4 million compared to 31 March 2018. This also includes increased payroll tax of DKK 0.5 million, and a general collective agreement wage increase.

Administrative expenses increased by DKK 2.1 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 4-5 % for the full year of 2019 compared to expenses of approximately DKK 180 million, adjusted for one-time expenses of DKK 12 million in 2018 for EDB.

IMPAIRMENT

Net impairment for the period of DKK 3.7 million compared with DKK 5.1 million in 2018.

There is increased impairment of DKK 41.8 million, and reversals of previous impairment of DKK 36.4 million. Recorded losses for the period amounted to DKK 0.5 million, of which only DKK 0.1 million had not been previously written down.

Write-downs on loans etc.
(Million DKK)



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

Impairment needs in the range of DKK 15-20 million are expected for the full year of 2019.

PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 44.1 million compared with DKK 99.2 million as of 31 March 2018. After taxes, the period's net profit amounted to DKK 34.5 million.

The management is pleased to note that profit before tax - adjusted for extraordinary circumstances - is at the highest levels in the Bank's history and the Bank's management expects the business development and profit to be satisfactory.

The Bank's core earnings have been realised at DKK 1 million lower than in Q1 2018 as a result of increased costs for strategic activity expansion, significant salary costs for additional employees to handle the heavily increased governance rules and to strengthen customer-focused functions.

These investments are expected to increase the Bank's core earnings during 2019.

CAPITAL

Equity amounted to DKK 935.9 million compared to DKK 926.7 million at the end of the previous year. A hybrid core capital of DKK 59.8 million was recognised in the Bank's equity on 31 March 2019. 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 2019 amounted to DKK 920.5 million.

In Q1, the Bank's risk-weighted items decreased by DKK 134.3 million to DKK 5,175 million. The capital ratio was estimated at 17.8 % after recognition of Q1 profit, which is an increase of 0.4 % points since 31 December 2018.

Compared with 31 March 2018, the Bank's capital ratio increased from 16.2 % to 17.8 %, while the core capital ratio increased from 14.2 % to 15.9 %.

The necessary capital of 13.025 % is comprised of the individual solvency requirement of 9.4 % plus the capital conservation buffer of 2.5 %, cyclical buffer of 0.50 % and phased-in NEP supplement of 0.625 %. At the end of 2018, the necessary capital was 11.275 %, consisting of an individual solvency requirement of 9.4% and a capital reservation buffer of 1.875 %

The Bank thus still has foundation capital with a coverage of 4.775 % points, corresponding to a surplus of 137 % relative to the necessary capital. The surplus adds up to DKK 247 million.

If the results were reviewed by the Bank's external auditor, and no reasons for changes to the calculated results were discovered, the capital ratio would be calculated at 18.5 % and the coverage at 5.475 % points.

The bank has entered into an agreement on raising subordinated loan capital at nom. DKK 100 million on 20 May 2019 to replace the bank's existing subordinated loan capital of nom. DKK 100 million kr.

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.

CORE EARNINGS

1,000 DKK	2019	2018	1.1-31.12 2018
Net income from interest	46,953	44,866	185,242
Net charges and commission	35,156	34,176	119,515
Dividend on shares and other holdings	335	328	3,476
Foreign currency value adjustments*	1,013	404	4,649
Other ordinary income	264	188	1,503
Core income	83,721	79,962	314,385
Staff costs and administrative expenses	45,635	40,863	191,626
Depreciation and write-downs on intangible and tangible assets	765	765	3,004
Other operating expenses	0	0	127
Costs	46,400	41,628	194,757
Core earnings	37,321	38,334	119,628
Write-downs	-3,730	-5,140	-19,729
Value adjustments*	10,578	66,049	64,740
Result before tax	44,169	99,243	164,639
Tax	9,717	8,210	22,126
Net-result for the financial year	34,452	91,033	142,513

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



LIQUIDITY

Customer deposits amount to DKK 5,495 million, of which DKK 4,453 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. As of 1 January 2018, all institutions must have a coverage of at least 100%.

The Bank fulfils this requirement and as of 31 March 2019 has an LCR financial ratio of 245 %.

SKJERN BANK SHARES

On 31 March 2019, the Bank owned 16,238 shares, which is 70 fewer than on 31 December 2018.

The Bank's share price was 63.0 on 31 March 2019, compared with 61.0 at the beginning of the year.

The market price thus amounts to DKK 607.3 million as of 31 March 2019, corresponding to an intrinsic value of 0.69.

EXPECTATIONS

For this reason, the Bank expects core earnings in 2019 in the range of DKK 130 – 145 million and a profit before tax in the range of DKK 115 – 130 million, assuming positive exchange rate adjustments in the range of DKK 5 million and impairment in the range of DKK 15 – 20 million.

As announced in stock exchange announcement no. 5 on 01 March 2019, the Bank expects to sell its shares in Sparinvest Holdings SE in Q3 2019 for capital gains at the level of DKK 21 million.

“THE SUPERVISORY DIAMOND”

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

The Bank's status for each indicator as of 31 March 2019 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 31 March 2019 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 satisfactory and amounts to 244 % as of 31 March 2019 compared to 246 % as of 31 December 2018.

Funding-ratio (max 100 procent):

The current funding situation leaves room for significantly more lending, as the Bank's lending compared to deposits, equity and debt securities is only 66 %. As of 31 December 2018, the Bank's funding ratio could be calculated at 67 %.

Property exposure (max 25 procent):

Skjern Bank has an attractive industry spread; compared to the real estate sector the exposure is 14.3 %. As of 31 December 2018, the exposure was 13.9 %.

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 31 March 2019, it had two major customer engagements of a total of 142.6 %, compared 144.1 % as of 31 December 2018.

Increase in loans (max 20 procent):

The Bank has realised an increase in lending of 5.5 % as of 31 March 2019 compared with an increase in lending of 11.1 % as of 31 December 2018.

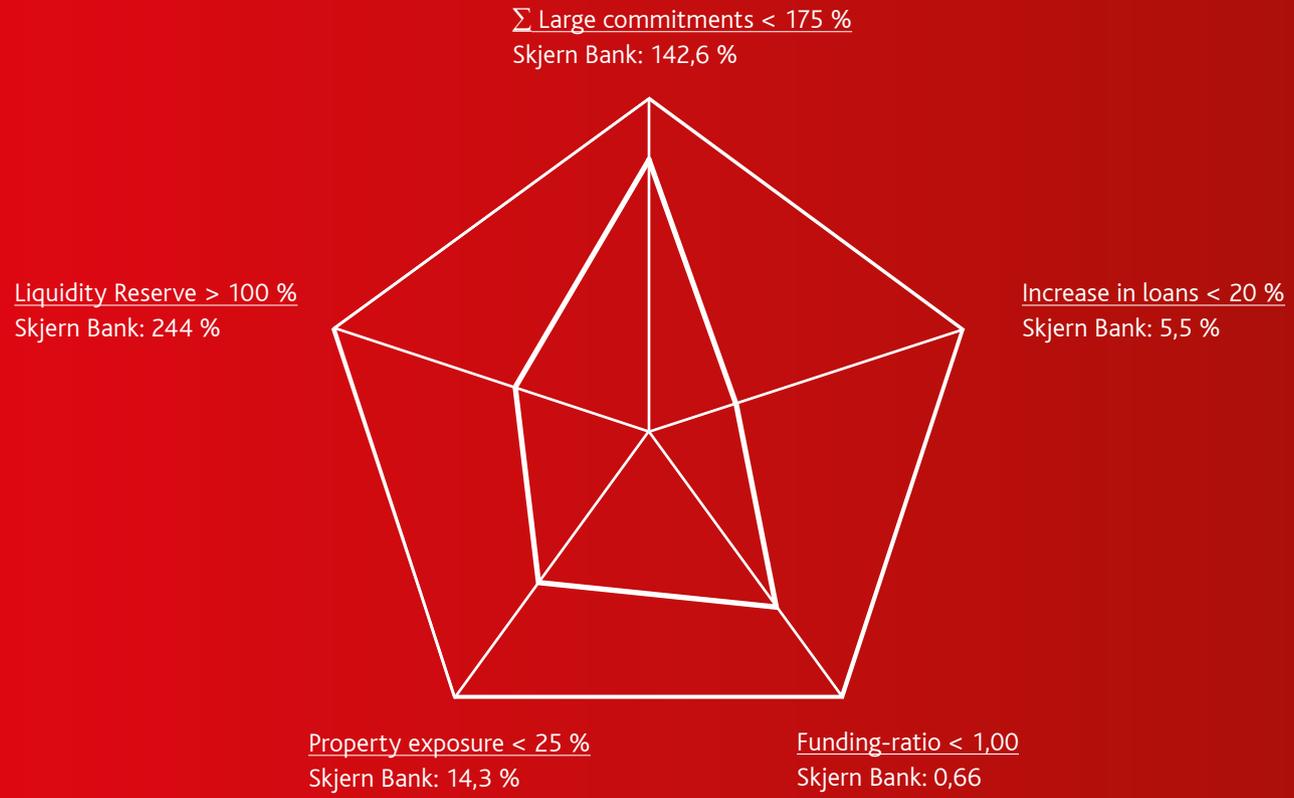
TRANSACTIONS WITH RELATED PARTIES

As of 31 March 2019, there have not been major transactions between Skjern Bank and the Bank's related parties.

CONTRIBUTION TO THE SETTLEMENT FUND/DANISH DEPOSIT GUARANTEE SCHEME

The Bank's annual contribution to the Settlement Fund of DKK 112 thousand is due in Q2.

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 practice used is unchanged compared to the annual report for 2018.

EVENTS AFTER 31 MARCH 2019

After March 31, 2019, the Bank entered into an agreement on raising subordinated loan capital at nom. DKK 100 million on 20 May 2019 to replace the bank's existing subordinated loan capital of nom. DKK 100 million kr. No other 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 - 31 March 2019 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 Q1 earnings in core capital.

Skjern, 9th May 2019

Per Munck
Director

THE BOARD OF DIRECTORS

Hans Ladekjær Jeppesen
Board chairman
Niels Christian Poulsen

Bjørn Jepsen
Board vice-chairman
Søren Dalum Tinggaard

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	2019	2018	1.1-31.12 2018
Interest receivable	50,638	50,005	202,618
Interest payable	3,685	5,139	17,376
Net income from interest	46,953	44,866	185,242
Dividend on shares and other holdings	335	328	3,476
Charges and commission receivable	36,181	35,129	123,024
Charges and commission payable	1,025	953	3,509
Net income from interest and charges	82,444	79,370	308,233
Value adjustments	11,591	66,453	69,389
Other ordinary income	264	188	1,503
Staff costs and administrative expenses	45,635	40,863	191,626
Depreciation and write-downs on intangible and tangible assets	765	765	3,004
Other operating expenses	0	0	127
Contribution to the Guarantee Fund for deposits	0	0	52
Guarantee commission first guarantee scheme	0	0	75
Write-downs	3,730	5,140	19,729
Result before tax	44,169	99,243	164,639
Tax	9,717	8,210	22,126
Net-result for the financial year	34,452	91,033	142,513
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	34,452	91,033	142,513
Other comprehensive income after tax	0	0	0
Total comprehensive income	34,452	91,033	142,513



Balance by March 31

1,000 DKK	2019	2018	1.1-31.12 2018
ASSETS			
Cash in hand and demand deposits with central banks	189,683	150,294	184,106
Receivables at credit institutions and central banks	863,060	383,031	795,467
Loans and other receivables at amortised cost	4,331,256	4,105,454	4,359,561
Bonds at fair value	1,003,922	1,004,135	1,016,994
Shares etc.	230,223	269,157	220,498
Land and buildings (total)	48,131	49,032	48,488
Investment properties	2,961	2,961	2,961
Owner-occupied properties	45,170	46,071	45,527
Other tangible assets	3,775	5,204	4,094
Current tax assets	26,555	17,263	11,865
Deferred tax assets	1,922	3,664	1,922
Other assets	61,334	119,445	58,815
Prepayments	1,324	3,832	1,763
Total assets	6,761,185	6,110,511	6,703,573

1,000 DKK	2019	2018	1.1-31.12 2018
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	164,917	133,384	160,750
Deposits and other debts	5,495,332	4,936,986	5,457,413
Other liabilities	52,551	47,889	48,832
Prepayments	2,075	2,124	442
Total debt	5,714,875	5,120,383	5,667,437
PROVISIONS			
Provisions for loss on guarantees	10,370	10,230	9,420
Total provisions	10,370	10,230	9,420
SUBORDINATED DEBT			
Subordinated loan capital	100,000	99,837	99,976
Total subordinated debt	100,000	99,837	99,976
EQUITY			
Share capital	192,800	192,800	192,800
Revaluation reserves	417	417	417
Retained earnings	682,955	627,427	644,923
Dividend	-	-	28,920
Capital owners share of equity	876,172	820,644	867,060
Holders of hybrid capital	59,768	59,417	59,680
Total equity	935,940	880,061	926,740
Total liabilities	6,761,185	6,110,511	6,703,573



Off-balance-sheet items by March 31

1,000 DKK	2019	2018	1.1-31.12 2018
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	357,605	0	327,288
Guarantees against losses on mortgage credit loans	588,179	505,929	555,950
Registration and conversion guarantees	140,681	159,581	126,853
Other contingent liabilities	583,061	429,697	533,233
Total	1,669,526	1,095,207	1,543,324
Other binding engagements			
Irrevocable credit-undertakings	220,133	265,060	185,344
Total	220,133	265,060	185,344

Information on changes in equity

March 31

1,000 DKK	2019	2018	1.1-31.12 2018
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	673,843	644,923	561,785
Changed accounting policy for impairment charges	-	-23,823	-23,823
Profit or loss for the financial year	32,883	89,464	106,967
Dividends	-23,283	-	-
Sale of own funds	167,405	9,681	21,436
Purchase of own funds	-167,893	-9,680	-21,442
Retained earnings end-of-year	682,955	710,565	644,923
Dividends	-	-	28,920
Holders of hybrid capital beginning-of-year	59,680	59,680	59,330
Net profit or loss for the year (interest hybrid capital)	1,569	1,569	6,626
Paid interest	-1,481	-1,482	-6,276
Holders of hybrid capital end-of-year	59,768	59,767	59,680
Total equity	935,940	963,549	926,740

Notes per March 31

1,000 DKK	2019	2018	1.1-31.12 2018
INTEREST INCOME			
Loans and other receivables	48,728	47,856	193,170
Bonds	1,778	1,930	8,454
Other derivative financial instruments, total	132	219	994
of which			
Currency contracts	-59	17	839
Interest-rate contracts	191	202	155
Other interest income	0	0	0
Total	50,638	50,005	202,618
INTEREST EXPENSES			
Credit institutions and central banks	1,008	889	4,310
Deposits	992	2,592	6,330
Subordinated debt	1,684	1,648	6,560
Other interest expenses	1	10	176
Total	3,685	5,139	17,376
FEEES AND COMMISSION INCOME			
Securities trading and custody accounts	2,817	4,228	15,489
Payment services	3,505	3,148	11,704
Loan fees	14,207	13,171	53,674
Guarantee commission	3,480	3,392	13,376
Other fees and commission	12,172	11,190	28,781
Total	36,181	35,129	123,024
VALUE ADJUSTMENTS			
Bonds	1,446	-2,131	-3,615
Total shares	9,062	68,184	68,361
Shares in sectorcompanies etc.	3,676	68,016	10,413
Other shares	5,386	168	57,948
Foreign currency	1,013	404	4,649
Other financial instruments	70	-4	-6
Total	11,591	66,453	69,389

1,000 DKK	2019	2018	1.1-31.12 2018
STAFF COSTS AND ADMINISTRATIVE EXPENSES			
SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.			
Board of managers	810	618	3,013
Fixed fees	810	608	2,978
Pension contributions	0	10	35
Management board	316	277	1,163
Audit Committee	0	0	58
Committee of representatives	0	0	180
Total salaries and remuneration of board etc.	1,126	895	4,414
STAFF COSTS			
Wages and salaries	20,907	19,277	79,875
Pensions	2,247	2,083	8,698
Social security costs	290	125	919
Payroll tax	3,606	3,152	13,683
Total staff costs	27,050	24,637	103,175
OTHER ADMINISTRATIVE EXPENSES	17,459	15,331	84,037
Total staff costs and administrative expenses	45,635	40,863	191,626
EMPLOYEES			
Average number of employees converted into full-time employees	149	141	147
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	39,367	25,290	84,486
Reversal of write-downs made in previous years	-32,967	-16,852	-55,706
Finally lost, not previously written down	55	307	2,146
Interest on the written-down portion of loans	-1,983	-2,520	-9,288
Recoveries of previously written off debt	-742	-1,085	-1,909
Total	3,730	5,140	19,729

Notes per March 31 (continued)

1,000 DKK	2019	2018	1.1-31.12 2018
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	16,768	0	0
Changed accounting policy for impairment charges	-	14,750	14,750
Stage 1 impairment charges / value adjustment during the period	3,703	2,071	10,134
-hereby new facilities in the period: 2,096			
Stage 1 impairment reversed during the period	-3,473	0	-8,116
Cummulative stage 1 impairment total	16,998	16,821	16,768
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	48,650	0	0
Changed accounting policy for impairment charges	-	25,020	44,112
Stage 2 impairment charges / value adjustment during the period	4,441	0	24,510
Stage 2 impairment reversed during the period	-9,804	-887	-19,972
Cummulative stage 2 impairment total	43,287	24,133	48,650
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	286,140	306,943	306,943
Changed accounting policy for impairment charges	-	17,137	-1,955
Stage 3 and impairment charges / value adjustment during the period	33,701	20,575	69,360
Reversal of stage 3 impairment charges during the period	-23,119	-14,417	-47,228
Recognised as a loss, covered by stage 3 impairment charges	-417	-35,548	-40,980
Cummulative stage 3 impairment total	296,305	294,690	286,140
Total cumulative impairment charges IFRS9	356,590	335,644	351,558
GUARANTEES			
Provisions beginning of the year	9,420	2,578	2,578
Changed accounting policy for provisions for losses on guarantees	-	6,556	6,556
Loss on guarantees	1,420	1,096	5,384
Transferred to liabilities	-470	0	-5,098
Guarantees end of year	10,370	10,230	9,420
Total cumulative impairment charges IFRS9 and guarantees	366,960	345,874	360,978

*) Beløbet 31. marts 2018 er netto (udgiftsførte fratrukket tilbageførte)

mere tekst

mere tekst...

1,000 DKK 1.1-31.12
2019 2018 2018

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	16.768	26.816	1	21.833	286.140	351.558
- in % of total impairment	5%	8%	0%	6%	81%	100%
Maximum credit risk	6.118.782	813.150	211	164.961	679.984	7.777.088
- in % of maximum credit risk	79%	10%	0%	2%	9%	100%
Rating, weighted average	3,3	5,6	1,4	10,0	10,0	4,3
End						
Impairment	16.998	26.590	8	16.689	296.305	356.590
- in % of total impairment	5%	7%	0%	5%	83%	100%
Maximum credit risk	6.785.189	836.015	1.673	163.730	657.785	8.444.392
- in % of maximum credit risk	80%	10%	0%	2%	8%	100%
Rating, weighted average	3,4	5,7	2,0	10,0	10,0	4,3

The development in stages 1 and 2 is calculated at the facility level, while the development in stage 2 (weak) and stage 3 is calculated at the corporate group level. This is because individual impairment is calculated at the corporate group level.

Impairments that were impaired at initial recognition are thus calculated proportionally based on the facility's maximum credit risk at the end.

In addition to this, new parameters for impairment have been calculated in stages 1 and 2, including macro factors that have increased somewhat for several industries under other industries.

LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	119,542	83,019	120,839
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)	16,957	10,000	10,000
Nominal value hereof	339	200	200
Market value hereof	1,068	648	735
Own shares proportion of share capital (pct.)	0.18%	0.10%	0.10%

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