

# INTERIM REPORT 2023















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## The best half year in the Bank's history by far.

 30/6 2023	Profit before tax of DKK 169.8 million, compared to DKK 80.1 million as of 30/6/2022
 RETURN IN EQUITY	Profit after tax yielded a return of 18.5 % p.a. on the equity
 CORE EARNINGS	Core earnings increased by 44.7 % to DKK 165.7 million.
 VALUE ADJUSTMENTS	Exchange rate adjustments of DKK 16.1 million compared with DKK -33.7 million as of 30/6/2022
 NET INTEREST AND FEE INCOME	Net interest and fee income increased by 27.5 % to DKK 285.1 million
 IMPAIRMENT	Impairment of DKK 6.4 million compared with positive impairment of DKK 3.5 million as of 30/6/2022. Management's estimate remains unchanged at DKK 70 million
 LENDING	Lending growth for the half of the year of 4.6% to DKK 5,714 million and 8.8% since 30/6/2022
 CAPITAL	Capital ratio of 24.3 % and core capital ratio of 22.6 % Solvency requirement is 9.8%
 EXPECTATIONS	Expectations for earnings for the half year were adjusted upwards on 6 July 2023 to within the range of DKK 280 – 320 million
 CORE EARNING EXPECTATIONS	The adjusted expectations for core earnings for the half year are within the range of DKK 290 – 320 million.

# 5 YEARS IN SUMMARY

1,000 DKK						YEAR
	2023	2022	2021	2020	2019	2022
<b>PROFIT AND LOSS ACCOUNT</b>						
Net income from interest	185.525	114.582	101.742	94.717	93.149	254.324
Div. on shares and other holdings	5.518	1.276	2.370	1.960	4.806	4.485
Charges and commissions (net)	94.071	107.716	87.398	78.421	68.915	204.914
<b>Net inc. from int. &amp; charges</b>	<b>285.114</b>	<b>223.574</b>	<b>191.510</b>	<b>175.098</b>	<b>166.870</b>	<b>463.723</b>
Value adjustments	16.126	-33.654	8.953	6.060	14.206	-30.830
Other ordinary income	1.309	965	996	585	984	2.078
Staff costs and administrative expenses	120.950	111.069	101.466	96.409	92.385	234.038
Depreciation of intangible and tangible assets	4.798	2.714	2.673	2.363	1.530	6.620
Other operating expenses	625	477	480	194	112	477
Write-downs on loans etc. (net)	6.395	-3.523	-9.768	27.156	7.193	2.703
<b>Operating profit</b>	<b>169.781</b>	<b>80.148</b>	<b>106.608</b>	<b>55.621</b>	<b>80.840</b>	<b>191.133</b>
Taxes	45.199	16.668	23.454	12.237	17.785	40.894
<b>Profit for the period</b>	<b>124.582</b>	<b>63.480</b>	<b>83.154</b>	<b>43.384</b>	<b>63.055</b>	<b>150.239</b>
Of which are holders of shares of hybrid core capital instruments etc.	2.578	2.578	2.578	3.138	3.138	5.287
<b>BALANCE SHEET summary</b>						
Total assets	11.172.055	10.653.001	9.557.875	8.008.599	7.192.148	11.228.493
Loans and other debtors	5.713.982	5.252.989	4.461.647	4.230.606	4.330.603	5.464.400
Guarantees etc.	1.899.282	2.895.000	3.149.016	2.308.723	2.048.683	2.024.207
Bonds	815.665	889.315	991.440	986.787	1.125.116	861.733
Shares etc.	269.933	226.288	204.146	213.708	226.744	231.757
Deposits	7.781.919	7.260.609	6.553.784	6.550.184	5.821.940	7.840.474
Subordinated cap. investments	99.085	98.585	98.084	97.584	97.083	98.835
<b>Capital funds</b>	<b>1.455.062</b>	<b>1.279.158</b>	<b>1.169.454</b>	<b>1.038.051</b>	<b>957.456</b>	<b>1.363.361</b>
Dividends						28.920
<b>Capital Base</b>	<b>1.413.230</b>	<b>1.287.782</b>	<b>1.183.088</b>	<b>1.087.247</b>	<b>960.130</b>	<b>1.342.842</b>
Total weighted items	5.807.507	6.059.713	5.822.997	5.488.289	5.342.575	5.802.754
<b>CORE EARNINGS</b>						
Core income	292.028	228.731	195.435	177.764	170.081	474.689
Total costs etc.	-126.373	-114.260	-104.619	-98.966	-94.027	-241.135
<b>Core earnings</b>	<b>165.655</b>	<b>114.471</b>	<b>90.816</b>	<b>78.798</b>	<b>76.054</b>	<b>233.554</b>

# FINANCIAL RATIOS - 30TH JUNE

Figures in pct.	2023	2022	2021	2020	2019
Solvency ratio	24,3	21,2	20,3	19,8	18,0
Core capital ratio	22,6	19,6	18,6	18,0	16,2
Return on own funds before tax*	12,4	6,5	9,7	5,4	8,8
Return on own funds after tax*	9,1	5,1	7,5	4,1	6,8
Earning/expense ratio in DKK	2,28	1,72	2,12	1,44	1,80
Interest rate risk	0,6	0,9	1,3	1,1	1,7
Foreign currency position	0,1	0,1	0,3	0,2	0,5
Foreign currency risk	0,0	0,0	0,0	0	0,0
Advances against deposits	64,8	62,6	61,1	68,6	80,4
NSFR	1,32	1,29	-	-	-
LCR	395	333	290	378	269
Total large commitments	102,8	116,9	132,4	133,5	137,8
Accumulated impairment ratio	3,7	3,4	3,8	4,1	5,3
Impairment ratio for the period	0,1	-0,1	-0,1	0,3	0,1
Increase in loans etc. for the period	4,6	11,3	5,6	-2,2	-0,7
Ratio between loans etc. and capital funds	3,9	4,1	3,8	4,1	4,5
(value pr share 100 DKK)					
Earnings per share (result period)*	63,3	31,6	41,8	20,8	31,1
Book value pr share*	724	632	575	508	467
Market value/earning per share	2,0	3,4	2,3	2,9	2,0
Market value/book value*	0,88	0,84	0,84	0,59	0,67
(value pr share 20 DKK)					
Earnings per share (result period)*	12,7	6,3	8,4	4,2	6,2
Book value pr share*	144,7	126,4	115,1	101,6	93,4
Market value	128,0	106,5	96,8	60,0	62,8

\*) 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 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
<b>PROFIT AND LOSS ACCOUNT</b>					
Net income from interest	97.292	88.233	77.111	62.631	58.839
Div. on shares and other holdings	5.284	234	3.159	50	1.173
Charges and commissions (net)	41.513	52.558	48.333	48.865	52.238
<b>Net inc. from int. &amp; charges</b>	<b>144.089</b>	<b>141.025</b>	<b>128.603</b>	<b>111.546</b>	<b>112.250</b>
Value adjustments	5.966	10.160	12.632	-9.808	-19.868
Other ordinary income	520	789	603	510	496
Staff costs and administrative expenses	59.437	61.513	64.510	58.459	58.688
Depreciation of intangible and tangible assets	3.453	1.345	2.549	1.357	1.357
Other operating expenses	625	0	0	0	477
Write-downs on loans etc. (net)	1.478	4.917	5.468	758	-3.296
<b>Operating profit</b>	<b>85.582</b>	<b>84.199</b>	<b>69.311</b>	<b>41.674</b>	<b>35.652</b>
Taxes	23.981	21.218	15.058	9.168	7.844
<b>Profit for the period</b>	<b>61.601</b>	<b>62.981</b>	<b>54.253</b>	<b>32.506</b>	<b>27.808</b>
Of which are holders of shares of hybrid core capital instruments etc.	1.289	1.289	1.420	1.289	1.289
<b>BALANCE</b>					
Loans and other debts	5.713.982	5.585.720	5.464.400	5.436.343	5.252.989
Totalkredit	13.604.732	13.512.269	13.424.544	13.455.410	13.375.000
DLR	4.842.550	4.770.316	4.749.436	4.695.323	4.747.545
Indlån	7.781.919	7.648.220	7.840.474	7.302.950	7.260.609
Deposits in pooled schemes	1.468.145	1.452.983	1.614.083	1.583.501	1.575.626
Subordinated cap. investments	99.085	98.960	98.835	98.710	98.585
Customer depots	4.906.116	4.426.058	3.976.917	3.832.656	4.327.734
Equity	1.455.062	1.397.506	1.363.360	1.309.110	1.279.158
Total assets	11.172.055	10.921.820	11.228.493	10.570.376	10.653.001
Guarantees etc.	1.899.282	1.942.466	2.024.207	2.373.091	2.895.000
<b>CORE EARNINGS</b>					
Core income	147.470	144.558	131.528	114.430	114.633
Total costs	-63.515	-62.858	-67.059	-59.816	-60.522
<b>Core earnings</b>	<b>83.955</b>	<b>81.700</b>	<b>64.469</b>	<b>54.614</b>	<b>54.111</b>

# MANAGEMENT'S REPORT

The first half of the year has been extremely satisfactory in all areas, and the best results in the history of the Bank have been achieved.

Profit before tax amounts to DKK 169.8 million compared to DKK 80.1 million in 2022, an increase of DKK 89.6 million or 112 %, based on solid growth in net interest earnings and positive exchange rate adjustments. Expectations for profit before tax for the full year have been adjusted upwards on 6 July 2023 from DKK 240 – 280 million to DKK 280 – 320 million.

Core earnings also improved considerably during the period with an increase of DKK 51.2 million, or 44.7 %, to DKK 165.7 million compared with DKK 114.5 million as of 30 June 2022. Expectations for core earnings for the year as a whole were adjusted upwards on 06 July 2023 from the range DKK 250 – 300 million to a range of DKK 290 – 320 million.

The growth in core earnings is based on solid development in all business areas following a high level of activity, major customer growth and increased volume with all product types. However, the weaker housing market at the beginning of the year has led to decreasing fee income from the management of mortgage loans, although the activity is increasing again in Q2. Lending increased by DKK 461 million compared to 30 June 2022, corresponding to 8.8 %, and the multiple interest rate increases by Danmarks Nationalbank also boosted interest rate earnings satisfactorily.

Interest rate increases and general unrest in the securities markets led to negative exchange rate adjustments of DKK 33.7 million in the first half of 2022, while the development of the markets in 2023 has led to positive exchange rate adjustments of DKK 16.1 million.

Increasing interest and high levels of activity by existing customers and the Bank's many new customers have resulted in increasing net interest and fee income, which has increased by DKK 61.5 million or 27.5% compared to the first half of 2022.

The costs for staff and administration have increased by DKK 9.9 million or 8.9%, primarily as a result of an increased number of employees, the opening of new branches and increasing 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 opening of two new branches at the end of 2021 and another branch in the autumn of 2022.

## **Impairment**

Impairment was realised with an expense of DKK 6.4 million compared with an income of DKK 3.5 million in the first half of 2022.

The creditworthiness in the lending and guarantee portfolio is solid, and the individual segments are continuously strengthening. As a result of the continued uncertainty in social development, management's estimate remains at DKK 70 million.

Factors such as the war in Ukraine, historically high inflation, significantly increased interest rates, and higher energy prices are still giving rise to greater uncertainty for both businesses and private households.

The Bank is in close dialogue with all business customers and it is positive that the aforementioned negative factors have so far not influenced the credit quality of the business portfolio. However, it is to be expected that the increased risk factors will lead to certain sectors being affected in the near future. Therefore, the Bank has been extraordinarily cautious in calculating the risks in the business segments.

Parts of the private customer segment are affected by especially high energy prices and high inflation, which have led to greatly increased prices for general consumption. The Bank wants and seeks dialogue with those private customers who are expected to have problems balancing their finances, so that their challenges can be identified and solutions found where possible. The Bank's general policy has been to make every effort to find solutions to temporary problems experienced by business and private customers.

### **Lending growth**

Demand for loans has been increasing in 2022 and in the beginning of 2023, and lending has increased by DKK 461 million or 8.8 % in the last year. Lending has increased by DKK 250 million or 4.6 % in the first six months of the year. A satisfactory influx of new customers has been observed, but the increase in lending is primarily due to increased demand for loans and use of credit facilities granted to existing customers.

For the year as a whole, an increase in lending is expected at the level of 6-8 %, which is considered satisfactory.

The proportion of lending and guarantees to private customers has grown in recent years, and now accounts for 53.3 % of all lending and guarantees. The increase is due to the large influx of private customers, ensuring a satisfactory rise in lending and guarantees. The Bank's goal is a private segment of around 50%, and it has been strategically decided that the maximum exposure to individual business segments should be diverse, with a maximum of 15 %. Exposure to the two largest business segments, agriculture and real estate, is currently at the level of 10% for both.

The Bank's guarantees remain at a satisfactory level, but were reduced to DKK 1,899 million as of 30 June 2023 compared with DKK 2,024 million at the end of 2022.

The industry breakdown for lending and guarantees is shown in the table on the next page.



## LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.06.2023	31.12.2022	30.06.2022
Public authorities	0,0%	0,0%	0,0%
Agriculture, hunting, forestry & fishing	10,1%	8,5%	9,5%
Plant production	1,9%	1,3%	1,6%
Cattle farming	4,5%	4,9%	5,5%
Pig farming	2,4%	1,1%	1,0%
Mink production	0,4%	0,4%	0,4%
Other agriculture	0,9%	0,8%	1,0%
Industry and mining	4,6%	4,4%	3,8%
Energy	1,1%	1,2%	0,8%
Building and constructions	5,5%	6,6%	6,9%
Wholesale	6,5%	7,6%	7,0%
Transport, hotels and restaurants	1,0%	1,4%	1,1%
Information and communication	0,1%	0,1%	0,3%
Financial and insurance business	6,0%	6,2%	5,3%
Real-estate	9,6%	9,5%	10,9%
Other business	2,2%	2,7%	4,7%
Private	53,3%	51,8%	49,8%

The Bank offers financial leasing to business customers via Skjern Bank Leasing. The development is satisfactory and there are 536 active leases as of 30 June 2023, with a residual lease debt of DKK 200 million.

The Bank's overall credit provision has increased satisfactorily by DKK 785.7 million 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.

### Liquidity

The LCR key ratio is 395 %, which is 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 175 % is a solid DKK 1,799 million.

### CAPITAL CONDITIONS AND DIVIDEND POLICY

The capital base comprises DKK 1,413.2 million and the capital ratio 24.3 % compared to 23.1% at the end of 2022. The capital ratio is increasing satisfactorily in line with the ongoing semi-annual recognition of the results. The core capital ratio increased to 22.6 % compared to 21.5 % as of 31 December 2022.

The individual solvency requirement is calculated at 9.8%, and the solvency coverage relative to the solven-

cy requirements comprises 14.5 percentage points. Compared with the capital base of DKK 1,413.2 million, there was a surplus of DKK 841.7 million at the end of the first half of 2023.

Relative to the necessary capital ratio of 19.5%, expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 2.5%, the phased-in cyclical buffer of 2.5% and the phased-in NEP supplement of 4.7%, the coverage can be calculated at 4.8 percentage points, corresponding to a solvency coverage of DKK 278.8 million.

The actual core capital grew in the course of the year with incorporation of realised results, but no further capital requirements will be phased-in in 2023. The Bank wants to maintain a solid capital base to ensure the continued development of the Bank's activities and implementation of current and future regulatory capital requirements.

The goal is for the capital base to be primarily based on actual core capital, but raising foreign capital could also be included in the capital structure where conditions are deemed favourable and where deemed appropriate. In Q4, the Bank's Board of Directors will make the initial assessment of dividends for the financial year 2023, cf. the dividend policy.

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 believed that the capital goal and distribution policy meet the long-term interests of shareholders and the bank optimally. The shareholders achieve a reasonable dividend and the Bank's capital foundation is strengthened by consolidation.

### **THE BANK'S IMPORTANT STAKEHOLDERS**

The relationship with and involvement of the Bank's many stakeholders is deemed 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. The shareholders' loyalty and continued backing, from small shareholders to major professional investors, is extremely important to the continued development of the Bank.

### **Customers**

It is highly satisfactory 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.

Customers unanimously declare that it is the close personal relationships they enjoy with their advisors that are key to their choice of 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**

As of As at 30 June 2023, the Bank employed 201 employees, which is an increase of 8 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 annual job satisfaction surveys are conducted. On a scale of 1 to 100, the latest survey had a result of approximately 96. It is a strategic goal to have employees who find the Bank to be a good workplace, which is considered crucial to the very low staff turnover and significant interest from qualified applicants for vacant positions.

### **Local communities**

The goal is to play an important role in all of the Bank's local communities, both as a partner for the 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 commitment to and support for local communities is largely based on reciprocity and in expectation and under the assumption that the Bank will be 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 communities of the Bank's market areas. The Bank is aware that all stakeholders play an important role both now and in the future and 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.

## **SUSTAINABLE DEVELOPMENT**

The financial sector has a key role in ensuring that society develops in a more sustainable direction. The Bank is aware of this responsibility and fully supports the points from the Forum for Sustainable Finance (Forum for Bæredygtig Finans), which the Bank is actively working to comply with.

In its ESG report for 2022, the Bank's status on compliance with the points is presented, and the goals for the future work are described. In Skjern Bank, the focus on sustainability can generally be divided into two main tracks: Our influence on our stakeholders, especially our customers and the Bank as a business.

The influence on customers must take place via positive customer dialogue, which must also include a dialogue on opportunities and threats related to sustainability to a greater extent. Private customers must be presented with relevant opportunities, such as energy-efficiency improvements for their properties, replacement of oil and gas heating, attractive financing for electric vehicles and sustainable investment products, so that the customer can define and fulfil their preferences to the greatest possible extent.

Business customers must be made aware of issues relating to the concept of sustainability (ESG), which concerns: Environmental conditions (E – Environment), Social conditions (S – Social) and Management conditions (G – Governance)..

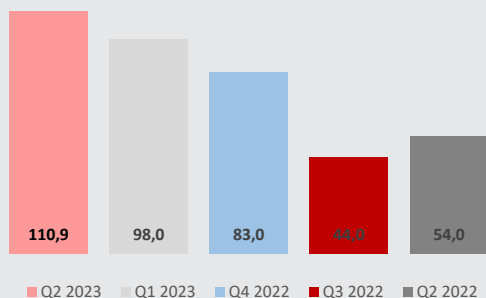
For several years, the Bank has been working to reduce energy consumption through energy reduction measures, most recently through new solar power facilities in the Bank's main office in Skjern, which is expected to reduce power consumption by 33 %, and the Bank also compensates for its own use of power through the purchase of certificates of origin for power from Danish wind turbines. The entire ESG report for 2022 can be read on the Bank's website at: <https://www.skjernbank.dk/banken/baeredygtighed>

## **NET INTEREST INCOME**

Interest income increased by DKK 84.9 million, corresponding to 68.4 %. Interest expenses amounted to DKK 23.4 million and increased by DKK 13.9 million as a result of increasing interest for customer deposits. Net interest income during the period increased by DKK 70.9 million to DKK 185.5 million, corresponding to 61.9%.



Interest income  
Million DKK



Net interest income is expected to continue to increase in the coming quarters due to the expectation of continued lending growth and further interest rate increases by Danmarks Nationalbank, which is expected to lead to increased interest income on lending and the Bank's deposits with Danmarks Nationalbank, while interest expenses for deposits will also increase.

### NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 94.1 million, compared to DKK 107.7 million in 2022, and thus fell by DKK 13.7 million. The Bank noted lower activity in the housing market in Q1, which has reduced the number of mortgage credit cases and bond trading related to mortgage crediting lending. Lending fees fell by DKK 7.3 million, whilst earnings from securities trading and deposits fell by DKK 5.9 million. Guarantee provisions were reduced by DKK 0.5 million compared to last year, while payment services, other fees and issued fees have been maintained at the same level as in 2022.

### NET INTEREST AND FEE INCOME

Net interest and fee income increased by DKK 61.5 million, corresponding to 27.5 %, and amounts to DKK 285.1 million.

### EXCHANGE RATE ADJUSTMENTS

The total exchange rate adjustments were positive by DKK 16.1 million, compared with negative exchange rate adjustments of DKK 33.7 million as of 30 June 2022. The exchange rate adjustments were divided into DKK 1.2 million in the bond portfolio and DKK 9.3 million in the shareholdings, of which sectoral shares comprise capital gains of DKK 6.2 million and shares in the trading portfolio amount to DKK 3.1 million. In addition, satisfactory income of DKK 5.6 million has been achieved on currency and derivative financial instruments.

The Bank's strategy in the securities area is structurally cautious and the significant fluctuations on the markets did not lead to changes in the overall strategy.

### EXPENSES

Costs for personnel and administration etc. were DKK 9.9 million higher than the same period last year and amount to DKK 120.9 million. The Bank is in organic growth and incurring continuously increasing costs for ensuring future earnings generation, primarily in the form of opening new branches, but also within the financial sector and in the business department in Copenhagen, which is being expanded and improved. The

increase in costs is in line with budget. Personnel costs rose by DKK 4.6 million compared to 30 June 2022 and administration costs rose by DKK 5.3 million, broken down between IT costs, marketing and other administration costs.

## PROFIT FOR THE PERIOD

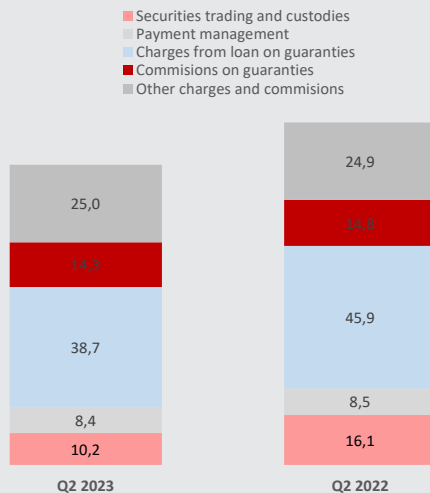
Profit before tax amounted to DKK 169.8 million compared with DKK 80.1 million as of 30 June 2022.

After taxes, profit for the period amounted to DKK 124.6 million, an increase of DKK 61.1 million, which is partly due to increasing net interest earnings and partly to positive exchange rate adjustments.

The result is considered to be extremely satisfactory, and is the best half-year result in the Bank's history. It is highly satisfactory that progress has been realised in the number of customers and lending volume, and thereby net interest and fee income along with significantly increased distribution of third-party products, such as mortgage credit, insurance, investment and pension products.

Core earnings of DKK 165.7 million were realised, which is DKK 51.2 million higher than 30 June 2022:

Charges and commissions receivable  
Million DKK

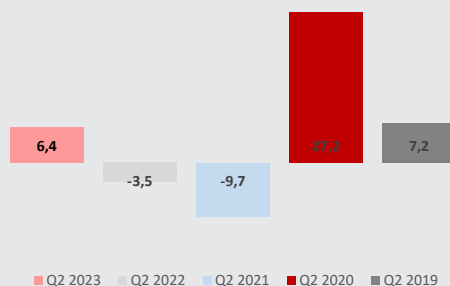


## CORE EARNINGS 1 JANUARY - 30 JUNE

Beløb i 1.000 kr.	2023	2022	1.1-31.12 2022
Net income from interest	185.525	114.582	254.324
Net charges and commission	94.071	107.716	204.914
Dividend on shares and other holdings	5.518	1.276	4.485
Foreign currency value adjustments*	5.605	4.192	8.888
Other ordinary income	1.309	965	2.078
<b>Core income</b>	<b>292.028</b>	<b>228.731</b>	<b>474.689</b>
Staff costs and administrative expenses	120.950	111.069	234.038
Depreciation and write-downs on intangible and tangible assets	4.798	2.714	6.620
Other operating expenses	625	477	477
<b>Costs</b>	<b>126.373</b>	<b>114.260</b>	<b>241.135</b>
<b>Core earnings</b>	<b>165.655</b>	<b>114.471</b>	<b>233.554</b>
Write-downs	-6.395	3.523	-2.703
Value adjustments*	10.521	-37.846	-39.718
<b>Result before tax</b>	<b>169.781</b>	<b>80.148</b>	<b>191.133</b>
Tax	45.199	16.668	40.894
<b>Net-result for the financial year</b>	<b>124.582</b>	<b>63.480</b>	<b>150.239</b>

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

Write-downs on loans etc.  
Million DKK



## MAJOR SHAREHOLDERS

As of 30 June 2023, the Bank has three major shareholders, all of whom have 5% of the voting rights:

Investeringsselskabet af 15. maj (AP Pension Livsforsikringsaktieselskab, Copenhagen Ø.), which as of the most recent ownership report held 20.75% of the share capital, EURO STEEL 1988 APS, which as of the most recent ownership report held 5.15% of the share capital, and Kim Pedersen, who both personally and via his wholly-owned company Immoinvest.dk ApS held 5.0% of the share capital as of the most recent ownership report.

## LIQUIDITY

Pure customer deposits amounted to DKK 7,781.9 million, including pool schemes accounting for DKK 9,205.1 million, of which DKK 7,056.3 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 a 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 175 %.

The Bank meets the requirement as well as its own objective of a liquidity coverage ratio of 395 % as of 30 June 2023, which is considered a solid and appropriate level.

## SKJERN BANK SHARES

The bank is owned by 14,408 shareholders. The share price was 128.0 on 30 June 2023, compared with 122.0 at the beginning of the year. Market value amounts to DKK 1,233.9 million, corresponding to a rate/intrinsic value of 0.88.

## EXPECTATIONS

The expectations for the full year were adjusted upwards on 6 July 2023 to a core earnings in the range of DKK 290 – 320 million and a profit before tax in the range of DKK 280 – 320 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 2023 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 still sufficient and amounts to 395 % as of 30 June 2023 compared to 352% as of 31 December 2022.

### **Property exposure (maximum 25 per cent):**

Property exposure is 9.9 %, compared with 12.0 % at the end of 2022.

### **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 102.8 % compared with 106.9% at the end of 2022.

### **Property exposure (maximum 20%):**

The Bank has realised a growth in lending of 8.8 % as of 30 June 2023 compared with an increase in lending of 15.8% at the end of 2022.

## **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 0.6 million and was paid during Q2 2023.

## **ACCOUNTING POLICIES 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 policies used are unchanged compared to the annual report for 2022.

## **EVENTS AFTER 30 JUNE 2023**

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 2023 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, 17 August 2023

Skjern Bank A/S  
Per Munck  
Managing Director

Thomas Baun  
Bank 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	2023	2022	1.1-31.12 2022
Interest receivable	208.953	105.380	247.922
Interest receivable deposits	0	18.680	25.507
Interest receivable	23.428	3.151	10.684
Interest payable central banks	0	6.327	8.421
<b>Net income from interest</b>	<b>185.525</b>	<b>114.582</b>	<b>254.324</b>
Dividend on shares and other holdings	5.518	1.276	4.485
Charges and commission receivable	96.633	110.229	209.801
Charges and commission payable	2.562	2.513	4.887
<b>Net income from interest and charges</b>	<b>285.114</b>	<b>223.574</b>	<b>463.723</b>
Value adjustments	16.126	-33.654	-30.830
Other ordinary income	1.309	965	2.078
Staff costs and administrative expenses	120.950	111.069	234.038
Depreciation and write-downs on intangible and tangible assets	4.798	2.714	6.620
Other operating expenses	625	477	477
Write-downs	6.395	-3.523	2.703
<b>Result before tax</b>	<b>169.781</b>	<b>80.148</b>	<b>191.133</b>
Tax	45.199	16.668	40.894
<b>Net-result for the financial year</b>	<b>124.582</b>	<b>63.480</b>	<b>150.239</b>
Of which are holders of shares of hybrid core capital instruments etc.	2.578	2.578	5.287
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	124.582	63.480	150.239
Other comprehensive income after tax	0	0	0
<b>Total comprehensive income</b>	<b>124.582</b>	<b>63.480</b>	<b>150.239</b>

## BALANCE BY JUNE 30

1,000 DKK	2023	2022	1.1-31.12 2022
<b>ASSETS</b>			
Cash in hand and demand deposits with central banks	2.620.773	2.443.478	2.830.343
Receivables at credit institutions and central banks	75.953	86.844	54.939
Loans and other receivables at amortised cost	5.713.982	5.252.989	5.464.400
Bonds at fair value	815.665	889.315	861.733
Shares etc.	269.933	226.288	231.757
Shares associated with pool schemes	1.468.145	1.575.626	1.614.083
Land and buildings (total)	75.932	68.061	67.204
Investment properties	3.019	3.019	3.019
Owner-occupied properties	57.780	47.541	47.868
Owner-occupied properties, leasing	15.133	17.501	16.317
Other tangible assets	6.192	5.836	5.375
Current tax assets	25.470	24.812	6.175
Other assets	99.599	79.556	92.424
Prepayments	411	196	60
<b>Total assets</b>	<b>11.172.055</b>	<b>10.653.001</b>	<b>11.228.493</b>



1,000 DKK	2023	2022	1.1-31.12 2022
<b>LIABILITIES</b>			
<b>DEBT</b>			
Debt to credit institutions and central banks	291	5	2.974
Deposits and other debts	7.781.919	7.260.609	7.840.474
Deposits in pooled schemes	1.468.145	1.575.626	1.614.083
Other liabilities	347.295	423.789	292.451
Prepayments	1.323	1.366	850
<b>Total debt</b>	<b>9.598.973</b>	<b>9.261.395</b>	<b>9.750.832</b>
<b>PROVISIONS</b>			
Provisions for deferred tax	3.749	2.298	3.749
Provisions for loss on guarantees	15.186	11.565	11.716
<b>Total provisions</b>	<b>18.935</b>	<b>13.863</b>	<b>15.465</b>
<b>SUBORDINATED DEBT</b>			
Subordinated loan capital	99.085	98.585	98.835
<b>Total subordinated debt</b>	<b>99.085</b>	<b>98.585</b>	<b>98.835</b>
<b>EQUITY</b>			
Share capital	192.800	192.800	192.800
Retained earnings	1.201.181	1.025.410	1.080.626
Dividend	-	-	28.920
<b>Capital owners share of equity</b>	<b>1.393.981</b>	<b>1.218.210</b>	<b>1.302.346</b>
Holders of hybrid capital <b>Total equity</b>	61.081 <b>1.455.062</b>	60.948 <b>1.279.158</b>	61.015 <b>1.363.361</b>
<b>Total liabilities</b>	<b>11.172.055</b>	<b>10.653.001</b>	<b>11.228.493</b>

## OFF-BALANCE-SHEET ITEMS BY JUNE 30

1,000 DKK	2023	2022	1.1-31.12 2022
<b>CONTINGENT LIABILITIES</b>			
Contingent liabilities			
Finance guarantees	410.592	590.865	397.280
Guarantees against losses on mortgage credit loans	756.142	921.293	811.308
Registration and conversion guarantees	587.473	1.254.095	684.593
Other contingent liabilities	145.075	128.746	131.026
<b>Total</b>	<b>1.899.282</b>	<b>2.895.000</b>	<b>2.024.207</b>
Other binding engagements			
Irrevocable credit-undertakings	631.807	562.514	370.096
<b>Total</b>	<b>631.807</b>	<b>562.514</b>	<b>370.096</b>

# INFORMATION ON CHANGES IN EQUITY

	Share capital	Proposed dividends	Hybrid capital	Retained earnings	Total
<b>Equity 31.12.2021</b>	<b>192.800</b>	<b>28.920</b>	<b>60.881</b>	<b>964.475</b>	<b>1.247.077</b>
Purchase of own funds					
Dividend own shares				21	21
Amortization hybrid capital				11	11
Paid interest hybrid capital		-28.920			-28.920
Dividends proposed 2021			-2.511		-2.511
Profit or loss			2.578	60.902	63.480
<b>Equity 30.06.2022</b>	<b>192.800</b>	<b>0</b>	<b>60.948</b>	<b>1.025.409</b>	<b>1.279.158</b>
Purchase of own funds				90	90
Dividend own shares				30	30
Dividends paid 2021		-28.920			-28.920
Amortization hybrid capital			-131		-131
Paid interest hybrid capital			-5.023		-5.023
Profit or loss		28.920	5.287	116.032	150.239
<b>Equity 31.12.2022</b>	<b>192.800</b>	<b>0</b>	<b>61.014</b>	<b>1.080.627</b>	<b>1.363.361</b>
Purchase of own funds				-1.468	-1.468
Dividend own shares				18	18
Dividends paid 2022		-28.920			-28.920
Amortization hybrid capital					0
Paid interest hybrid capital			-2.511		-2.511
Profit or loss			2.578	122.004	124.582
<b>Equity 30.06.2023</b>	<b>192.800</b>	<b>0</b>	<b>61.081</b>	<b>1.201.181</b>	<b>1.455.062</b>

# NOTES PER JUNE 30

1,000 DKK	2023	2022	1.1-31.12 2022
<b>INTEREST INCOME</b>			
Centralbanks	29.281	0	7.723
Loans and other receivables	167.272	96.346	219.816
Bonds	9.389	2.041	6.642
Other derivative financial instruments, total	3.011	6.724	13.471
of which			
Currency contracts	-191	-204	-373
Interest-rate contracts	3.202	6.928	13.844
Other interest income	0	269	270
<b>Total</b>	<b>208.953</b>	<b>105.380</b>	<b>247.922</b>
<b>INTEREST EXPENSES</b>			
Centralbanks	-525	0	0
Deposits	19.915	-554	3.081
Subordinated debt	3.182	3.205	6.615
Other interest expenses	856	500	988
<b>Total</b>	<b>23.428</b>	<b>3.151</b>	<b>10.684</b>
<b>FEES AND COMMISSION INCOME</b>			
Securities trading and custody accounts	10.199	16.072	28.344
Payment services	8.432	8.481	16.322
Loan fees	38.679	45.956	93.162
Guarantee commission	14.314	14.863	29.806
Other fees and commission	25.009	24.857	42.167
<b>Total</b>	<b>96.633</b>	<b>110.229</b>	<b>209.801</b>
<b>VALUE ADJUSTMENTS</b>			
Bonds	1.229	-32.480	-38.467
Total shares	9.258	-9.027	-1.518
Shares in sectorcompanies etc.	6.165	3.098	9.236
Other shares	3.093	-12.125	-10.754
Foreign currency	5.605	4.192	8.888
Other financial instruments	34	3.661	267
Assets linked to pooled schemes	-49.704	96.888	104.331
Deposits in pooled schemes	49.704	-96.888	-104.331
<b>Total</b>	<b>16.126</b>	<b>-33.654</b>	<b>-30.830</b>



1,000 DKK	2023	2022	1.1-31.12 2022
<b>STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
<b>SALARIES AND REMUNERATION OF MANAGEMENT BOARD ETC.</b>			
Management board	739	701	1.425
Audit Committee	0	0	92
Committee of representatives	0	0	181
<b>Total salaries and remuneration of board etc.</b>	<b>739</b>	<b>701</b>	<b>1.698</b>
<b>STAFF COSTS</b>			
Wages and salaries	55.419	52.029	108.224
Pensions	6.376	5.910	12.154
Social security costs	793	688	1.706
Payroll tax	8.579	8.019	17.749
<b>Total staff costs</b>	<b>71.167</b>	<b>66.646</b>	<b>139.833</b>
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>49.044</b>	<b>43.722</b>	<b>92.507</b>
<b>Total staff costs and administrative expenses</b>	<b>120.950</b>	<b>111.069</b>	<b>234.038</b>
<b>EMPLOYEES</b>			
Average number of employees converted into full-time employees	184	178	181
<b>WRITE-DOWNS ON LOANS AND RECEIVABLES</b>			
Write-downs and provisions during the year	79.845	82.788	140.742
Reversal of write-downs made in previous years	-71.446	-82.563	-130.784
Finally lost, not previously written down	2.341	212	764
Interest on the written-down portion of loans	-4.081	-3.360	-7.154
Recoveries of previously written off debt	-264	-600	-865
<b>Total</b>	<b>6.395</b>	<b>-3.523</b>	<b>2.703</b>

1,000 DKK	2023	2022	1.1-31.12 2022
<b>DEVELOPMENT IN WRITE-DOWNS AND PROVISIONS RELATING TO FINANCIAL ASSETS AT AMORTIZED COST AND OTHER CREDIT RISKS, ASSETS INCLUDED IN IFRS9</b>			
STAGE 1 IMPAIRMENT CHARGES			
Stage 1 impairment charges at the end of the previous financial year	18.030	12.598	12.598
Stage 1 impairment charges / value adjustment during the period	13.510	8.563	12.437
Stage 1 impairment reversed during the period	-8.443	-4.654	-7.005
<b>Cummulative stage 1 impairment total</b>	<b>23.097</b>	<b>16.507</b>	<b>18.030</b>
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	149.203	100.028	100.028
Stage 2 impairment charges / value adjustment during the period	19.672	11.349	87.041
Stage 2 impairment reversed during the period	-42.434	-32.561	-37.866
<b>Cummulative stage 2 impairment total</b>	<b>126.441</b>	<b>78.816</b>	<b>149.203</b>
STAGE 3 IMPAIRMENT CHARGES			
Stage 3 impairment charges at the end of the previous financial year	123.522	168.565	168.565
Stage 3 and impairment charges / value adjustment during the period	42.159	61.059	39.287
Reversal of stage 3 impairment charges during the period	-19.534	-40.672	-81.161
Recognised as a loss, covered by stage 3 impairment charges	-897	-1.023	-3.169
<b>Cummulative stage 3 impairment total</b>	<b>145.250</b>	<b>187.929</b>	<b>123.522</b>
<b>Total cumulative impairment charges IFRS9</b>	<b>294.788</b>	<b>283.252</b>	<b>290.755</b>
GUARANTEES			
Provisions beginning of the year	11.716	14.423	14.423
Loss on guarantees	4.505	1.818	2.045
Reversal of provisions	-1.035	-4.675	-4.752
Provisions for losses	0	0	0
<b>Guarantees end of year</b>	<b>15.186</b>	<b>11.566</b>	<b>11.716</b>
<b>Total cumulative impairment charges IFRS9 and guarantees</b>	<b>309.974</b>	<b>294.818</b>	<b>302.471</b>

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	18.030	149.202	123.523
- in % of total impairment	6%	51%	42%
Maximum credit risk	11.356.470	1.266.093	309.258
- in % of maximum credit risk	88%	10%	2%
Rating, weighted average	2,5	6,9	10,0
<b>End</b>			
Impairment	23.097	126.441	145.250
- in % of total impairment	8%	43%	49%
Maximum credit risk	8.645.551	1.768.620	290.903
- in % of maximum credit risk	81%	17%	3%
Rating, weighted average	2,6	6,5	10,0

In light of high inflation, increasing interest rate levels, developing global geopolitical conditions etc., an extra amount is reserved as a management estimate of DKK 70.0 million.

Of this, DKK 7.0 million is in Stage 1, DKK 49.0 million is in Stage 2, and DKK 14.0 million is in Stage 3.

The management estimate of DKK 70.0 million is unchanged compared to 31 December 2022.

1,000 DKK	2023	2022	1.1-31.12 2022
LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	90.800	51.460	48.534
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)	7.916	4.294	4.713
Nominal value hereof	158	86	94
Market value hereof	1.013	457	575
Own shares proportion of share capital (pct.)	0,08%	0,05%	0,05%

# CAPITAL REQUIREMENT 30 JUNE

Beløb i 1.000 kr.	2023	2022	1.1-31.12 2022
Equity	1.452.485	1.277.249	1.357.788
Proposed dividend	-24.100	-14.460	-28.920
Holders of hybrid capital	-61.081	-59.455	-61.015
Deduction for the sum of equity investments etc. above 10 %	-103.540	-71.890	-74.426
NPE	-7.949	-167	-4.159
CVA deduction	-1.089	-1.119	-1.097
Deduction of trading framework for own sharers	-1.013	-457	-575
<b>Core tier 1 capital</b>	<b>1.253.713</b>	<b>1.129.701</b>	<b>1.187.596</b>
Holders of hybrid capital	61.081	59.455	61.015
<b>Tier 1 capital</b>	<b>1.314.794</b>	<b>1.189.156</b>	<b>1.248.611</b>
Subordinated loan capital	99.085	98.626	98.835
Deduction for the sum of equity investments etc. above 10 %	-649	0	-4.604
<b>Capital base</b>	<b>1.413.230</b>	<b>1.287.782</b>	<b>1.342.842</b>
Credit risk	4.812.545	5.093.756	4.788.415
Market risk	235.889	243.377	255.266
Operational risk	759.073	722.581	759.073
<b>Weighed items total</b>	<b>5.807.507</b>	<b>6.059.714</b>	<b>5.802.754</b>
<b>Core tier 1 capital ratio (excl. hybrid core capital)</b>	<b>21,6</b>	<b>18,6</b>	<b>20,5</b>
<b>Tier 1 capital ratio</b>	<b>22,6</b>	<b>19,6</b>	<b>21,5</b>
<b>Solvency ratio - Tier 2</b>	<b>24,3</b>	<b>21,3</b>	<b>23,1</b>

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