



3RD QUARTERLY REPORT 2021

TABLE OF CONTENTS

Stock Exchange ann.	5
5 years in summary	6
Financial Ratios	7
Quarterly overviews	9
Management's report	10
Management's statement	27
Profit and loss and Statement of comprehensive income	28
Balance sheet	30
Contingent liabilities	32
Information on changes in equity	33
Notes	34



ESPECIALLY SATISFACTORY DEVELOPMENT

 30/9 2021	Profit before tax of DKK 149.1 million, compared to DKK 100.1 million as of 30/9/2020
 RETURN IN EQUITY	Opening equity yielded interest of 16.7 % before tax
 CORE EARNINGS	Core earnings increased by 10.4 % to DKK 131.1 million
 NET INTEREST AND FEE INCOME	Net interest and fee income increased by 8.9 % to DKK 282.9 million
 IMPAIRMENT	Positive impairment of DKK 10.0 million compared with an expense of DKK 31.9 million as of 30/9/2020
 LENDING	Lending growth increased by 8.0 % to DKK 4,563 million in 2021
 CAPITAL	Capital ratio of 21.5 % and core capital ratio of 20.4 % Solvency requirements are 9.8 %
 CORE EARNINGS EXPECTATIONS	Core earnings for the full year 2021 were adjusted upwards to the range of DKK 155 - 165 million as of 13 Oct 2021.
 EXPECTATIONS ANNUAL PROFIT BEFORE TAX	Profit before tax for the full year 2021 are expected to be at the upper end of the range of DKK 160 – 175 million.

5 YEARS IN SUMMARY

1,000 DKK	YEAR					
	2021	2020	2019	2018	2017	2020
PROFIT AND LOSS ACCOUNT						
Net income from interest	153.147	142.900	138.574	138.609	128.610	190.244
Div. on shares and other holdings	2.479	2.038	5.787	3.397	9.866	2.089
Charges and commissions (net)	127.271	114.725	105.889	88.028	84.816	155.181
Net inc. from int. & charges	282.897	259.663	250.250	230.034	223.292	347.514
Value adjustments	12.547	16.511	36.793	72.585	28.214	26.513
Other ordinary income	2.841	1.538	1.352	989	874	1.977
Staff costs and administrative expenses	154.737	141.956	140.705	127.793	116.247	193.929
Depreciation of intangible and tangible assets	4.009	3.544	2.295	2.295	2.295	5.195
Other operating expenses	480	194	112	52	52	234
Guarantee commission first guarantee scheme	464	194	112	52	52	194
Operating expenses	16	0	0	0	0	40
Write-downs on loans etc. (net)	-10.041	31.923	11.202	13.939	14.133	32.874
Operating profit	149.100	100.095	134.081	159.529	119.653	143.772
Taxes	32.802	15.460	24.878	20.438	15.834	28.131
Profit for the period	116.298	84.635	109.203	139.091	103.819	115.641
Of which are holders of shares of hybrid core capital instruments etc.	3.867	4.707	4.707	4.707	4.707	6.487
BALANCE SHEET AS PER JUNI 30TH						
summary						
Total assets	9.492.051	8.819.796	7.332.658	6.596.150	6.101.940	8.974.467
Loans and other debtors	4.563.293	4.258.988	4.289.001	4.245.526	3.776.094	4.224.773
Guarantees etc.	2.712.516	2.553.613	2.262.047	1.335.451	1.025.649	2.630.139
Bonds	977.274	882.716	1.043.597	1.034.147	1.089.020	959.506
Shares etc.	203.078	194.652	209.928	250.872	246.068	201.220
Deposits	6.499.271	6.271.667	5.772.673	5.293.337	5.011.635	6.463.735
Subordinated cap. investments	98.209	97.709	99.209	99.917	99.738	97.834
Capital funds	1.200.067	1.077.215	1.002.122	925.150	794.347	1.108.059
Dividends						19.280
Capital Base	1.179.826	1.067.258	975.788	923.911	770.595	1.135.869
Total weighted items	5.495.891	5.267.200	5.484.325	5.077.414	4.386.135	5.370.562
CORE EARNINGS						
Core income	290.344	264.468	255.107	234.421	227.229	354.106
Total costs etc.	-159.226	-145.694	-143.112	-130.140	-118.595	-199.358
Core earnings	131.118	118.774	111.995	104.281	108.634	154.748

FINANCIAL RATIOS - 30TH SEPTEMBER

Figures in pct.	2021	2020	2019	2018	2017
Solvency ratio	21,5	20,3	17,8	18,2	17,6
Core capital ratio	19,7	18,4	16,0	16,2	15,5
Return on own funds before tax*	13,3	9,6	14,3	19,1	16,1
Return on own funds after tax*	10,3	8,1	11,6	16,6	13,9
Earning/expense ratio in DKK	2,00	1,56	1,87	2,11	1,87
Interest rate risk	1,2	1,1	1,8	1,6	1,8
Foreign currency position	0,4	0,2	0,3	0,1	0,3
Foreign currency risk	0,0	0,0	0,0	0,0	0,0
Advances against deposits	62,5	63,5	80,2	86,8	82,2
LCR	279	307	282	236	300
Total large commitments**)	126,1	130	137	142	40,5
Accumulated impairment ratio	4,0	4,9	5,2	6,0	6,7
Impairment ratio for the period	-0,1	0,4	0,2	0,2	0,3
Increase in loans etc. for the period	8,0	-1,5	-1,6	8,2	2,4
Ratio between loans etc. and capital funds	3,8	4,0	4,3	4,6	4,8
(value pr share 100 DKK)					
Earnings per share (result period)*	58,3	41,5	54,2	69,7	51,4
Book value pr share*	592	528	490	449	412
Market value/earning per share	7,9	7,4	5,5	4,7	7,3
Market value/book value*	0,78	0,58	0,61	0,73	0,91
(value pr share 20 DKK)					
Earnings per share (result period)*	11,7	8,3	10,8	13,9	10,3
Book value pr share*	118	106	98	90	82
Market value	92,6	61	59,8	65,4	75

*) 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 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020
PROFIT AND LOSS ACCOUNT					
Net income from interest	51.405	51.740	50.002	47.344	48.183
Div. on shares and other holdings	109	2.127	243	51	78
Charges and commissions (net)	39.873	41.676	45.722	40.456	36.304
Net inc. from int. & charges	91.387	95.543	95.967	87.851	84.565
Value adjustments	3.594	5.567	3.386	10.002	10.451
Other ordinary income	1.845	454	542	439	953
Staff costs and administrative expenses	53.271	52.729	48.737	51.973	45.547
Depreciation of intangible and tangible assets	1.336	1.337	1.336	1.651	1.181
Other operating expenses	0	464	16	40	0
Guarantee commission first guarantee scheme	0	464	0	0	0
Operating expenses	0	0	16	40	0
Write-downs on loans etc. (net)	-273	-12.328	2.560	951	4.767
Operating profit	42.492	59.362	47.246	43.677	44.474
Taxes	9.348	13.060	10.394	12.671	3.223
Profit for the period	33.144	46.302	36.852	31.006	41.251
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.289	1.289	1.780	1.569
BALANCE					
Loans and other debts	4.563.293	4.461.647	4.522.167	4.224.773	4.258.988
Totalkredit	12.214.000	11.821.166	11.361.186	10.813.829	10.461.422
DLR	4.159.187	3.951.004	3.673.420	3.536.480	3.349.493
Indlån	6.499.271	6.553.784	6.333.799	6.463.735	6.271.667
Deposits in pooled schemes	1.253.895	1.212.100	1.177.782	1.039.002	968.377
Subordinated cap. investments	98.209	98.084	97.959	97.834	97.709
Customer depots	4.142.806	3.964.457	3.850.123	3.518.437	3.128.638
Equity	1.200.067	1.169.454	1.125.700	1.108.059	1.077.215
Total assets	9.492.051	9.557.875	9.034.004	8.974.467	8.819.796
Guarantees etc.	2.712.516	3.149.016	2.751.291	2.630.139	2.553.613
CORE EARNINGS					
Core income	94.909	97.375	98.060	89.638	86.704
Total costs	-54.607	-54.530	-50.089	-53.664	-46.728
Core earnings	40.302	42.845	47.971	35.974	39.976

MANAGEMENT'S REPORT

After a very satisfactory development in the first 9 months of the year, the expectations for the profit before tax for the year were specified on 13 October 2021 to be at the upper end of the range of DKK 160 – 175 million, while the expectations for core earnings were adjusted upwards to the range of DKK 155 – 165 million compared to the previous DKK 140 – 155 million.

The very satisfactory progress in terms of profit is due to a positive development in all areas, a development that makes it possible to further expand business volume. The branch network will be expanded in Q4 with a new branch in Hørsholm and in Ølgod in West Jutland. The recruitment of new employees is in full swing and the Bank expects to be able to provide information about physical placement as soon as possible.

Bank Director Per Munck states:

“We are proud of and very much look forward to opening up in Hørsholm and Ølgod, two exciting cities where we see great potential to increase the Bank's business volume and profitability, while simultaneously making a difference in the local areas. We engage locally and offer our customers relevant advice with the customer in focus, which we can see works, and therefore we are expanding the branch network, as we continue to believe that physical presence is crucial. We have a very high customer growth in all of the Bank's branches and we find that our many new customers and the loyal existing customers demand the values that the Bank strives for, namely: drive, presence, customer focus and decency.”

The positive development is driven by increasing net interest and fee income, which has increased by DKK 23.2 million or 8.9 %, and sharply decreasing impairment, which net yields an income of DKK 10 million for the period, while the management estimate of DKK 50 million in 2020 remains unchanged. The Bank has a lending growth of 8 % in 2021 based on a continued large influx of new customers, but particularly due to the fact that the demand for loans with the many current customers is again increasing. The activity in all other areas is also very high, primarily in the housing sector, but the activity level is also satisfactory in the investment, pension and insurance sectors.

The exchange rate adjustments on the Bank's treasury portfolio of securities is positive by DKK 12.5 million, compared with DKK 16.5 million during the same period last year. The Bank continues to pursue a very cautious investment policy.

With an increase in core earnings to DKK 131.1 million compared with DKK 118.8 million in 2020, the solid development in the Bank's core earnings realised in recent years has continued, which is very satisfactory.

Profit increased by almost 50 %

Profit before tax was realised at DKK 149.1 million compared with DKK 100.1 million during the same period in 2020. The growth of DKK 49.0 million is primarily due to increasing net interest and fee income of DKK 23.2 million, which exceeds the increase in costs of DKK 12.7 million, while simultaneously impairment has improved by DKK 41.9 million.

Positive impairment

Impairment was realised with an income of DKK 10.0 million compared with an expense of DKK 31.9 million in the same period in 2020. There has still been no need to make significant write-downs due to the Corona epidemic, but because of the continued uncertainty, the management estimate of DKK 50 million is maintained unchanged from 2020.

The improvement in the credit quality in the Bank's lending portfolio in recent years is the direct cause of the positive development in the impairment need in all segments, including the agricultural sector, and the Bank still does not expect to see losses as a result of the closure of the mink industry.

The Bank's exposures in the hotel, restaurant, retail and tourism industries, which have been hit hard as a result of the Corona epidemic, are very limited and there is only insignificant impairment on this.

The Bank is generally in close dialogue with all business customers regarding the challenges posed by the Corona epidemic, as the Bank as a rule wants to contribute to solving challenges where it makes sense for both the customer and the Bank.

The Bank's private customers have generally fared well and the average private household is economically well-equipped and the expectation at present is that the impairment need at the portfolio level will continue to be very modest in the coming period.

Lending growth

The demand for loans has been increasing in 2021 and lending has increased during the period by DKK 338.5 million or 8.0 %. A fairly significant influx of new customers has been noted, but the increase in lending is primarily due to increased demand for loans from existing customers. A lending growth in the range of 8 - 10 % is expected for the full year.

Another indicator of the high activity is the Bank's guarantees, which increased to DKK 2,713 million as of 30 September 2021 compared with DKK 2,630 million at the end of 2020. The increase is due to both high interest in restructuring mortgages and very high activity in purchasing and sales of permanent residences and holiday homes. However, a decreasing level of guarantees was observed in Q3 2021, primarily as a result of activity in the housing sector having gone back to a satisfactorily high level from a very high and unusual level as of 30 June 2021.

The share of lending and guarantees to private customers in 2021 is maintained at the level of 51 %, which is well in line with the Bank's strategic goals for a private share at the level of 50 %. It has been strategically decided that the exposure to individual business segments must not exceed 15 %. Exposure to the 2 largest business segments, agriculture and real estate, were respectively reduced by 10.5 % and 11.3 % during 2021.

The Bank offers financial leasing to the Bank's business customers via Skjern Bank Leasing. The development is satisfactory and there are about 425 active leases as of 30 September 2021, with a residual lease debt of DKK 145 million.

The bank's loans and collaterals for guarantees divided by segments as of 30 September 2021 amounted to:

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.09.2021	31.12.2020	30.09.2020
Public authorities	0,0%	0,0%	0,0%
Agriculture, hunting, forestry & fishing	10,5%	10,8%	10,5%
Plant production	1,4%	1,2%	1,3%
Cattle farming	6,0%	5,8%	5,8%
Pig farming	1,0%	1,2%	0,9%
Mink production	0,9%	1,8%	1,8%
Other agriculture	1,2%	0,8%	0,7%
Industry and mining	3,9%	3,6%	3,8%
Energy	1,6%	1,8%	2,3%
Building and constructions	6,5%	4,5%	5,5%
Wholesale	5,4%	6,3%	6,0%
Transport, hotels and restaurants	1,2%	1,4%	1,2%
Information and communication	0,2%	0,8%	0,3%
Financial and insurance business	4,7%	4,0%	5,3%
Real-estate	11,3%	11,8%	11,9%
Other business	3,7%	3,8%	4,2%
Private	51,0%	51,2%	49,0%

Liquidity

The liquidity coverage ratio amounted to 279 %, which is solid and satisfactory despite a slight decrease compared to 351 % as of 31 December 2020. The development follows the Bank's strategy of maintaining a solid liquidity coverage based on stable customer deposits. With the current outflow, the Bank now has a liquidity surplus totalling DKK 834 million relative to the internal goal of always having a minimum LCR of 225 %.

SOLID CAPITAL CONDITIONS AND DIVIDEND POLICY

The risk-weighted items have decreased, partly as a result of a reduction in guarantees of 5.6 % to DKK 5,494 million. As a result, the Bank's capital ratio was increased from 20.3 % to 21.5 % and the Bank's core capital ratio increased from 18.6 % to 19.7 %. The Bank has not recognised the profit after tax of DKK 33.1 million for Q3.

The individual solvency requirement is calculated at 9.8 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 11.7 %. Compared to the actual capital base of DKK 1,179.8 million, at the end of Q3 2021 there was a liquidity surplus of DKK 640.5 million, which is an increase of about DKK 22 million compared to the end of the first half of 2021.

Relative to the necessary capital, expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 2.5 % and the phased-in NEP supplement of 3.11 %, the coverage can be calculated at 6.1 % points, corresponding to a solvency coverage of 139.5 %, or DKK 334.6 million.

The capital coverage thus exceeds the Bank's internal goal of a capital coverage of 5 percentage points relative to the total capital requirements.

The solid capital coverage consists of an actual core capital of 18.6 % compared with the individual solvency requirements of 9.8 %, which, added to the capital conservation buffer and NEP requirement, amounts to total capital requirements of 15.41 percentage points.

If the profit for Q3 2021 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 22.1 % and the core capital ratio at 20.4 %. The reserves relative to the necessary capital could thus be calculated at approximately 6.69 percentage points, corresponding to a solvency coverage of 143.4 % or approximately DKK 367 million.

In terms of capital, the Bank has an unchanged focus on maintaining a solid base to

ensure the continued development of the Bank's activities and implementation of current and future regulatory capital requirements.

The capital base will continue to be largely based on actual core capital, but raising foreign capital will also be included in the capital structure if conditions are deemed favourable and it is deemed appropriate.

In Q4 2021, the Bank's Board of Directors will make the initial assessment of whether to distribute dividends for the financial year 2021, cf. the dividend policy. Consideration for the Bank's adequate capitalisation will weigh heavily in making the decision and the Board of Directors will naturally take any recommendations from the authorities into account.

The Bank's capital goals and dividend policy are unchanged:

Capital goals

It is the Bank's goal to be well capitalised to ensure the Bank's strategic goals and also to accommodate regulatory requirements in future recessions. The management will continuously assess the adequacy of the capital base, including the distribution between equity and foreign capital, to ensure the optimal distribution between returns to shareholders and sufficient increase of the Bank's actual core capital.

Dividend policies

In light of the Bank's capital goals, the Bank wants to be stable in payments of dividends. The goal is for distribution, either as share buy-backs or cash distributions, to amount to 30-50 % of the annual profit after tax, which exceeds a return on equity of 6 %.

It is the Bank's assessment that the adopted dividend policy satisfactorily accommodates the Bank's shareholders and simultaneously ensures the necessary strengthening of the capital base for the phasing in of future capital requirements.

THE BANK'S IMPORTANT STAKEHOLDERS

The Bank considers the cooperation with and involvement of the Bank's many stakeholders to be crucial to the running of a well-functioning local bank. The Bank believes that stakeholders' interests closely coincide.



Shareholders

The management recognises the importance of a stable and loyal shareholder community and, taking into account the Bank's capital adequacy, aims to give them competitive returns on their investment. The shareholders' loyalty and continued backing, from small shareholders to major professional investors, is extremely important to the continued development of the Bank.

Customers

The Bank is pleased to note that the private customer business is growing rapidly and that the Bank is being chosen by new customers from most of the country, primarily on the recommendation of existing customers. The corporate client business is also in solid development with a focus on small and medium-sized business customers in the Bank's local areas.

For all of the Bank's customers, it is our experience that it is the close personal familiarity between the customer and the advisor that is crucial to choosing Skjern Bank. This combined with solid advice, living up to the Bank's key values and the electronic options, such as online meetings and mobile banking, make daily life work smoothly and flexibly.

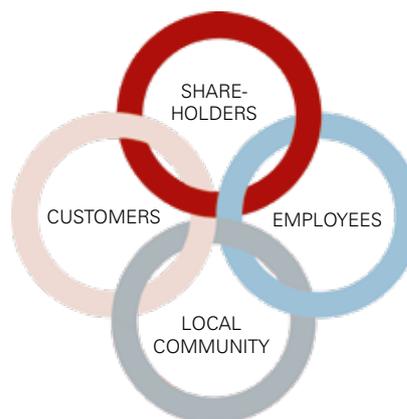
Employees

The Bank currently employs 180 employees, which is an increase of 11 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 important to the Bank and there are annual measurements of the development in employee satisfaction. It is a strategic goal for the Bank to have employees who find the Bank to be a good workplace, which is considered crucial for the Bank to have significant interest from qualified applicants for vacant positions.

Local communities

The Bank's goal is to play an important role in all of the Bank's local communities, both as a partner for the many business owners, but of course also for the local population in general. It is important for the Bank to back



local initiatives and the Bank helps a great number of businesses – entrepreneurs and existing customers - with counselling and financing, so that ideas and investment goals have the best chance of being realised.

The bank is also a partner for more than 400 of the local communities' associations and supports both sports and culture and associations in general. The Bank's commitment to and support for local communities is largely based on reciprocity, such that financial backing of any size is given in anticipation of and is subject to the Bank being rewarded with customer referrals and a generally positive attitude towards the Bank.

The foundation of Skjern Bank is the many shareholders, customers, employees and the local community. The Bank is 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.

ESG REPORTING

The Bank supports the green transition and the many initiatives taken in various ways in Denmark, the EU and the rest of the world.

Like the rest of the financial sector and business community in general, the Bank is making good progress in the development of new initiatives and general reporting in the area and is in the process of continuing the transition to a more sustainable utilisation of resources.

The Bank's own consumption of electricity is covered by certified green energy from Danish wind turbines, and in recent years the Bank has reduced consumption in the Bank's branches through energy-reducing measures.

The Bank's employees are in the process of training in advising on sustainability and the customers are offered sustainable investment associations and attractive financing for energy-improving measures in properties or the purchase of electric, hydrogen or hybrid cars.

The Bank will publish the ESG reporting for 2021 in connection with the publication of the annual report in February 2022.

NET INTEREST INCOME

Net interest income increased by DKK 10.2 million to DKK 153.1 million, corresponding to 7.2 %.

Total interest income increased by DKK 7.3 million, corresponding to 4.6 %.

Interest expense amounted to DKK 12.4 million and was reduced by DKK 2.9 million as a result of reduced interest expense to Danmarks Nationalbank, while the interest expense for customer deposits was reduced by DKK 1.5 million.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 127.2 million, compared to DKK 114.7 million in 2020, and thus increased by a very satisfactory DKK 12.5 million. The high activity in the loan area has led to an income growth of DKK 5.0 million in loan fees. Guarantee provisions increased by DKK 2.7 million, and income from securities trading and custody accounts increased by DKK 2.1 million, while payment services, other fees and fees paid increased by a total of DKK 2.7 million.

Dividends of DKK 2.4 million were realised, which is DKK 0.4 million higher than last year.

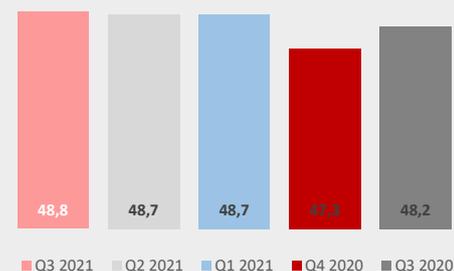
Net interest and fee income increased by DKK 23.2 million, corresponding to 8.9%, and amounts to DKK 282.9 million.

EXCHANGE RATE ADJUSTMENTS

The total exchange rate adjustments were positive by DKK 12.5 million, compared with DKK 16.5 million as of 30 September 2020.

The exchange rate adjustments were divided into DKK -3.5

Interest income
Million DKK



Charges and commissions receivable Million DKK

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



Write-downs on loans etc. Million DKK



million in the bond portfolio and DKK 12.9 million in the shareholdings, of which sectoral shares comprise capital gains of DKK 7.3 million. In addition, currencies, derivative financial instruments and pooling arrangements achieved an income of DKK 3.2 million during the same period.

EXPENSES

Costs for personnel and administration etc. were DKK 12.7 million higher than the same period last year and amount to DKK 154.7 million.

Personnel expenses have increased by DKK 9.9 million compared to 30 September 2020 as a result of more employees and general wage increases.

Administration costs increased by DKK 2.8 million, distributed between IT expenses, marketing and other administrative costs.

IMPAIRMENT

Net impairment for the period amounts to an income of DKK 10.0 million, compared with an expense of DKK 31.9 million in 2020.

Over the course of 2020, the Bank made a management estimate of DKK 50 million for potential consequences of Corona. The management estimate has remained unchanged, as there has not yet been an impairment need for the Bank's customers as a result of the Corona epidemic. However, the management estimate is maintained as a result of the continued uncertainty, partly related to the repayment of deferred A-taxes and VAT in 2022.

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

PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 149.1 million compared with DKK 100.1 million as of 30 September 2020. After taxes, profit for the period amounted to DKK 116.3 million.

We are pleased to note that the profit before tax has increased significantly, primarily as a result of an increase in net interest and fee income and a significantly reduced level of impairment.

The development in the overall business volume, with an increasing number of customers, increased lending, guarantees and credit association mediation, as well as a maintained level of stable customer deposits, is also considered very satisfactory.

Core earnings of DKK 131.1 million were realised, which is DKK 12.3 million higher than 30 September 2020.

CORE EARNINGS 1 JANUARY - 30 SEPTEMBER

Beløb i 1.000 kr.	2021	2020	1.1-31.12 2020
Net income from interest	153.147	142.900	190.244
Net charges and commission	127.271	114.725	155.181
Dividend on shares and other holdings	2.479	2.038	2.089
Foreign currency value adjustments*	4.606	3.267	4.615
Other ordinary income	2.841	1.538	1.977
Core income	290.344	264.468	354.106
Staff costs and administrative expenses	154.737	141.956	193.929
Depreciation and write-downs on intangible and tangible assets	4.009	3.544	5.195
Other operating expenses	480	194	234
Costs	159.226	145.694	199.358
Core earnings	131.118	118.774	154.748
Write-downs	10.041	-31.923	-32.874
Value adjustments*	7.941	13.261	21.898
Result before tax	149.100	100.112	143.772
Tax	32.802	15.460	28.131
Net-result for the financial year	116.298	84.652	115.641

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

CAPITAL

Equity amounted to DKK 1,200.1 million compared to DKK 1,108.1 million at the end of the previous year. A hybrid core capital was recognised in the Bank's equity of nominally DKK 60 million.

After addition of subordinated capital contributions of DKK 100 million and adjustments for reduction in weighting and other deductions, the capital base amounted to DKK 1,179.8 million. Profit after tax of DKK 83.1 million for the first half of 2021 is recognised in the Bank's capital base, while the profit after tax for Q3 of DKK 33.1 is not recognised in the capital base.

The Bank's risk-weighted items were increased by DKK 123.7 million to DKK 5,494 billion in 2021. The capital ratio is calculated at 21.5 % with recognition of profit from the first half of the year, but without recognition of profit after tax of DKK 33.1 million in Q3. The capital ratio has increased by 0.3 percentage points since 31 December 2020.

The capital requirement amounts to 15.41 % and is comprised of the individual solvency requirement of 9.8 % plus the capital conservation buffer of 2.5 % and phased-in NEP supplement of 3.11 %.

The Bank thus still has foundation capital with a coverage of 6.1 % points, corresponding to a surplus of 139.5 % relative to the necessary capital. The surplus adds up to DKK 334.6 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 6,499 million, of which DKK 6,063 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 financial institutions must have a coverage of at least 100 % and the Bank has a goal of at least 225 %.

The Bank fulfils this requirement as well as its own goal with a liquidity coverage ratio of 279 % as of 30 September 2021.

SKJERN BANK SHARES

The Bank is owned by 15,253 shareholders. The share price was 92.6 on 30 September 2021, compared with 70.4 at the beginning of the year. The market price thus amounts to DKK 892.7 million, corresponding to a rate / intrinsic value of 0.78.

EXPECTATIONS

Core earnings for the full year are expected to be in the range of DKK 155 – 165 million and a profit before tax at the upper end of the range of DKK 160 – 175 million, assuming positive exchange rate adjustments at the level of DKK 10 million and positive impairment in the range of DKK 10 million.

“THE SUPERVISORY DIAMOND”

The Danish Financial Supervisory Authority’s mandatory Supervisory Diamond specifies four indicators for banking activities with increased risk. The funding ratio is no longer part of the Supervisory Diamond.

The Bank’s status on the individual benchmarks as at 30 September 2021 is set out below.

Skjern Bank complies with all limit values and has not exceeded any of the limit values at any time during the Supervisory Diamond’s existence.

Liquidity reserve (minimum 100 %):

The liquidity reserve is reduced, but still sufficient and amounts to 278 % as of 30 September 2021 compared to 349 % as of 31 December 2020.

Property exposure (maximum 25 percent):

Property exposure is 12.4 %, compared with 11.9 % at the end of 2020.

Large exposures (maximum of 175 per cent):

Large exposures are defined as the total of the Bank's 20 largest exposures compared to the actual core capital and the financial ratio was 126.1 %, compared with 118.3 % at the end of 2020.

Property exposure (maximum 20 percent):

The Bank has realised an increase in lending of 7.15 % as of 30 September 2021 compared with a decrease in lending of 2.33 % at the end of 2020.

TRANSACTIONS WITH RELATED PARTIES

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

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.

CONTRIBUTION TO THE SETTLEMENT FUND

The Bank's annual contribution to the Settlement Fund amounts to DKK 0.5 million and was paid during Q2 2021.

ACCOUNTING POLICIES USED

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

The accounting practice used is unchanged compared to the annual report for 2020.

EVENTS AFTER 30 SEPTEMBER 2021

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

Sincerely,
Skjern Bank A/S

Hans Ladekjær Jeppesen
Chair of the Board

Per Munck
Director



MANAGEMENT'S STATEMENT

We have on today's date discussed and approved the interim report for the period of 1 January – 30 September 2021 for Skjern Bank A/S.

The quarterly report was prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for credit institutions and investment companies, etc. and additional Danish disclosure 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 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 og reviewed, and there has been no recognition of the third quarter's earnings in core capital.

Skjern, 28 October 2021

Skjern Bank A/S
Per Munck
Director

BOARD OF SKJERN BANK A/S

Hans Ladekjær Jeppesen
Board chairman

Bjørn Jepsen
Board vice-chairman

Finn Erik Kristiansen

Niels Erik Kjærgaard

Lars Skov Hansen

Carsten Jensen

Michael Tang Nielsen

PROFIT AND LOSS ACCOUNT AND STATE- MENT OF COMPREHENSIVE INCOME JANUARY 1ST - SEPTEMBER 30TH

1,000 DKK	2021	2020	1.1-31.12 2020
Interest receivable	146.173	148.315	195.693
Interest receivable deposits	19.440	10.002	15.119
Interest receivable	4.936	6.435	8.344
Interest payable central banks	7.530	8.982	12.224
Net income from interest	153.147	142.900	190.244
Dividend on shares and other holdings	2.479	2.038	2.089
Charges and commission receivable	131.460	118.653	160.113
Charges and commission payable	4.189	3.928	4.932
Net income from interest and charges	282.897	259.663	347.514
Value adjustments	12.547	16.511	26.513
Other ordinary income	2.841	1.538	1.977
Staff costs and administrative expenses	154.737	141.956	193.929
Depreciation and write-downs on intangible and tangible assets	4.009	3.544	5.195
Other operating expenses	480	194	234
Contribution to the Guarantee Fund for deposits	464	194	194
Guarantee commission first guarantee scheme	16	0	40
Write-downs	-10.041	31.923	32.874
Result before tax	149.100	100.095	143.772
Tax	32.802	15.460	28.131
Net-result for the financial year	116.298	84.635	115.641
Of which are holders of shares of hybrid core capital instruments etc.	3.867	4.707	6.487
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	116.298	84.635	115.641
Other comprehensive income after tax	0	0	0
Total comprehensive income	116.298	84.635	115.641

BALANCE BY SEPTEMBER 30

1,000 DKK	2021	2020	1.1-31.12 2020
ASSETS			
Cash in hand and demand deposits with central banks	2.295.337	253.504	192.109
Receivables at credit institutions and central banks	64.281	2.136.040	2.225.139
Loans and other receivables at amortised cost	4.563.293	4.258.988	4.224.773
Bonds at fair value	977.274	882.716	959.506
Shares etc.	203.078	194.652	201.220
Shares associated with pool schemes	1.253.895	968.375	1.039.002
Land and buildings (total)	64.128	61.843	66.758
Investment properties	3.019	3.019	3.019
Owner-occupied properties	42.251	43.423	43.166
Owner-occupied properties, leasing	18.858	15.401	20.573
Other tangible assets	3.957	4.214	4.253
Current tax assets	0	4.857	183
Other assets	66.067	53.727	60.806
Prepayments	741	880	718
Total assets	9.492.051	8.819.796	8.974.467

1,000 DKK	2021	2020	1.1-31.12 2020
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	346.703	320.474	181.165
Deposits and other debts	6.499.271	6.271.667	6.463.735
Deposits in pooled schemes	1.253.895	968.377	1.039.002
Current tax liabilities	4.294	0	0
Other liabilities	68.468	67.976	71.121
Prepayments	1.269	1.074	1.656
Total debt	8.173.900	7.629.568	7.756.679
PROVISIONS			
Provisions for deferred tax	1.423	675	1.423
Provisions for loss on guarantees	18.452	14.629	10.472
Total provisions	19.875	15.304	11.895
SUBORDINATED DEBT			
Subordinated loan capital	98.209	97.709	97.834
Total subordinated debt	98.209	97.709	97.834
EQUITY			
Share capital	192.800	192.800	192.800
Revaluation reserves	417	417	417
Retained earnings	947.291	824.525	834.814
Dividend	0	0	19.280
Capital owners share of equity	1.140.508	1.017.742	1.047.311
Holders of hybrid capital Total equity	59.559 1.200.067	59.473 1.077.215	60.748 1.108.059
Total liabilities	9.492.051	8.819.796	8.974.467

OFF-BALANCE-SHEET ITEMS BY SEPTEMBER 30

1,000 DKK	2021	2020	1.1-31.12 2020
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	608.635	580.957	689.786
Guarantees against losses on mortgage credit loans	910.233	752.771	787.151
Registration and conversion guarantees	1.061.219	1.048.116	1.015.910
Other contingent liabilities	132.429	171.769	137.292
Total	2.712.516	2.553.613	2.630.139
Other binding engagements			
Irrevocable credit-undertakings	641.131	246.230	466.619
Total	641.131	246.230	466.619



INFORMATION ON CHANGES IN EQUITY

SEPTEMBER 30

1,000 DKK	2021	2020	1.1-31.12 2020
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
Revaluation reserves end-of-year	417	417	417
Retained earnings beginning-of-year	854.094	773.322	744.402
Profit or loss for the financial year	112.431	79.928	89.873
Dividends	-19.280	-28.920	0
Dividends own shares	1	51	30
Purchase of own funds	45	144	509
Retained earnings end-of-year	947.291	824.525	834.814
Dividends	0	0	19.280
Holdings of hybrid capital beginning-of-year	60.748	60.030	60.030
Hybrid capital out	-	-60.030	-60.030
Hybrid capital in	-	59.210	59.244
Net profit or loss for the year (interest hybrid capital)	3.867	4.707	6.211
Paid interest	-5.056	-4.444	-4.707
Holdings of hybrid capital end-of-year	59.559	59.473	60.748
Total equity	1.200.067	1.077.215	1.108.059

NOTES PER SEPTEMBER 30

1,000 DKK	2021	2020	1.1-31.12 2020
INTEREST INCOME			
Loans and other receivables	137.695	140.870	185.039
Bonds	3.227	3.788	5.022
Other derivative financial instruments, total	5.251	3.657	5.249
of which			
Currency contracts	5.295	-524	-533
Interest-rate contracts	-44	4.181	5.782
Other interest income	0	0	383
Total	146.173	148.315	195.693
INTEREST EXPENSES			
Deposits	-694	944	640
Subordinated debt	4.832	4.796	6.542
Other interest expenses	798	695	1.162
Total	4.936	6.435	8.344
FEES AND COMMISSION INCOME			
Securities trading and custody accounts	16.329	14.160	21.647
Payment services	9.309	8.454	11.098
Loan fees	60.905	55.905	76.106
Guarantee commission	18.257	15.543	20.919
Other fees and commission	26.660	24.591	30.343
Total	131.460	118.653	160.113
VALUE ADJUSTMENTS			
Bonds	-3.528	-968	-1.040
Total shares	12.870	14.471	23.433
Shares in sector companies etc.	7.299	6.140	9.012
Other shares	5.571	8.331	14.421
Foreign currency	4.606	3.267	4.615
Other financial instruments	-76	-242	-219
Assets linked to pooled schemes	-82.470	-9.685	-71.313
Deposits in pooled schemes	81.145	9.668	71.037
Total	12.547	16.511	26.513

1,000 DKK	2021	2020	1.1-31.12 2020
STAFF COSTS AND ADMINISTRATIVE EXPENSES			
SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.			
Board of managers	2.432	2.432	3.378
Fixed fees	2.432	2.432	3.378
Management board	1.014	1.022	1.370
Audit Committee	0	0	90
Committee of representatives	7	0	165
Total salaries and remuneration of board etc.	3.453	3.454	5.003
STAFF COSTS			
Wages and salaries	75.664	67.107	88.152
Pensions	7.849	7.305	9.725
Social security costs	1.230	954	1.243
Payroll tax	12.324	11.726	15.637
Total staff costs	97.067	87.092	114.757
OTHER ADMINISTRATIVE EXPENSES	54.217	51.410	74.169
Total staff costs and administrative expenses	154.737	141.956	193.929
EMPLOYEES			
Average number of employees converted into full-time employees	163	158	158
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	127.116	116.321	177.716
Reversal of write-downs made in previous years	-134.109	-76.737	-135.040
Finally lost, not previously written down	3.776	3.995	4.828
Interest on the written-down portion of loans	-5.703	-8.487	-11.188
Recoveries of previously written off debt	-1.121	-3.169	-3.442
Total	-10.041	31.923	32.874

NOTES PER SEPTEMBER 30 (continued)

1,000 DKK	2021	2020	1.1-31.12 2020
DEVELOPMENT IN WRITE-DOWNS AND PROVISIONS RELATING TO FINANCIAL ASSETS AT AMORTIZED COST AND OTHER CREDIT RISKS, ASSETS INCLUDED IN IFRS9			
STAGE 1 IMPAIRMENT CHARGES			
Stage 1 impairment charges at the end of the previous financial year	21.271	20.005	20.005
Stage 1 impairment charges / value adjustment during the period	8.663	10.473	12.848
-hereby new facilities in the period: 7.555TDKK			
Stage 1 impairment reversed during the period	-12.906	-10.356	-11.582
Cummulative stage 1 impairment total	17.028	20.122	21.271
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	109.773	63.076	63.076
Stage 2 impairment charges / value adjustment during the period	37.765	41.229	92.635
Stage 2 impairment reversed during the period	-51.251	-25.658	-45.938
Cummulative stage 2 impairment total	96.287	78.647	109.773
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	217.886	240.252	240.252
Stage 3 and impairment charges / value adjustment during the period	68.557	56.135	66.707
Reversal of stage 3 impairment charges during the period	-66.377	-35.018	-70.684
Recognised as a loss, covered by stage 3 impairment charges	-47.070	-17.753	-18.389
Cummulative stage 3 impairment total	172.996	243.616	217.886
Total cumulative impairment charges IFRS9	286.311	342.385	348.930
GUARANTEES			
Provisions beginning of the year	10.472	13.590	13.590
Loss on guarantees	12.132	8.482	5.527
Reversal of provisions	-3.576	-5.704	-6.906
Provisions for losses	-575	-1.739	-1.739
Guarantees end of year	18.453	14.629	10.472
Total cumulative impairment charges IFRS9 and guarantees	304.764	357.014	359.402

1,000 DKK

	2021	2020	1.1-31.12 2020
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The development can be explained by the following development in the distribution in stages of the maximum credit risk and development in the weighted average of the rating:

	Stage 1	Stage 2	Stage 3
Beginning			
Impairment	21.271	109.773	217.886
- in % of total impairment	6%	31%	62%
Maximum credit risk	7.386.203	1.153.356	332.182
- in % of maximum credit risk	83%	13%	4%
Rating, weighted average	3,2	6,9	10,0
End			
Impairment	17.028	96.288	172.996
- in % of total impairment	6%	34%	60%
Maximum credit risk	10.303.665	1.027.125	204.152
- in % of maximum credit risk	89%	9%	2%
Rating, weighted average	2,8	6,5	10,0

The development in Stage 3 is mainly due to the fact that the loss of DKK 47.1 million has been booked. The amount is covered by write-downs.

LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	53.850	85.419	61.596
SHARE CAPITAL			
Number of shares at 20 DKK each	9.640.800	9.640.800	9.640.000
Share capital	192.800	192.800	192.800
OWN CAPITAL SHARES			
Number of shares (pcs)	4.452	7.213	6.047
Nominal value hereof	89	144	121
Market value hereof	412	440	426
Own shares proportion of share capital (pct.)	0,05%	0,08%	0,06%

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