

Interim report 2019












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Very satisfactory first six months

 30/6 2019	Profit before tax amounts to DKK 80.8 million
 EQUITY	Opening equity is expected to bear interest in the range of 15-17% per year per 30/6 2019
 CORE EARNINGS	Core earnings amount to DKK 76.1 million
 NET INTEREST AND FEE INCOME	Net interest and fee income increased by 7.7% to DKK 166.9 million
 IMPAIRMENT	Write-downs of DKK 7.2 million
 LENDING	Lending growth increased by 4.2% to DKK 4.3 billion from 30 June 2018
 CAPITAL	Capital ratio of 18.0% and core capital ratio of 16.6%. Solvency requirements are 9.3%
 CORE EARNINGS EXPECTATIONS	For the full year 2019, core earnings are in the range of DKK 130 - 150 million
 EXPECTATIONS ANNUAL PROFIT BEFORE TAX	Pre-tax profit for the year is clarified to the upper part of the announced interval DKK 135-150 million

5 years in summary

1,000 DKK	30/6 2019	30/6 2018	30/6 2017	30/6 2016	30/6 2015	YEAR 2018
PROFIT AND LOSS ACCOUNT						
Net income from interest	93,149	91,479	89,136	80,297	81,005	185,242
Div. on shares and other holdings	4,806	2,910	9,744	11,753	11,317	3,476
Charges and commissions (net)	68,915	60,613	58,929	45,960	41,366	119,515
Net inc. from int. & charges	166,870	155,002	154,809	138,010	133,688	308,233
Value adjustments	14,206	69,368	20,629	6,534	7,383	69,389
Other ordinary income	984	503	722	699	1,023	1,503
Staff costs and administrative expenses	92,385	83,368	74,537	72,233	66,475	191,626
Depreciation of intangible and tangible assets	1,530	1,530	1,530	1,932	2,979	3,004
Other operating expenses	112	52	52	52	4,437	127
Operating expenses	0	0	0	0	0	75
Guarantee commission first guarantee scheme	112	52	52	52	4,437	52
Write-downs on loans etc. (net)	7,193	10,127	10,819	19,176	25,533	19,729
Profit on holdings in associated and affiliated companies	0	0	0	0	-700	0
Operating profit	80,840	129,481	89,222	51,850	40,970	164,639
Taxes	17,785	14,172	9,484	10,840	9,863	22,126
Profit for the period	63,055	115,309	79,738	41,010	32,107	142,513
Of which are holders of shares of hybrid core capital instruments etc.	3,138	3,138	3,138	3,138	0	6,626
BALANCE SHEET AS PER JUNI 30TH						
summary						
Total assets	7,192,148	6,588,065	6,213,070	5,633,036	5,464,455	6,703,573
Loans and other debtors	4,330,603	4,154,581	3,683,454	3,668,106	3,712,516	4,359,561
Guarantees etc.	2,048,683	1,184,971	1,025,876	784,090	645,476	1,543,324
Bonds	1,125,116	948,333	1,021,759	775,596	782,006	1,016,994
Shares etc.	226,744	249,587	240,981	216,833	172,735	220,498
Deposits	5,821,940	5,384,055	5,137,815	4,666,404	4,483,568	5,457,413
Subordinated cap. investments	97,083	99,877	99,697	99,519	169,340	99,976
Capital funds	957,456	902,849	772,038	657,473	554,581	926,740
Dividends						28,920
Capital Base	960,130	930,212	772,816	654,297	599,282	923,409
Total weighted items	5,342,575	4,868,055	4,333,555	4,224,968	4,163,140	5,310,230
CORE EARNINGS						
Core income	170,081	157,634	157,371	140,709	143,402	314,385
Total costs etc.	-94,027	-85,265	-76,119	-74,217	-75,691	-194,757
Core earnings	76,054	72,369	81,252	66,492	67,711	119,628

Financial ratios - 30th June

Figures in pct.	2019	2018	2017	2016	2015
Solvency ratio	18.0	19.1	17.8	15.5	14.4
Core capital ratio	16.2	17.1	15,7	13.5	12.5
Return on own funds before tax*	8.8	15.8	12.5	8.7	7.8
Return on own funds after tax*	6.8	14.0	11.2	6.9	6.0
Earning/expense ratio in DKK	1.80	2.36	1.99	1.52	1.42
Interest rate risk	1.7	2.3	1.2	0.5	-1.3
Foreign currency position	0.5	0.5	0.3	0.2	0.7
Foreign currency risk	0.0	0.0	0.0	0.0	0.0
Advances against deposits	80.3	82.8	78.3	86.3	91.1
LCR	269	277	302	286	251
Total large commitments**)	137.8	133,2	16.0	34.5	42.2
Accumulated impairment ratio	5.2	5.5	6.7	7.5	7.9
Impairment ratio for the period	0.1	0.3	0.2	0.4	0.5
Increase in loans etc. for the period	-0.7	5.9	-0.1	4.3	1.9
Ratio between loans etc. and capital funds	4.5	4.6	5.2	6.1	6.7
(value pr share 100 DKK)					
Earnings per share (result period)*	31.1	58.1	39.7	19.6	16.7
Book value pr share*	467	438	369	311	288
Market value/earning per share	2.0	1.2	1.7	1.5	1.9
Market value/book value*	0.67	0.77	0.90	0.46	0.56
(value pr share 20 DKK)					
Earnings per share (result period)*	6.2	11.6	7.9	3.9	3.3
Book value pr share*	93.4	88	74	62	58
Market value	62.8	67.8	66.5	28.9	32.2

*) 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	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
PROFIT AND LOSS ACCOUNT					
Net income from interest	46,196	46,953	46,633	47,130	46,613
Div. on shares and other holdings	4,471	335	79	487	2,582
Charges and commissions (net)	33,759	35,156	31,487	27,415	26,437
Net inc. from int. & charges	84,426	82,444	78,199	75,032	75,632
Value adjustments	2,615	11,591	-3,196	3,217	2,915
Other ordinary income	720	264	514	486	315
Staff costs and administrative expenses	46,750	45,635	63,833	44,110	42,820
Depreciation of intangible and tangible assets	765	765	709	765	765
Other operating expenses	112	0	75	0	52
Operating expenses	0	0	0	0	0
Guarantee commission first guarantee scheme	112	0	75	0	52
Write-downs on loans etc. (net)	3,463	3,730	5,790	3,812	4,987
Operating profit	36,671	44,169	5,110	30,048	30,238
Taxes	8,068	9,717	1,688	6,266	5,962
Profit for the period	28,603	34,452	3,422	23,782	24,276
Of which are holders of shares of hybrid core capital instruments etc.	1,569	1,569	1,919	1,569	1,569
BALANCE					
Loans and other debts	4,330,603	4,331,256	4,359,561	4,245,526	4,154,581
Deposits	5,821,940	5,495,332	5,457,413	5,293,337	5,384,055
Subordinated cap. investments	97,083	100,000	99,976	99,917	99,877
Equity	957,456	935,940	926,740	925,150	902,849
Total assets	7,192,148	6,761,185	6,703,573	6,596,150	6,588,065
Guarantees etc.	2,048,683	1,669,526	1,543,324	1,335,451	1,184,971
CORE EARNINGS					
Core income	86,360	83,721	79,964	76,787	77,672
Total costs	-47,627	-46,400	-64,617	-44,875	-43,637
Core earnings	38,733	37,321	15,347	31,912	34,035

Management's report

The first half of the year has been very satisfactory with growth in key areas. Net interest income and fee income increased by 7.6% after growth in both net interest income and net fee income, which is considered extremely satisfactory in a harsh and competitive market. There were also positive capital gains of DKK 14.2 million and still a limited need for impairment.

Profit before tax was realised at a satisfactory DKK 80.8 million, though this is a reduction of DKK 48.7 million as a result of the bank having extraordinary capital gains of about DKK 60 million in Q1 2018 from the sale of Value Invest Asset Management S.A.

Core earnings grew to DKK 76.1 million compared with DKK 72.4 million in 2018, which is satisfactory considering the increased costs for strategic initiatives.

Impairments amount to DKK 7.2 million, corresponding to an impairment rate of 0.1% in during the six-month period. Impairment needs were reduced despite the agricultural industry still facing challenges, where the primary production types of pigs, milk and mink have had less satisfactory terms of trade for a long period. However, there has been good growth in recent years as milk prices have remained at a level where the profitability of effective companies is satisfactory and the economic conditions for pig production have been very significantly strengthened, primarily as a result of significantly reduced production in China. However, the mink industry is still characterised by very low and not profitable sales prices and low demand.

The Bank's other segments are progressing very satisfactorily, and we can point to continued significant reversals of previously impaired exposures.

The development of the Bank's loan portfolio is still solid. There was good demand for loans from the Bank's existing customers and the influx of new customers is also quite significant, which altogether has increased lending by DKK 176 million or 4.2% compared to the lending as of 30 June 2018. Taken in isolation, a decrease in lending of DKK 28.9 million was realised in the first half of 2019 as a result of planned large loan repayments with certain customers. An unchanged satisfactory lending growth of up to 5% is expected for the full year of 2019.

Another indicator of the high is the Bank's guarantees, which significantly increased to DKK 2,048 million as of 30 June 2019 compared with DKK 1,543 million at the end of 2018. The increase is primarily due to a historically high interest in restructuring mortgages in May and June, where the Bank's customers have largely made use of the currently favourable interest and exchange rate development to convert their mortgage debt into fixed-rate mortgage loans with a historically low interest rate all the way down to 0.50%.

The proportion of lending and guarantees to private customers increased by 3.1% to 43.6% during the first half of the year, which is nicely in line with the Bank's goal of increasing the proportion of lending and guarantees to private customers. This development is expected to continue. It has been strategically decided that the exposure to individual business segments must not exceed 15%.

The Bank offers financial leasing to the Bank's business customers via Skjern Bank Leasing. As of 30 June 2019, more than 250 lease contracts have been established.

The liquidity coverage ratio amounted to 269% after LCR, which is satisfactory and a slight increase compared to 31/12/2018. The increase is due to increased deposit volumes, which follows the Bank's strategy of maintaining a solid liquidity coverage ratio based on stable customer deposits.

The Bank's capital ratio increased during the first half of the year from 17.4% to 18.0%, while the core capital ratio increased from 15.5% to 16.2%. The increase is due to the recognition of profit after tax of DKK 63 million. The individual solvency requirement is calculated at 9.3%, and the Bank thus has a solvency coverage relative to the solvency requirements of 8.70%. Compared with the actual capital base of DKK 960,1 million, there was a surplus of DKK 465.7 million at the end of the first six months of 2019.

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.06.2019	31.12.2018	30.06.2018
Public authorities	0,0%	0,0 %	0,0 %
Agriculture, hunting, forestry & fishing	11,6%	11,2 %	12,4 %
Plant production	1,3%	1,2 %	1,6 %
Cattle farming	6,2%	6,0 %	6,8 %
Pig farming	1,8%	1,4 %	1,6 %
Mink production	1,4%	1,6 %	1,2 %
Other agriculture	0,9%	1,0 %	1,2 %
Industry and mining	4,1%	2,8 %	3,0 %
Energy	3,1%	7,0 %	6,1 %
Building and constructions	6,4%	6,7 %	7,0 %
Wholesale	6,8%	6,4 %	6,7 %
Transport, hotels and restaurants	1,4%	1,5 %	1,5 %
Information and communication	0,3%	0,3 %	0,4 %
Financial and insurance business	4,5%	5,7 %	6,5 %
Real-estate	13,0%	12,8 %	13,2 %
Other business	5,2%	5,1 %	5,3 %
Private	43,6%	40,5 %	37,9 %

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 5.075% points, corresponding to a solvency coverage of 139.3%, or DKK 271.1 million.

CAPITAL GOALS AND DIVIDEND POLICIES

Due to the satisfactory operating earnings, the Bank has achieved a solid capital coverage, primarily consisting of a core capital of 16.2% compared with the individual solvency requirements of 9.3%, 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 12.925%.

The Bank has an unchanged focus on maintaining 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 capital structure if conditions are deemed favourable and it is deemed appropriate.

After many years of solidly increasing earnings without distribution to the 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, as was the case for the financial year 2018.

Therefore, the Bank has decided on 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 is owned by 16,000 shareholders who have been very loyal to the Bank and have shown great patience with regard to dividend payments. As described under the capital goals and dividend policies, in the future the management wants to distribute portions of the future earnings to the shareholders.

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

Customers

The Bank has a great many private customers in most of the country, though primarily in local areas and small and medium-sized business customers in the Bank's local areas. The Bank is largely chosen by new customers who, like the Bank's many existing customers, want a local Bank where they know their adviser and where they have time for them.

Through a close familiarity with individual customers and their needs, the Bank wants to make a difference when our customers are facing important financial decisions, but also in daily life when online banking, mobile banking and cards have to work. The Bank wants to be close to the customers, to have short response times and to find the financing solutions that work for each customer. 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. This is true when it comes to managing their own private finances but also when they refer their family, friends and acquaintances to the bank in large numbers via the Bank's customer referral concept. The references from satisfied customers is the biggest reason why the bank experiences high and very satisfactory customer growth year after year.

Employees

The Bank currently employs 160 employees, which is an increase of 7 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 to work at the Bank and are proud to work there. There is a very high level of employee satisfaction, which is an important foundation for always being able to offer our many customers advice and service at the high level expected by the customers, the employees and the Bank.

Local 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. Skjern Bank's foundation is the many shareholders, customers, talented employees and the local community. The Bank is very aware that all stakeholders play an important role both now and in the future and the Bank views it as an important community role to encourage the many stakeholders to work together for the benefit of both the stakeholders and the Bank.



NET INTEREST INCOME

Net interest income amounts to DKK 93.1 million as 30 June 2019, compared with DKK 91.5 million in 2018, and thus increased by DKK 1.7 million, corresponding to 1.8%.

Total interest income increased by DKK 0.3 million, corresponding to 0.3% compared to 30 June 2018. This slight improvement is due to the continued low level of interest rates and the competitive situation in the market, as the Bank's lending growth of 4.2% is considered to be very satisfactory.

Interest expenses amounted to DKK 7.7 million and were reduced by DKK 1.4 million, corresponding to 15.3%, as a result of reduced interest expenses for customer deposits which, as a result of the low interest rate level and the expiration of high-interest accounts, were realised at DKK 1.9 million, compared with DKK 4.0 million in Q1 2018. However, the Bank's interest expenses for placing surplus liquidity in Nationalbanken increased by DKK 0.6 million and amounted to DKK 2.5 million in the first half of the year.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 68.9 million, compared to DKK 60.6 million in 2018, and thus increased by DKK 8.3 million. The increase in fee income is due to a large influx of customers and generally high activity, particularly with loan transaction fees, which increased by DKK 4.8 million compared to the first six months of 2018. The very high activity in restructuring customers' mortgages has particularly contributed to the growth.

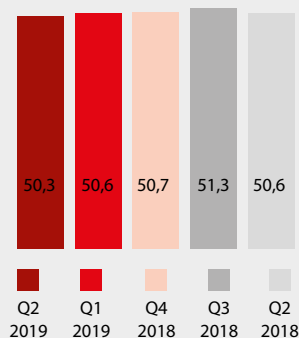
Dividends were realised at DKK 4.8 million, corresponding to an increase of DKK 1.9 million.

Net interest and fee income amounted to DKK 166.9 million, which is DKK 11.9 million or 7.7% higher than the first half of 2018.

EXCHANGE RATE ADJUSTMENTS

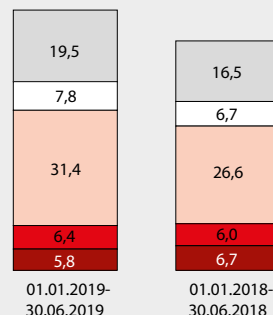
The securities markets have generally been positive in Q1 2019 after a

Interest income
(Million DKK)



Charges and commissions receivable
(Million DKK)

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



turbulent Q4 2018. For this reason, the portfolio of stocks and bonds earned profits totalling DKK 14.2 million, compared with DKK 69.3 million in Q1 2018. In Q1 2018, the Bank sold its ownership interest in Value Invest Asset Management S.A. and acquired capital gains of approximately DKK 60 million from this. When adjusted for exchange rate adjustments, this alone is an improvement of DKK 4.9 compared to the first half of 2018.

In the first half of 2019, capital gains were divided into DKK 0.5 million in the bond portfolio and DKK 11.2 million in the shareholdings. In addition, exchange rates and derivative financial instruments achieved an income of DKK 2.5 million in the same period.

COSTS

Staff and administration expenses etc. increased by DKK 8.7 million, corresponding to 10.4% and amounted to DKK 92.4 million as at 30 June 2019, compared with DKK 83.7 million in the same period in 2018.

With regard to the organic growth and handling the increased regulation in the sector, the number of employees increased and staff costs increased by DKK 5.3 million compared to the first six months of 2018. This also includes increased payroll tax of DKK 1.0 million as well as collective agreement wage increases.

Administration costs increased by DKK 3.1 million, distributed between IT expenses, marketing and other administrative costs.

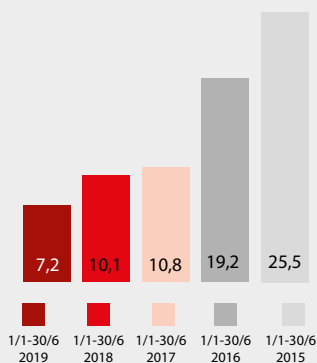
It is the management's expectation that regular expenditures for the full year of 2019 will increase in the range of 4-5% compared to expenses of approximately DKK 180 million, adjusted for one-time expenses of DKK 12 million in 2018 for IT.

IMPAIRMENT

Net impairment for the period of DKK 7.2 million compared with DKK 10.1 million in 2018.

There is increased impairment of DKK 70.1 million, and reversals of

Write-downs on loans etc.
(Million DKK)



previous impairment of DKK 60.4 million. Recorded losses for the period amounted to DKK 11.9 million, of which only DKK 2.5 million had not been previously written down.

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

For the full year of 2019, an impairment loss is expected in the range of DKK 15-20 million, corresponding to the impairment need in 2018.

PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 80.8 million compared with DKK 129.5 million as of 30 June 2018. After taxes, the period's net profit amounted to DKK 63.1 million.

The management is pleased to note that profit before tax is at a high level in the Bank's history and considers the business development and profit to be extremely satisfactory.

Core earnings were realised at DKK 3.7 million higher than in the first six months of 2018, which is very satisfactory considering the increased costs for strategic activity expansion.

CAPITAL

Equity amounted to DKK 957.5 million compared to DKK 926.7 million at the end of the previous year. A hybrid core capital of DKK 59.9 million was recognised in the Bank's equity on 30 June 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 30 June 2019 amounted to DKK 960.1 million.

In the first six months, the Bank's risk-weighted items increased by DKK 32.3 million to DKK 5,343 million. The capital ratio was estimated at 18.0% after recognition of profit after tax for the first six months, which is an increase of 0,6% points since 31 December 2018.

The necessary capital of 12.925% is comprised of the individual solvency requirement of 9.3% 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 5.075% points, corresponding to a surplus of 139.3% relative to the necessary capital. The surplus adds up to DKK 271.1 million.

In May, the Bank refinanced subordinated loan capital of nominally DKK 100 million with a similar type of capital of nominally DKK 100 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.

CORE EARNINGS

1,000 DKK	30/6 2019	30/6 2018	1.1-31.12 2018
Net income from interest	93,149	91,479	185,242
Net charges and commission	68,915	60,613	119,515
Dividend on shares and other holdings	4,806	2,910	3,476
Foreign currency value adjustments*	2,227	2,129	4,649
Other ordinary income	984	503	1,503
Core income	170,081	157,634	314,385
Staff costs and administrative expenses	92,385	83,683	191,626
Depreciation and write-downs on intangible and tangible assets	1,530	1,530	3,004
Other operating expenses	112	52	127
Costs	94,027	85,265	194,757
Core earnings	76,054	72,369	119,628
Write-downs	-7,193	-10,127	-19,729
Value adjustments*	11,979	67,239	64,740
Result before tax	80,840	129,481	164,639
Tax	17,785	14,172	22,126
Net-result for the financial year	63,055	115,309	142,513

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



LIQUIDITY

Customer deposits amount to DKK 5,822 million, of which DKK 4,483 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 30 June 2019 has an LCR financial ratio of 269%.

SKJERN BANK SHARES

As of 30 June 2019, the Bank was owned by 16,184 shareholders.

The Bank's share price was 62.8 on 30 June 2019, compared with 61.0 at the beginning of the year.

The market price thus amounts to DKK 605.4 million as of 30 June 2019, corresponding to an intrinsic value of 0.67.

EXPECTATIONS

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 135 – 150 million, assuming regular positive exchange rate adjustments in the range of DKK 5 million and impairment in the range of DKK 15 – 20 million.

As previously announced, the expectations for profit include that the Bank expects to sell 75% of its ownership interest in Sparinvest Holdings SE in Q3 no later than by stock exchange announcement no. 13 of 28 June 2019, with extraordinary capital gains 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 30 June 2019 is calculated in the figure below, where the indicators established by the Danish Financial Supervisory Authority are also shown.

SSkjern Bank complies with all limit values as of 30 June 2019 and has not exceeded any of the

limit values at any time during the Supervisory Diamond's existence.

Liquidity reserve (minimum 100%):

Skjern Bank's liquidity reserve is reduced, but still sufficient and amounts to 268% as of 30 June 2019 compared to 246% as of 31 December 2018.

Funding ratio (maximum 100 per cent):

The current funding situation leaves room for significantly more lending, as the Bank's lending compared to deposits, equity and debt securities is only 63%. As of 31 December 2018, the funding ratio amounted to 67%.

Property exposure (maximum 25 per cent):

Skjern Bank has an attractive industry spread; compared to the real estate sector the exposure is 14.0%. As of 31 December 2018, the exposure was 13.9%.

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 137.8% at six months compared to 144.1% as of 31 December 2018.

Property exposure (maximum 20 per cent):

The Bank has realised an increase in lending of 4.2% as of 30 June 2019 compared with an increase in lending of 11.1% as of 31 December 2018.

TRANSACTIONS WITH RELATED PARTIES

As of 30 June 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 was paid during Q2 2019.

The Supervisory Diamond



ACCOUNTING PRACTICES USED

The semi-annual 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 30 JUNE 2019

No events have occurred after the balance date which are of significance for the assessment of the profit for the period beyond the capital gains of DKK 21 million from the sale of Sparinvest S.A. in Q3 2019 as reported in the stock exchange announcement of 28 June 2019.

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 interim report for the period of 1 January - 30 June 2019 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 semi-annual report has been conducted, but an external audit has verified that the conditions for ongoing recognition of the period's earnings in core capital are met.

Skjern, 15 August 2019

Per Munck
Director

THE BOARD OF DIRECTORS

Hans Ladekjær Jeppesen
Board chairman

Bjørn Jepsen
Board vice-chairman

Søren Dalum Tinggaard

Niels Christian Poulsen

Niels Erik Kjærgaard

Lars Skov Hansen

Carsten Jensen

Michael Tang Nielsen

Profit and loss account and Statement of comprehensive income

January 1st - Juni 30th

1,000 DKK	2019	2018	1.1-31.12 2018
Interest receivable	100,881	100,607	202,618
Interest payable	7,732	9,128	17,376
Net income from interest	93,149	91,479	185,242
Dividend on shares and other holdings	4,806	2,910	3,476
Charges and commission receivable	70,937	62,498	123,024
Charges and commission payable	2,022	1,885	3,509
Net income from interest and charges	166,870	155,002	308,233
Value adjustments	14,206	69,368	69,389
Other ordinary income	984	503	1,503
Staff costs and administrative expenses	92,385	83,683	191,626
Depreciation and write-downs on intangible and tangible assets	1,530	1,530	3,004
Other operating expenses	112	52	127
Contribution to the Guarantee Fund for deposits	112	52	52
Guarantee commission first guarantee scheme	0	0	75
Write-downs	7,193	10,127	19,729
Result before tax	80,840	129,481	164,639
Tax	17,785	14,172	22,126
Net-result for the financial year	63,055	115,309	142,513
Of which are holders of shares of hybrid core capital instruments etc.	3,138	3,138	6,626
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	63,055	115,309	142,513
Other comprehensive income after tax	0	0	0
Total comprehensive income	63,055	115,309	142,513



Balance by Juni 30

1,000 DKK	2019	2018	1.1-31.12 2018
ASSETS			
Cash in hand and demand deposits with central banks	232,889	154,309	184,106
Receivables at credit institutions and central banks	1,149,817	956,152	795,467
Loans and other receivables at amortised cost	4,330,603	4,154,581	4,359,561
Bonds at fair value	1,125,116	948,333	1,016,994
Shares etc.	226,744	249,587	220,498
Land and buildings (total)	47,774	49,073	48,488
Investment properties	2,961	2,961	2,961
Owner-occupied properties	44,813	46,112	45,527
Other tangible assets	3,385	4,828	4,094
Current tax assets	18,488	11,301	11,865
Deferred tax assets	1,922	3,664	1,922
Other assets	53,682	53,649	58,815
Prepayments	1,728	2,588	1,763
Total assets	7192,148	6,588,065	6,703,573

1,000 DKK	2019	2018	1.1-31.12 2018
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	254,442	149,332	160,750
Deposits and other debts	5,821,940	5,384,055	5,457,413
Other liabilities	45,782	40,577	48,832
Prepayments	1,173	1,079	442
Total debt	6,123,337	5,575,043	5,667,437
PROVISIONS			
Provisions for loss on guarantees	14,272	10,296	9,420
Total provisions	14,272	10,296	9,420
SUBORDINATED DEBT			
Subordinated loan capital	97,083	99,877	99,976
Total subordinated debt	97,083	99,877	99,976
EQUITY			
Share capital	192,800	192,800	192,800
Revaluation reserves	417	417	417
Retained earnings	0	650,127	644,923
Dividend	704,384	-	28,920
Capital owners share of equity	897,601	843,344	867,060
Holders of hybrid capital Total equity	59,855 957,456	59,505 902,849	59,680 926,740
Total liabilities	7,192,148	6,588,065	6,703,573



Off-balance-sheet items by June 30

1,000 DKK	2019	2018	1.1-31.12 2018
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	430,952	632	327,288
Guarantees against losses on mortgage credit loans	609,790	518,509	555,950
Registration and conversion guarantees	158,602	160,306	126,853
Other contingent liabilities	849,339	505,524	533,233
Total	2,048,683	1,184,971	1,543,324
Other binding engagements			
Irrevocable credit-undertakings	350,894	418,495	185,344
Total	350,894	418,495	185,344

Information on changes in equity

June 30

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	561,785	561,785
Changed accounting policy for impairment charges	-	-23,823	-23,823
Profit or loss for the financial year	59,917	112,171	106,967
Dividends	-28,890	0	-
Sale of own funds	171,017	16,121	21,436
Purchase of own funds	-171,504	-16,127	-21,442
Retained earnings end-of-year	704,383	650,127	644,923
Dividends	-	-	28,920
Holders of hybrid capital beginning-of-year	59,680	59,330	59,330
Net profit or loss for the year (interest hybrid capital)	3,138	3,138	6,626
Paid interest	-2,962	-2,963	-6,276
Holders of hybrid capital end-of-year	59,856	59,505	59,680
Total equity	957,456	902,849	926,740

Notes per June 30

1,000 DKK	2019	2018	1.1-31.12 2018
INTEREST INCOME			
Loans and other receivables	96,904	95,734	193,170
Bonds	3,513	4,317	8,454
Other derivative financial instruments, total	464	556	994
of which			
Currency contracts	-92	92	839
Interest-rate contracts	556	464	155
Other interest income	0	0	0
Total	100,881	100,607	202,618
INTEREST EXPENSES			
Credit institutions and central banks	2,494	1,893	4,310
Deposits	1,932	4,019	6,330
Subordinated debt	3,305	3,207	6,560
Other interest expenses	1	9	176
Total	7,732	9,128	17,376
FEEES AND COMMISSION INCOME			
Securities trading and custody accounts	5,822	6,742	15,489
Payment services	6,405	5,995	11,704
Loan fees	31,396	26,548	53,674
Guarantee commission	7,808	6,671	13,376
Other fees and commission	19,506	16,542	28,781
Total	70,937	62,498	123,024
VALUE ADJUSTMENTS			
Bonds	453	-3,036	-3,615
Total shares	11,262	70,296	68,361
Shares in sectorcompanies etc.	4,936	6,860	10,413
Other shares	6,326	63,436	57,948
Foreign currency	2,227	2,129	4,649
Other financial instruments	264	6	-6
Total	14,206	69,368	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	1,621	1,326	3,013
Fixed fees	1,621	1,305	2,978
Pension contributions	0	21	35
Management board	576	572	1,163
Audit Committee	0	0	58
Committee of representatives	0	0	180
Total salaries and remuneration of board etc.	2,197	1,898	4,414
STAFF COSTS			
Wages and salaries	42,188	38,335	79,875
Pensions	4,504	4,227	8,698
Social security costs	530	284	919
Payroll tax	7,318	6,355	13,683
Total staff costs	54,540	49,201	103,175
OTHER ADMINISTRATIVE EXPENSES	35,648	32,584	84,037
Total staff costs and administrative expenses	92,385	83,683	191,626
EMPLOYEES			
Average number of employees converted into full-time employees	149	145	147
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	70,115	43,858	84,486
Reversal of write-downs made in previous years	-60,431	-27,831	-55,706
Finally lost, not previously written down	2,518	425	2,146
Interest on the written-down portion of loans	-4,423	-4,920	-9,288
Recoveries of previously written off debt	-786	-1,405	-1,909
Total	7,193	10,127	19,729

Notes per June 30 (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*	5,629	3,700	10,134
-hereby new facilities in the period: 1,295			
Stage 1 impairment reversed during the period	-5,244	0	-8,116
Cummulative stage 1 impairment total	17,153	18,450	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	20,173	0	24,510
Stage 2 impairment reversed during the period*	-18,701	-2,934	-19,972
Cummulative stage 2 impairment total	50,122	22,086	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	46,443	38,996	69,360
Reversal of stage 3 impairment charges during the period	-39,304	-24,896	-47,228
Recognised as a loss, covered by stage 3 impairment charges	-9,387	-36,106	-40,980
Cummulative stage 3 impairment total	283,892	302,074	286,140
Total cumulative impairment charges IFRS9	351,167	342,610	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	1,667	1,162	5,384
Transferred to liabilities	-978	0	-5,098
Guarantees end of year	10,109	10,296	9,420
Total cumulative impairment charges IFRS9 and guarantees	361,276	352,906	360,978

*) The amount 30.06.2018 er net (expensed deduction of deductible)

**) There are per 30.06.2019 transferred TDKK 16.241 from stage 3 to stage 2 in accordance with item 18 of the Appendix 10 of the Executive Order.

1,000 DKK

	2019	2018	1.1-31.12

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	112,961	93,144	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	1,065	678	735
Own shares proportion of share capital (pct.)	0.20%	0.10%	0.10%

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