

A vibrant landscape featuring a row of lush green trees on the left, a field of tall grass and white dandelions in the foreground, and a bright, cloudy sky. The scene is bathed in warm, golden light, suggesting a sunny day. The text 'INTERIM REPORT 2022' is overlaid in white on the right side of the image.

# INTERIM REPORT 2022

# TABLE OF CONTENTS

Stock Exchange ann. ....	3
5 years in summary .....	4
Financial Ratios .....	5
Quarterly overviews .....	6
Management's report .....	7
Management's statement .....	18
Profit and loss and Statement of comprehensive income .....	19
Balance sheet .....	20
Contingent liabilities .....	22
Information on changes in equity .....	23
Notes .....	24

## A challenging but extremely satisfying six months

	30/6 2022	Profit before tax of DKK 80.1 million, compared to DKK 106.6 million as of 30/6/2021
	RETURN IN EQUITY	Opening equity yielded interest of 13.6% p.a. before tax.
	CORE EARNINGS	Core earnings increased by 26.0% to DKK 114.5 million
	VALUE ADJUSTMENTS	Exchange rate adjustments of DKK –33.7 million compared with DKK +8.9 million as of 30/6/2021
	NET INTEREST AND FEE INCOME	Net interest and fee income increased by 16.7% to DKK 223.6 million
	IMPAIRMENT	Positive impairment of DKK 3.5 million compared with DKK 9.8 million as of 30/6/2021
	LENDING	Lending growth of 11.3% to DKK 5,253 million. Lending growth since 30/6/2021 at 17.7%
	CAPITAL	Capital ratio of 21.3% and core capital ratio of 19.6% Solvency requirement is 9.8%
	CORE EARNINGS EXPECTATIONS	Expectations for core earnings for 2022 as a whole adjusted upwards to the range DKK 190 – 210 million from a range of DKK 170 – 190 million.
	CORE EARNINGS EXPECTATIONS	Profit before tax for 2022 as a whole is expected to be unchanged in the range DKK 175 – 205 million

# 5 YEARS IN SUMMARY

1,000 DKK	YEAR					
	2022	2021	2020	2019	2018	2021
<b>PROFIT AND LOSS ACCOUNT</b>						
Net income from interest	114.582	101.742	94.717	93.149	91.479	205.575
Div. on shares and other holdings	1.276	2.370	1.960	4.806	2.910	2.657
Charges and commissions (net)	107.716	87.398	78.421	68.915	60.613	172.738
<b>Net inc. from int. &amp; charges</b>	<b>223.574</b>	<b>191.510</b>	<b>175.098</b>	<b>166.870</b>	<b>155.002</b>	<b>380.970</b>
Value adjustments	-33.654	8.953	6.060	14.206	69.368	20.181
Other ordinary income	965	996	585	984	503	3.487
Staff costs and administrative expenses	111.069	101.466	96.409	92.385	83.683	207.517
Depreciation of intangible and tangible assets	2.714	2.673	2.363	1.530	1.530	7.337
Other operating expenses	477	480	194	112	52	480
Write-downs on loans etc. (net)	-3.523	-9.768	27.156	7.193	10.127	-15.227
<b>Operating profit</b>	<b>80.148</b>	<b>106.608</b>	<b>55.621</b>	<b>80.840</b>	<b>129.481</b>	<b>204.531</b>
Taxes	16.668	23.454	12.237	17.785	14.172	41.230
<b>Profit for the period</b>	<b>63.480</b>	<b>83.154</b>	<b>43.384</b>	<b>63.055</b>	<b>115.309</b>	<b>163.301</b>
Of which are holders of shares of hybrid core capital instruments etc.	2.578	2.578	3.138	3.138	3.138	5.289
<b>BALANCE SHEET AS PER JUNI 30TH</b>						
summary						
Total assets	10.653.001	9.557.875	8.008.599	7.192.148	6.588.065	9.978.498
Loans and other debtors	5.252.989	4.461.647	4.230.606	4.330.603	4.154.581	4.719.737
Guarantees etc.	2.895.000	3.149.016	2.308.723	2.048.683	1.184.971	2.690.680
Bonds	889.315	991.440	986.787	1.125.116	948.333	941.900
Shares etc.	226.288	204.146	213.708	226.744	249.587	208.217
Deposits	7.260.609	6.553.784	6.550.184	5.821.940	5.384.055	7.027.670
Subordinated cap. investments	98.585	98.084	97.584	97.083	99.877	98.334
<b>Capital funds</b>	<b>1.279.158</b>	<b>1.169.454</b>	<b>1.038.051</b>	<b>957.456</b>	<b>902.849</b>	<b>1.247.077</b>
Dividends						28.920
<b>Capital Base</b>	<b>1.287.782</b>	<b>1.183.088</b>	<b>1.087.247</b>	<b>960.130</b>	<b>930.212</b>	<b>1.262.458</b>
Total weighted items	6.059.713	5.822.997	5.488.289	5.342.575	4.868.055	5.683.653
<b>CORE EARNINGS</b>						
Core income	228.731	195.435	177.764	170.081	157.634	390.911
Total costs etc.	-114.260	-104.619	-98.966	-94.027	-85.265	-215.334
<b>Core earnings</b>	<b>114.471</b>	<b>90.816</b>	<b>78.798</b>	<b>76.054</b>	<b>72.369</b>	<b>175.577</b>

# FINANCIAL RATIOS - 30TH JUNE

Figures in pct.

	2022	2021	2020	2019	2018
Solvency ratio	21,3	20,3	19,8	18	19,1
Core capital ratio	19,6	18,6	18,0	16,2	17,1
Return on own funds before tax*	6,5	9,7	5,4	8,8	15,8
Return on own funds after tax*	5,1	7,5	4,1	6,8	14,0
Earning/expense ratio in DKK	1,72	2,12	1,44	1,8	2,36
Interest rate risk	0,9	1,3	1,1	1,7	2,3
Foreign currency position	0,1	0,3	0,2	0,5	0,5
Foreign currency risk	0,0	0,0	0,0	0	0,0
Advances against deposits	62,6	61,1	68,6	80,4	82,8
NSFR	1,29	-	-	-	-
LCR	333	290	378	269	277
Total large commitments	116,9	132,4	133,5	137,8	125,4
Accumulated impairment ratio	3,4	3,8	4,1	5,3	6,2
Impairment ratio for the period	-0,1	-0,1	0,3	0,1	0,2
Increase in loans etc. for the period	11,3	5,6	-2,2	-0,7	5,9
Ratio between loans etc. and capital funds	4,1	3,8	4,1	4,5	4,6
(value pr share 100 DKK)					
Earnings per share (result period)*	31,6	41,8	20,9	31,08	58,1
Book value pr share*	632	575	508	467	438
Market value/earning per share	3,4	2,3	2,9	2,0	1,2
Market value/book value*	0,84	0,84	0,59	0,67	0,77
(value pr share 20 DKK)					
Earnings per share (result period)*	6,3	8,4	4,2	6,2	11,6
Book value pr share*	126,4	115,1	101,6	93,4	87,6
Market value	106,5	96,8	60,0	62,8	67,8

\*) 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.

# QUARTERLY OVERVIEWS

1,000 DKK	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021
<b>PROFIT AND LOSS ACCOUNT</b>					
Net income from interest	58.839	55.743	52.428	51.405	51.740
Div. on shares and other holdings	1.173	103	178	109	2.127
Charges and commissions (net)	52.238	55.478	45.467	39.873	41.676
<b>Net inc. from int. &amp; charges</b>	<b>112.250</b>	<b>111.324</b>	<b>98.073</b>	<b>91.387</b>	<b>95.543</b>
Value adjustments	-19.868	-13.786	7.634	3.594	5.567
Other ordinary income	496	469	646	1.845	454
Staff costs and administrative expenses	58.688	52.381	52.780	53.271	52.729
Depreciation of intangible and tangible assets	1.357	1.357	3.328	1.336	1.337
Other operating expenses	477	0	0	0	464
Write-downs on loans etc. (net)	-3.296	-227	-5.186	-273	-12.328
<b>Operating profit</b>	<b>35.652</b>	<b>44.496</b>	<b>55.431</b>	<b>42.492</b>	<b>59.362</b>
Taxes	7.844	8.824	8.428	9.348	13.060
<b>Profit for the period</b>	<b>27.808</b>	<b>35.672</b>	<b>47.003</b>	<b>33.144</b>	<b>46.302</b>
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.289	1.422	1.289	1.289
<b>BALANCE</b>					
Loans and other debts	5.252.989	4.952.369	4.719.737	4.563.293	4.461.647
Totalkredit	13.375.000	13.080.694	12.649.320	12.214.000	11.821.166
DLR	4.747.545	4.518.443	4.334.961	4.159.187	3.951.004
Indlån	7.260.609	6.734.641	7.027.670	6.499.271	6.553.784
Deposits in pooled schemes	1.575.626	1.524.021	1.306.663	1.253.895	1.212.100
Subordinated cap. investments	98.585	98.460	98.334	98.209	98.084
Customer depots	4.327.734	4.216.307	4.331.092	4.142.806	3.964.457
Equity	1.279.158	1.255.290	1.247.077	1.200.067	1.169.454
Total assets	10.653.001	10.007.737	9.978.498	9.492.051	9.557.875
Guarantees etc.	2.895.000	3.036.753	2.690.680	2.712.516	3.149.016
<b>CORE EARNINGS</b>					
Core income	114.633	114.098	100.567	94.909	97.375
Total costs	-60.522	-53.738	-56.108	-54.607	-54.530
<b>Core earnings</b>	<b>54.111</b>	<b>60.360</b>	<b>44.459</b>	<b>40.302</b>	<b>42.845</b>

# MANAGEMENT'S REPORT

Core earnings have substantially improved in the first half of the year, with an increase of 26% to DKK 114.5 million. DKK compared with DKK 90.8 million in the first half of 2021. This figure represents what is clearly the best half-year core earnings in the bank's history, which is extremely satisfactory.

Expectations for core earnings for the year as a whole adjusted upwards to the range DKK 190 – 210 million from a range of DKK 170 – 190 million.

The improvement in core earnings is down to solid development in all business areas following a very high level of activity in all departments and increased volume with all product types.

The rise in interest rates and the general turmoil on the markets, including the bond markets, have had a negative impact on price adjustments, which have been implemented at a cost of DKK 33.6 million compared with an income in the first half of 2021 of DKK 8.9 million.

The profit before tax was DKK 80.1 million compared with DKK 106.6 million in 2021, which despite the decline of DKK 26.5 million is regarded as satisfactory considering the negative difference in exchange rate adjustments totalling DKK 42.5 million compared to the first half of 2021.

The solid development in the level of activity has resulted in increasing net interest and fee income, which has increased by DKK 32.1 million or 16.7% compared to the first six months of 2021. Impairment was realised with a small income of DKK 3.5 million and at the end of the first six months of 2022, the bank has an unchanged management estimate of a total of DKK 50 million.

Lending growth is 11.3% in the first half of the year and 17.7% compared to the end of the first half of 2021, based on, among other things, corporate customers' repayment of Covid-19 loans to the Government, but also generally increasing lending demand and a strong influx of new customers.

The costs for staff and administration have increased by DKK 9.6 million or 9.5%, primarily as a result of an increased number of employees and rising costs for IT. The increase in the number of employees is in line with the bank's strategic objective of growing organically, which has meant, among other things, the establishment of 2 new departments at the end of 2021.

## **Impairment**

Impairment was realised with an income of DKK 3.5 million compared with an income of DKK 9.8 million in the first half of 2021.

There has not been a need to use or reverse the management estimate of DKK 50 million originally reserved

by the bank as a result of the uncertainty due to the COVID-19 pandemic.

The management estimate of DKK 50 million has been maintained as a result of continued uncertainty, i.e. high inflation, challenges in the supply chains and the significantly rising interest rate. Most recently, the war in Ukraine has created additional uncertainty factors, which in total means that the bank has chosen to maintain the management estimate of DKK 50 million.

The bank has for a period set aside an additional management estimate of DKK 5 million to counter the uncertainty within the bank's lending for pig production. The management estimate has been applied to concrete commitments in the 2nd quarter. No losses were recorded in the segment in the first half of the year.

The creditworthiness of the bank's loan portfolio has steadily improved in recent years, which is the direct reason for the positive development in the need for impairment in all segments, including the agricultural sector.

The bank is generally in close dialogue with all business customers. The challenges of the COVID-19 pandemic in recent years and in 2022 with the war in Ukraine have increased the potential risk, although the vast majority of the bank's customers have not been directly affected by this. The basic principle that the bank wants to contribute to solving the challenges where it makes sense for both the customer and the bank is unchanged.

The bank's private customers are generally doing well and the average private household is well equipped financially. The expectation at present is that the impairment requirement at portfolio level in the coming period will continue to be modest.

### **Lending growth**

The demand for loans has been increasing in 2022 and lending during the first six months has increased by DKK 533.2 million or 11.3%. Compared to the end of the first half of 2021, lending has increased by DKK 791.3 million. DKK or 17.7%. There is a significant influx of new customers, but the increase in lending is primarily due to increased demand for loans from existing customers, among other things as a result of repayment of Covid-19 loans and deferred tax and VAT payments.

For the year as a whole, an increase in lending is expected at the level of 10-12%, which is considered satisfactory.

Another indicator of the level of activity is the guarantee volume, which has been maintained at a high level of DKK 2,895 million as of 30 June 2022 compared with DKK 2,691 million at the end of 2021. The high volume is largely driven by the restructuring of mortgage loans, while there is a slight decrease in activity with the purchase and sale of year-round homes and holiday homes.

The bank's loans and collaterals for guarantees divided by segments as of 30 June 2022 amounted to:

**LOANS AND GUARANTEES DISTRIBUTED ON SECTORS**

	30.06.2022	31.12.2021	30.06.2021
Public authorities	0,0%	0,0%	0,0%
Agriculture, hunting, forestry & fishing	9,5%	9,9%	9,9%
Plant production	1,6%	1,3%	1,5%
Cattle farming	5,5%	5,7%	5,9%
Pig farming	1,0%	1,0%	0,8%
Mink production	0,4%	0,7%	0,9%
Other agriculture	1,0%	1,2%	0,8%
Industry and mining	3,8%	3,8%	3,9%
Energy	0,8%	1,3%	1,7%
Building and constructions	6,9%	6,8%	5,6%
Wholesale	7,0%	6,7%	5,4%
Transport, hotels and restaurants	1,1%	1,8%	1,3%
Information and communication	0,3%	0,2%	0,4%
Financial and insurance business	5,3%	4,9%	4,9%
Real-estate	10,9%	9,5%	11,0%
Other business	4,7%	3,8%	3,6%
Private	49,8%	51,3%	52,3%

The proportion of loans and guarantees to private customers was reduced by 1.5% in the first half of the year and is 49.8%. The exposure to private individuals has increased, but in percentage terms not quite at the same level as with businesses. The current 49.8% is well in line with the bank's strategic objective of a share for private customers of around 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 9.5% and 10.9%.

The bank's overall credit provision has increased satisfactorily by approximately DKK 3.1 billion in the past year. There is an increase in activity in both the bank's lending and the arrangement of mortgage credit via Totalkredit and DLR Kredit.

The bank offers financial leasing to the bank's business customers via Skjern Bank Leasing. The development is satisfactory and there are about 480 active leases as of 30 June 2022, with a residual lease debt of DKK 165 million.

### **Liquidity**

The LCR key ratio is 333%, which is solid and in line with the bank's strategy of maintaining a solid liquidity surplus based on stable customer deposits. The surplus in relation to the bank's internal target of having a minimum LCR of 225% is a solid DKK 998 million.

### **CAPITAL CONDITIONS AND DIVIDEND POLICY**

The risk-weighted items increased in the first half of 2022 by 6.2% to DKK 6,059.7 million as a result of growth in lending and an increase in guarantees. After recognition of the half-year result, minus the expected dividend, cf. the dividend policy, the capital base is calculated at DKK 1,287.8 million. The capital ratio is calculated at 21.3% compared with 20.3% after the first half of 2021. The core capital ratio rises correspondingly to 19.6% compared with 18.6% after the first half of 2021.

The individual solvency requirement is calculated at 9.8%, and the bank thus has a solvency coverage relative to the solvency requirements of 11.5%. Compared with the actual capital base of DKK 1,287.8 million, there was a surplus of DKK 695.6 million at the end of the first six months of 2022.

Relative to the necessary capital, expressed as the bank's calculated solvency requirements plus the phased-in capital preservation buffer of 2.5% and the phased-in NEP supplement of 3.7%, the coverage can be calculated at 5.3% percentage points, corresponding to a solvency coverage of DKK 321.2 million.

The current capital surplus is solid and fully meets the Board's requirements for this. In the 3rd and 4th quarters of 2022, respectively, a total of 2% cyclical buffer will be phased in, which will temporarily bring the excess coverage below 5% with the current level of risk-weighted items. It is expected that the growth of recent quarters will continue, but at a lower level, which may mean that during the second half of 2022 the bank may take on a supplementary loan instrument that can be added to the capital base.

The calculated actual core capital is 19.6%, and thus fully covers the calculated capital requirement of 16% percentage points, which is made up of the individual solvency requirement of 9.8%, plus a capital preservation buffer of 2.5% percentage points and an NEP requirement of 3.7 percentage points.

The bank continues to 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 continued desire is that capital base will be primarily 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.

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 193 employees, which is an increase of 17 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 many local community associations and organisations 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 initiatives taken in various ways in Denmark, the EU and the rest of the world. Like other parts of the financial sector, the business community and society in general, the bank is making good progress in the development of new initiatives and general reporting in the area and is transitioning to a more sustainable utilisation of resources.

The bank's efforts are based on the UN's Global Goals for sustainable development and the bank's also

works actively with the recommendations from Forum for Bæredygtig Finans (the Forum for Sustainable Finance). The bank has published its ESG report in connection with the publication of the Annual Report for 2021, which describes the work on activities that promote sustainability, both for the bank and its customers. The ESG report also constitutes the bank's report on corporate social responsibility and can be found on the bank's website.

For several years, the bank has been working to reduce energy consumption through energy reduction measures, and its own consumption of electricity is Co2-neutral through the purchase of power from Danish wind turbines. The bank also supports climate measures in third world countries.

The customers are offered investment products as well as pension investments that actively support sustainable development. Similarly, customers can obtain attractive financing for energy-improvement measures on properties or purchase of an electric or plug-in hybrid car.

### NET INTEREST INCOME

Interest income increased by DKK 14.4 million, corresponding to 13.2%. Interest expense amounted to DKK 9.5 million and increased by DKK 1.6 million as a result of increasing interest expense to Denmark's Nationalbank, while the interest expense for customer deposits fell by DKK 0.1 million.

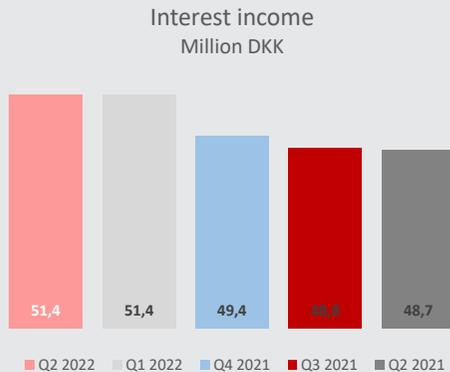
Net interest income increased by DKK 12.8 million to DKK 114.6 million, corresponding to 12.6%.

### NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 107.7 million, compared to DKK 87.4 million in 2021, and thus increased by a very satisfactory DKK 20.3 million. The high activity in the area of loans, with increased overall mediation as a result, has led to an increase in income of DKK 5.0 million. DKK in loan fees. Guarantee provisions increased by DKK 3.2 million, and income from securities trading and custody accounts increased by DKK 4.8 million, while payment services, other fees and fees paid increased by a total of DKK 7.3 million.

Dividends of DKK 1.3 million were realised, which is DKK 1.1 million higher than last year.

Net interest and fee income increased by DKK 32.1 million, corresponding to 16.7%, and amounts to DKK 223.6 million.



## EXCHANGE RATE ADJUSTMENTS

The total exchange rate adjustments were negative by DKK 33.7 million, compared with positive exchange rate adjustments of DKK 9.1 million as of 30 June 2021.

The exchange rate adjustments were divided into DKK -32.5 million in the bond portfolio and DKK -9.0 million in the shareholdings, of which sectoral shares comprise capital gains of DKK 3.1 million and shares in the trading portfolio constitute a capital loss of DKK 12.1 million. In addition, satisfactory income of DKK 7.8 million has been achieved on currency and derivative financial instruments.

## EXPENSES

Costs for personnel and administration etc. were DKK 9.6 million higher than the same period last year and amount to DKK 111.1 million. With the establishment of 2 additional departments at the end of 2021, the bank has strategically increased the level of costs to ensure future income generation, and the increase in costs is in line with the budget for this.

Personnel expenses increased by DKK 0.5 million compared to 30 June 2021. In the first half of 2021, the bank accrued an expense of DKK 5.6 million to comply with changes in holiday pay owed as a result of the entry into force of the new Holidays Act. Thus, the real increase in personnel costs is DKK 6.1 million, as a result of more employees and general salary increases.

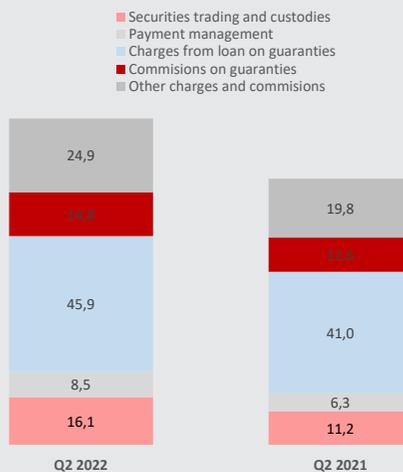
Administration costs increased by DKK 9.1 million, distributed between IT expenses, marketing and other administrative costs.

## PROFIT FOR THE PERIOD

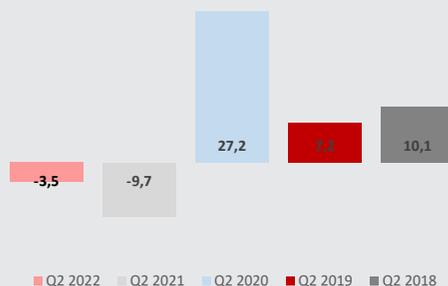
Profit before tax amounted to DKK 80.1 million compared with DKK 106.6 million as of 30 June 2021. After taxes, profit for the period amounted to DKK 63.5 million. Despite a satisfactory development, profit before tax was reduced by DKK 26.4 million, which is due to negative exchange rate adjustments of DKK 33.7 million compared with positive exchange rate adjustments of DKK 9.1 million during the same period in 2021. Despite this, the result is assessed as satisfactory, as there has been an increase in net interest and fee income, as well as a significant increased distribution of third-party products, such as mortgages, insurance, investment and pension products.

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

Charges and commissions receivable  
Million DKK



Write-downs on loans etc.  
Million DKK



deposits, is also considered very satisfactory.

Core earnings of DKK 114.5 million were realised, which is DKK 23.7 million higher than 30 June 2021:

### CORE EARNINGS 1 JANUARY - 30 JUNE

Beløb i 1.000 kr.

	2022	2021	1.1-31.12 2021
Net income from interest	114.582	101.742	205.575
Net charges and commission	107.716	87.398	172.738
Dividend on shares and other holdings	1.276	2.370	2.657
Foreign currency value adjustments*	4.192	2.929	6.454
Other ordinary income	965	996	3.487
<b>Core income</b>	<b>228.731</b>	<b>195.435</b>	<b>390.911</b>
Staff costs and administrative expenses	111.069	101.466	207.517
Depreciation and write-downs on intangible and tangible assets	2.714	2.673	7.337
Other operating expenses	477	480	480
<b>Costs</b>	<b>114.260</b>	<b>104.619</b>	<b>215.334</b>
<b>Core earnings</b>	<b>114.471</b>	<b>90.816</b>	<b>175.577</b>
Write-downs	3.523	9.768	15.227
Value adjustments*	-37.846	6.024	13.727
<b>Result before tax</b>	<b>80.148</b>	<b>106.608</b>	<b>204.531</b>
Tax	16.668	23.454	41.230
<b>Net-result for the financial year</b>	<b>63.480</b>	<b>83.154</b>	<b>163.301</b>

\*) Foreign currency value adjustments and value adjustments specificeres i noten "Value adjustments" on page 25.

### MAJOR SHAREHOLDERS

The bank has two major shareholders: The investment company of the 15 of May (AP Pension Livsforsikringsaktieselskab, København Ø.), which as of the most recent ownership announcement holds 20.75% of the shares in Skjern Bank and 5 % of the voting rights and EURO STEEL 1988 APS, which as of the most recent ownership announcement holds 5.15% of the shares in Skjern Bank and 5% of the voting rights.

### LIQUIDITY

Customer deposits amount to DKK 7,261 million, of which DKK 6,670 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 meets the requirement as well as its own objective of a liquidity coverage ratio of 333% as of 30 June 2022, which is considered a solid and appropriate level.

### **SKJERN BANK SHARES**

The bank is owned by 14,911 shareholders. The share price was 106.5 on 30 June 2022, compared with 103.5 at the beginning of the year. The market price amounts to DKK 1,026.7 million, corresponding to a rate / intrinsic value of 0.84.

### **EXPECTATIONS**

For the year as a whole, expectations for core earnings have increased by DKK 20 million to the range of DKK 190 - 210 million and the profit before tax is expected to remain unchanged in the range of DKK 175 – 205 million.

### **“THE SUPERVISORY DIAMOND”**

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

The Bank’s status on the individual benchmarks as at 30 June 2022 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 333% as of 30 June 2022 compared to 353% as of 31 December 2021.

Property exposure (maximum 25 percent):

Property exposure is 13.4%, compared with 11.5% at the end of 2021.

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 116.9%, compared with 114.4% at the end of 2021.

Property exposure (maximum 20 percent):

The bank has realised a growth in lending of 17.8% as of 30 June 2022 compared with an increase in lending of 11.7% at the end of 2021.

### **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 0.4 million and was paid during Q2 2022.

### **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 2021.

### **EVENTS AFTER 30 JUNE 2022**

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

# MANAGEMENT'S STATEMENT

We have on today's date discussed and approved the interim report for the period of 1 January – 30 June 2022 for Skjern Bank A/S.

The half-year 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.

No audit or review of the interim report has been conducted, but an external audit has verified that the conditions for recognition of the period's earnings in core capital are met.

Skjern, 18 August 2022

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

Ole Strandbygaard

Lars Skov Hansen

Carsten Jensen

Michael Tang Nielsen

# PROFIT AND LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME JANUARY 1ST - JUNE 30TH

1,000 DKK	2022	2021	1.1-31.12 2021
Interest receivable	105.380	97.387	195.584
Interest receivable deposits	18.680	12.211	28.611
Interest receivable	3.151	3.246	8.024
Interest payable central banks	6.327	4.610	10.596
<b>Net income from interest</b>	<b>114.582</b>	<b>101.742</b>	<b>205.575</b>
Dividend on shares and other holdings	1.276	2.370	2.657
Charges and commission receivable	110.229	89.925	178.044
Charges and commission payable	2.513	2.527	5.306
<b>Net income from interest and charges</b>	<b>223.574</b>	<b>191.510</b>	<b>380.970</b>
Value adjustments	-33.654	8.953	20.181
Other ordinary income	965	996	3.487
Staff costs and administrative expenses	111.069	101.466	207.517
Depreciation and write-downs on intangible and tangible assets	2.714	2.673	7.337
Other operating expenses	477	480	480
Write-downs	-3.523	-9.768	-15.227
<b>Result before tax</b>	<b>80.148</b>	<b>106.608</b>	<b>204.531</b>
Tax	16.668	23.454	41.230
<b>Net-result for the financial year</b>	<b>63.480</b>	<b>83.154</b>	<b>163.301</b>
Of which are holders of shares of hybrid core capital instruments etc.	2.578	2.578	5.289
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	63.480	83.154	163.301
Other comprehensive income after tax	0	0	0
<b>Total comprehensive income</b>	<b>63.480</b>	<b>83.154</b>	<b>163.301</b>

## BALANCE BY JUNE 30

1,000 DKK	2022	2021	1.1-31.12 2021
<b>ASSETS</b>			
Cash in hand and demand deposits with central banks	2.443.478	2.444.503	2.566.381
Receivables at credit institutions and central banks	86.844	109.449	74.300
Loans and other receivables at amortised cost	5.252.989	4.461.647	4.719.737
Bonds at fair value	889.315	991.440	941.900
Shares etc.	226.288	204.146	208.217
Shares associated with pool schemes	1.575.626	1.212.100	1.306.663
Land and buildings (total)	68.061	64.924	67.599
Investment properties	3.019	3.019	3.019
Owner-occupied properties	47.541	42.475	45.895
Owner-occupied properties, leasing	17.501	19.430	18.685
Other tangible assets	5.836	3.681	5.626
Current tax assets	24.812	5.054	3.640
Other assets	79.556	60.358	84.106
Prepayments	196	573	329
<b>Total assets</b>	<b>10.653.001</b>	<b>9.557.875</b>	<b>9.978.498</b>

1,000 DKK	2022	2021	1.1-31.12 2021
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	5	434.478	0
Deposits and other debts	7.260.609	6.553.784	7.027.670
Deposits in pooled schemes	1.575.626	1.212.100	1.306.663
Other liabilities	423.789	66.506	280.201
Prepayments	1.366	1.961	1.832
<b>Total debt</b>	<b>9.261.395</b>	<b>8.268.829</b>	<b>8.616.366</b>
PROVISIONS			
Provisions for deferred tax	2.298	1.423	2.298
Provisions for loss on guarantees	11.565	20.085	14.423
<b>Total provisions</b>	<b>13.863</b>	<b>21.508</b>	<b>16.721</b>
SUBORDINATED DEBT			
Subordinated loan capital	98.585	98.084	98.334
<b>Total subordinated debt</b>	<b>98.585</b>	<b>98.084</b>	<b>98.334</b>
EQUITY			
Share capital	192.800	192.800	192.800
Revaluation reserves	417	417	417
Retained earnings	1.024.993	915.422	964.059
Dividend	-	-	28.920
<b>Capital owners share of equity</b>	<b>1.218.210</b>	<b>1.108.639</b>	<b>1.186.196</b>
Holdings of hybrid capital	60.948	60.815	60.881
<b>Total equity</b>	<b>1.279.158</b>	<b>1.169.454</b>	<b>1.247.077</b>
<b>Total liabilities</b>	<b>10.653.001</b>	<b>9.557.875</b>	<b>9.978.498</b>

## OFF-BALANCE-SHEET ITEMS BY JUNE 30

1,000 DKK	2022	2021	1.1-31.12 2021
<b>CONTINGENT LIABILITIES</b>			
Contingent liabilities			
Finance guarantees	590.865	872.563	602.385
Guarantees against losses on mortgage credit loans	921.293	871.831	955.781
Registration and conversion guarantees	1.254.095	1.276.086	998.185
Other contingent liabilities	128.746	128.536	134.329
<b>Total</b>	<b>2.895.000</b>	<b>3.149.016</b>	<b>2.690.680</b>
Other binding engagements			
Irrevocable credit-undertakings	562.514	499.393	799.908
<b>Total</b>	<b>562.514</b>	<b>499.393</b>	<b>799.908</b>

# INFORMATION ON CHANGES IN EQUITY

## JUNE 30

1,000 DKK	2022	2021	1.1-31.12 2021
Share capital beginning-of-year	192.800	192.800	192.800
<b>Share capital end-of-year</b>	<b>192.800</b>	<b>192.800</b>	<b>192.800</b>
Revaluation reserves beginning-of-year	417	417	417
<b>Revaluation reserves end-of-year</b>	<b>417</b>	<b>417</b>	<b>417</b>
Retained earnings beginning-of-year	992.979	854.094	834.815
Profit or loss for the financial year	60.902	80.576	129.092
Dividends	-28.920	-19.280	
Dividends own shares	11	30	30
Purchase of own funds	21	2	122
<b>Retained earnings end-of-year</b>	<b>1.024.993</b>	<b>915.422</b>	<b>964.059</b>
<b>Dividends</b>	<b>0</b>	<b>0</b>	<b>28.920</b>
Holders of hybrid capital beginning-of-year	60.881	60.748	60.748
Net profit or loss for the year (interest hybrid capital)	2.578	2.578	5.156
Paid interest	-2.511	-2.511	-5.023
<b>Holders of hybrid capital end-of-year</b>	<b>60.948</b>	<b>60.815</b>	<b>60.881</b>
<b>Total equity</b>	<b>1.279.158</b>	<b>1.169.454</b>	<b>1.247.077</b>

# NOTES PER JUNE 30

1,000 DKK	2022	2021	1.1-31.12 2021
<b>INTEREST INCOME</b>			
Loans and other receivables	96.346	91.440	184.089
Bonds	2.041	2.197	4.252
Other derivative financial instruments, total	6.724	3.750	7.216
of which			
Currency contracts	-204	3.788	7.286
Interest-rate contracts	6.928	-38	-70
Other interest income	269	0	27
<b>Total</b>	<b>105.380</b>	<b>97.387</b>	<b>195.584</b>
<b>INTEREST EXPENSES</b>			
Deposits	-554	-480	330
Subordinated debt	3.205	3.191	6.632
Other interest expenses	500	535	1.062
<b>Total</b>	<b>3.151</b>	<b>3.246</b>	<b>8.024</b>
<b>FEES AND COMMISSION INCOME</b>			
Securities trading and custody accounts	16.072	11.213	23.762
Payment services	8.481	6.345	12.546
Loan fees	45.956	40.965	80.479
Guarantee commission	14.863	11.626	26.270
Other fees and commission	24.857	19.776	34.987
<b>Total</b>	<b>110.229</b>	<b>89.925</b>	<b>178.044</b>
<b>VALUE ADJUSTMENTS</b>			
Bonds	-32.480	-2.827	-3.165
Total shares	-9.027	8.584	17.513
Shares in sectorcompanies etc.	3.098	4.230	10.516
Other shares	-12.125	4.354	6.997
Foreign currency	4.192	2.929	6.454
Other financial instruments	3.661	356	-621
Assets linked to pooled schemes	96.888	29.683	-85.013
Deposits in pooled schemes	-96.888	-29.772	85.013
<b>Total</b>	<b>-33.654</b>	<b>8.953</b>	<b>20.181</b>

1,000 DKK	2022	2021	1.1-31.12 2021
<b>STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
<b>SALARIES AND REMUNERATION OF MANAGEMENT BOARD ETC.</b>			
Management board	701	689	1.336
Audit Committee	0	0	90
Committee of representatives	0	7	181
<b>Total salaries and remuneration of board etc.</b>	<b>701</b>	<b>696</b>	<b>1.607</b>
<b>STAFF COSTS</b>			
Wages and salaries	52.029	52.004	97.412
Pensions	5.910	5.105	10.678
Social security costs	688	643	1.557
Payroll tax	8.019	8.373	15.753
<b>Total staff costs</b>	<b>66.646</b>	<b>66.125</b>	<b>125.400</b>
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>43.722</b>	<b>34.645</b>	<b>80.510</b>
<b>Total staff costs and administrative expenses</b>	<b>111.069</b>	<b>101.466</b>	<b>207.517</b>
<b>EMPLOYEES</b>			
Average number of employees converted into full-time employees	178	161	166
<b>WRITE-DOWNS ON LOANS AND RECEIVABLES</b>			
Write-downs and provisions during the year	82.788	115.654	132.591
Reversal of write-downs made in previous years	-82.563	-123.465	-144.766
Finally lost, not previously written down	212	2.438	5.847
Interest on the written-down portion of loans	-3.360	-3.826	-7.551
Recoveries of previously written off debt	-600	-569	-1.348
<b>Total</b>	<b>-3.523</b>	<b>-9.768</b>	<b>-15.227</b>

1,000 DKK	2022	2021	1.1-31.12 2021
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	12.598	21.271	21.271
Stage 1 impairment charges / value adjustment during the period	8.563	9.054	7.314
Stage 1 impairment reversed during the period	-4.654	-11.115	-15.987
<b>Cummulative stage 1 impairment total</b>	<b>16.507</b>	<b>19.210</b>	<b>12.598</b>
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	100.028	109.773	109.773
Stage 2 impairment charges / value adjustment during the period	11.349	37.054	44.694
Stage 2 impairment reversed during the period	-32.561	-40.679	-54.439
<b>Cummulative stage 2 impairment total</b>	<b>78.816</b>	<b>106.148</b>	<b>100.028</b>
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	168.565	217.886	217.886
Stage 3 and impairment charges / value adjustment during the period	61.059	56.202	72.139
Reversal of stage 3 impairment charges during the period	-40.672	-68.521	-70.850
Recognised as a loss, covered by stage 3 impairment charges	-1.023	-47.070	-50.610
<b>Cummulative stage 3 impairment total</b>	<b>187.929</b>	<b>158.497</b>	<b>168.565</b>
<b>Total cumulative impairment charges IFRS9</b>	<b>283.252</b>	<b>283.855</b>	<b>281.191</b>
GUARANTEES			
Provisions beginning of the year	14.423	10.472	10.472
Loss on guarantees	1.818	13.344	8.402
Reversal of provisions	-4.675	-3.155	-3.490
Provisions for losses	0	-575	-961
<b>Guarantees end of year</b>	<b>11.566</b>	<b>20.086</b>	<b>14.423</b>
<b>Total cumulative impairment charges IFRS9 and guarantees</b>	<b>294.818</b>	<b>303.941</b>	<b>295.614</b>

1,000 DKK

2022

2021

1.1-31.12  
2021

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
<b>Beginning</b>			
Impairment	12.598	100.028	168.565
- in % of total impairment	4%	36%	60%
Maximum credit risk	10.638.886	1.213.375	365.591
- in % of maximum credit risk	87%	10%	3%
Rating, weighted average	2,6	6,8	10,0
<b>End</b>			
Impairment	16.506	78.816	187.930
- in % of total impairment	6%	28%	66%
Maximum credit risk	10.838.218	1.221.423	418.090
- in % of maximum credit risk	87%	10%	3%
Rating, weighted average	2,7	6,5	10,0

In light of rising inflation, rising interest rates, possible falling housing prices and their derivative effects, as well as uncertainty around the global supply lines and so on, an extra amount of DKK 50.0 million has been reserved as a management estimate, of which DKK 32.5 million in Stage 2 and DKK 17.5 million in Stage 3

LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	51.460	52.179	45.653
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)	4.294	4.686	4.725
Nominal value hereof	86	94	95
Market value hereof	457	454	489
Own shares proportion of share capital (pct.)	0,05%	0,05%	0,05%

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VARDE  
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