ANNUAL REPORT 2023

SKJERN BANK

BEST YEAR IN THE HISTORY OF THE BANK

PROFIT BEFORE TAX	Profit before tax increased by 80 % to of DKK 344.1 million compared with DKK 191.1 million in 2022
RETURN IN EQUITY	Equity yielded interest of 24.0 % before tax
CORE EARNINGS	Core earnings increased by 44 % to DKK 335.9 million, compared with DKK 233.6 million in 2022
VALUE ADJUSTMENTS	Exchange rate adjustments of DKK 47.2 million compared with DKK -30.8 million in 2022
NET INTEREST AND FEE INCOME	Net interest and fee income increased by 28.0 % to DKK 593.5 million
IMPAIRMENT	Impairment of DKK 27.6 million including increase in the management estimate of DKK 30 million to DKK 100 million
LENDING	Lending increased by 23.1 % and amounts to DKK 6,726 million and deposits increased by 5.7 % and amount to DKK 8,284
CAPITAL	Capital ratio of 22.8 % and individual solvency requirements of 10.1 %
DIVIDENDS	Proposal of DKK 5 per share, corresponding to DKK 48 million or 18.7 % of profit after tax for the year
EXPECTATIONS FOR 2023	Profit before tax for 2024 is expected to be in the range of DKK 270 – 300 million

Content

Management’s financial report for 2023

A profit before tax of DKK 344.1 million, which indicates progress in all important areas, is completely satisfactory. The profit has been positively affected by growth in net interest and fee income, which increased by DKK 129.8 million or 28.0 %, as well as positive exchange rate adjustments of DKK 47.2 million, compared with negative exchange rate adjustments of DKK 30.8 million in 2022.

Equity yielded a very satisfactory interest of 24.0 % before tax and 17.9 % after tax.

The positive development in profit over the year, with increasing interest and fee income as well as positive exchange rate adjustments, has resulted in 3 upward adjustments and was specified at the upper end of the ranges at the end of 2023. Profit before tax was specified in the range of DKK 320 – 340 million and the realised profit marginally exceeds the expectations by DKK 4.1 million. The expectation for core earnings was specified in the range of DKK 330 - 340 million and was realised at DKK 335.9 million.

The solid development is expected to continue in 2024, as there is expected to be a profit before tax in the range of DKK 270 – 300 million and a core earnings in the range of DKK 310 - 330 million.

In light of the achieved profit, expectations for future earnings and the capital coverage, it is recommended to the Annual General Meeting that dividends of 18.7 % of the profit after tax for the year, corresponding to DKK 3 per share or a total of DKK 48.2 million, be distributed. The distribution is considered justified in light of the highly strengthened earning capacity, which will increase the capital base significantly, despite a solid and capital-consuming growth in lending.

The Bank’s development is very satisfactory in all areas and the main economic performance goals in the Bank’s strategic plan up to 2025 have been realised at a satisfactory level. The most important factors in the strategy are high employee satisfaction, high customer satisfaction and earnings at the top of the sector. All 3 factors are absolutely key to maintaining the Bank’s status as a solid and independent local bank that makes a difference for all the Bank’s stakeholders.

Customer satisfaction is measured in an independent study conducted by Finanssektorens Uddannelsescenter. In the survey, 87 % respond that they are very satisfied with being a customer of Skjern Bank and nearly 9 out of 10 would recommend the Bank to others. We are both proud and humbled by this. Customer satisfaction is thus extremely satisfactory and at the very top of the sector.

Employee satisfaction is measured through an anonymous and independent employee satisfaction survey every year. The satisfaction has been extremely high for many years, and the measurement in 2023 was no exception. The satisfaction and pride in being an employee of the Bank was the highest so far with 97.7 %, which is very satisfactory.

The Bank's earnings in the form of return on equity and earnings per cost ratio are 24.0 % and 2.15 respectively, and are also expected to be at the very top once the financial institutions' annual reports for 2023 have been published.

In the Bank's strategic plan up to 2025, the primary focus areas remain unchanged: maintaining the high employee satisfaction, high customer satisfaction and earnings at the top of the sector. In addition, a number of objectives have also been set in the ESG area, amongst other things.

The Bank's credit provision increased in 2023. Lending increased by DKK 1,262 million or 23.1 %. This is a growth that exceeds the Danish Financial Supervisory Authority's "Supervisory Diamond", but the growth has been realised at the same time as the overall credit quality of the portfolio having improved. 70 % of the lending growth, corresponding to DKK 883.0 million, has been realised within the private segment, of which 75 % was established with mortgages on private properties within 80 % loan-to-value. The remaining share of lending growth was realised in other industries, while the exposure to the real estate segment was reduced by DKK 115 million or 1.5 percentage points in the industry distribution. The lending growth has been realised with good credit quality and the distribution of the growth, primarily with growth in the private segment, provides further risk diversification.

The provision of mortgage loans from Totalkredit and DLR Kredit are respectively DKK 13.9 billion and DKK 4.9 billion in total. The customers' participation in pool schemes is at an unchanged level of DKK 1.6 billion and deposits have grown by DKK 444 million or 5.7 %.

Since the second half of 2021, the Bank has established branches in Hørsholm, Ølgod and the Carlsberg City District. The development in all three branches is very acceptable and the customer growth, as in the Bank's other branches, has been very high. The Bank has since had a total of 10 branches: 6 in South/West Jutland and 4 in the Copenhagen Metropolitan Area. There are no plans to open branches in 2024.

The Bank's solid development in growth in earnings and business volume, combined with a generally positive outlook on bank shares, has contributed to a satisfactory development of the price of the Bank's shares in 2023. At the beginning of the year, the rate was 122.0 and at the end of the year, this increased to 143.5, meaning an increase of 21.5 percentage points, corresponding to 17.6 %.

The increasing interest levels in Danmarks Nationalbank have led to a higher average interest on the Bank's total lending portfolio. Along with the lending growth, this has meant that the Bank's interest income on loans has been increased by DKK 147.4 million compared to 2022. In addition, interest rates in Danmarks Nationalbank have increased significantly throughout the year, and in 2023, interest income of DKK 69.5 was realised from placement of surplus liquidity in Danmarks Nationalbank.

Interest expenses for deposits have increased to DKK 50.8 million, while interest on deposits in 2022 was an income of DKK 25.5 million. The other interest expenses are at the same level as in 2022.

Net interest income increased by a satisfactory DKK 148.9 million to DKK 403.3 million, corresponding to an increase of 58.6 %.

Fee income decreased by DKK 21.2 million or 10.1 %. The decrease was primarily due to a decline in the number of loan cases in connection with house trading and conversion of credit union loans. This lower activity affects both the loan case fees and earnings on bond trades. Lending fees decreased by a total of DKK 14.8 million, whilst fees for securities trading and deposits were reduced by DKK 4.7 million. The Bank has increased the number of customers significantly in recent years and in light of this, it is expected that in the coming years we will succeed at increasing the non-interest-based income, in part through the increased activity in the housing, securities, pension and insurance areas.

The share of fee income in the total net interest and fee income has decreased from 44 % in 2022 to 31 % in 2023, which is lower than the Bank's goal for this, but is still considered satisfactory in light of the increase in net interest income of 58.6 %.

Total net interest and fee income increased by DKK 129.8 million or 28.0 %.

Staff and administration expenses etc. increased by DKK 21.5 million, corresponding to 9.2 %, from DKK 234.0 million compared with DKK 255.5 million. The increase follows the expectations and is due to a strategic decision to increase the activity level in all branches.

Staff costs have increased by DKK 14.5 million as a result of a net of 15 new employees and general collective bargaining increases. Hirings have largely been in customer-oriented positions, where the Bank is well equipped to handle the strong influx of customers, but internal positions have also been reinforced to ensure management of the continued complicated and highly resource-intensive sets of rules in the sector. The Bank's administrative expenses have increased by DKK 6.9 million, which is primarily due to higher other administrative expenses, partly through furnishing of new branches, marketing, etc. The IT expenses alone increased by 2 %, which is considered satisfactory.

Impairment has increased by DKK 24.9 million to DKK 27.6 million, corresponding to 0.4 % of the Bank's loans and guarantees. The managerial estimate for countering the uncertainty around rising inflation and interest rates, generally challenged financial prospects and uncertainty around the introduction of a carbon tax on agriculture increased by DKK 30.0 million during the year to DKK 100.0 million at the end of 2023.

The Bank has only identified limited impairment and economic challenges with customers in 2023. A few customers, particularly in the construction sector, have found the continued operation has not been possible due to the repayment of COVID-19 loans combined with difficult economic conditions with increasing raw material prices and decreasing demand. The Bank's other industries are generally doing well and are economically well-cushioned, but the full effect of rising interest rates etc. are not expected to have materialised, so slightly increased impairment will likely be realised.

In 2023, no industries have accounted for a larger share of write-downs in isolation. The agricultural industry has generally made it through 2023 satisfactorily, though at a lower level than in 2022. Both the pig prices and milk prices have enabled positive operating profit in the industry in 2023, and the Bank's expectations for 2024 are that the industry is looking at a year of good terms of trade and reasonable settlement prices. There is uncertainty in relation to the introduction of a carbon tax, but it is estimated that this risk can be contained in the increase in the management estimate of DKK 30.0 million.

The Bank's private customers have been doing well and are characterised by strong creditworthiness. However, the proportion of private customers facing financial challenges in 2024 is expected to increase, which has been taken into account in the management estimate of DKK 100.0 million.

The expectations for profit before tax for the year have increased over the course of the year and the profit before tax was realised at DKK 344.1 million, which is an improvement of DKK 152.9 million or 80.0 % compared to 2022.

The expectation for core earnings has increased over the course of the year and the core earnings were realised at DKK 335.9 million, which is an increase of DKK 102.3 million or 43.8 % compared to 2022. The profit for 2023 compared with 2022 is shown below. Both the achieved core earnings and the profit before tax are considered entirely satisfactory.

The capital ratio is calculated at 22.8 % and the core capital ratio at 21.3 %. The capital coverage over the course of 2023 was reduced compared with the end of 2022, primarily as a result of high lending growth. A very satisfactory profit has been recognised for the year, and the capital plan shows a satisfactory development in the capital coverage in the coming years. The surplus coverage relative to the individual solvency requirements are at 12.7 percentage points compared with 13.3 points in 2022. With deduction of the capital conservation buffer of 2.5 percentage points, cyclical buffer of 2.5 percentage points and NEP supplement of 4.7 percentage points, the capital coverage at the end of 2023 amounted to 3.0 percentage points. The Bank has a goal of a surplus compared to the capital requirement of min. 4 percentage points, which thus has not been met, but which is accepted in light of the budgeted results in the coming year.

The capital base increased by DKK 171.4 million to DKK 1,514.2 million. The increase is due to a profit after tax of DKK 257.9 million less interest on hybrid loans of DKK 5.3 million, the proposed dividends of DKK 48.2 million and also less sectoral shares of DKK 30.8 million due to purchase of shares in DLR Kredit on the basis of increased distribution of credit union loans via DLR Kredit.

Despite a satisfactory increase in the capital base of DKK 171.4 million, the capital ratio was reduced by 0.3 percentage points compared to the end of 2022. This is due to the Bank's lending having increased by DKK 1,261 million, while the Bank's guarantees have been reduced by DKK 266 million. In addition, the risk-weighted exposures with operational risk increased by DKK 167.2 million as a result of a high increase in the Bank's income over the last three financial years. Altogether, these conditions mean that the risk-weighted items have increased by DKK 838.8 million, which is the reason the capital ratio has been reduced by 0.3 percentage points, despite the capital base having increased by DKK 171.4 million. The solvency requirements have been calculated at 10.1 % and overall the Bank's capital base is considered satisfactory.

With regards to the bank's capital position in general, refer to note 28.

FUTURE CAPITAL RESERVES

In the coming years, the following regulatory capital buffers will be phased in:

- NEP supplement of 5.5 percentage points once fully phased in on 1 January 2024
  (The NEP supplement was phased in at 4.7 % at the end of 2023, but increased to 5.5 % on 1 January 2024)
- Systemic buffer of 7 % of exposures to real estate companies in percentage of risk-weighted items
  (The buffer was introduced on 30/6/2024 and the Bank's preliminary calculations show an addition of 0.6 percentage points)

Upon full phasing-in of all known capital requirements, with a solvency requirement of 10.1 % and a systemic buffer of 0.6 percentage points, the Bank's capital requirement will amount to 21.2 % at the end of 2024.

The Bank expects that the budgeted and expected results in the coming years will mean that the rest of the known capital requirements can be phased in via consolidation from operating earnings, but will continually weigh the need to possibly raise Tier III capital to partially cover the NEP requirement.

EXPECTATIONS FOR 2023

The Bank has had a completely satisfactory 2023, where expectations for all areas have been met and exceeded.

In 2024, a core earnings close to the historically high level in 2023 is expected, but also a marginally increasing level of impairment. The growth in ordinary operations in 2023 means that very satisfactory profit is also expected in 2024.

Profit before tax is expected to be in the range of DKK 270 – 300 million and core earnings are expected to be in the range of DKK 310 – 330 million. In 2024, profit after tax will be negatively affected by the increase in corporate tax from 25.2 % to 26 %, after which the tax rate will not increase further.

We are pleased to note that the private customers still have a satisfactory economy, despite an economic slowdown in society with rising interest rates and general inflation, amongst other things. In recent years, the Bank has experienced high growth in the number of and business volume with private customers. The Bank expects that growth in lending will be reduced in 2024, but that the total business volume will continue to increase, as the Bank still continues to be chosen by a large number of private customers.

The Bank still has close ties to the agricultural industry, which represents a significant and valuable customer group.

Easily the largest of the Bank's customer groups in agriculture is milk producers, who have generally had reasonable profitability in 2023, which is expected to continue in 2024. For pig producers, 2023 was characterised by better terms of trade than was the case in 2022. The Bank expects that 2024 will bring satisfactory terms of trade and thus positive market conditions for pig producers.

Lending and guarantees to agriculture account for 10.4 % of the total lending and guarantees, where the distribution is 5.4 % to cattle farming, 2.1 % to pig farming, 0.7 % to other forms of production and 0.2 % to mink production.

The number of customers in the agricultural segment increased in 2023 and the influx of well-run and well-capitalised agricultural customers is expected to continue in 2024.

The real estate segment amounted to 8.0 % and the exposure was reduced by DKK 115 million in 2023. The exposure in real estate is primarily within rental for residential purposes. The general rule for project financing is that sales are documented before the start of the construction and there is adequate equity investment.

The other business segments are generally assessed to be in positive development, although the economic slowdown will leave a mark on many markets and business opportunities.

The Bank's liquidity continues to be solid, and there will be an unchanged focus on maintaining a satisfactory liquidity reserve, primarily via a balanced relationship between the total deposit and lending volumes. In the future, the Bank wants to base essentially all of its liquidity provision on customer deposits. The high lending growth in 2023 has naturally reduced the deposit coverage, and in 2024 it will be attempted to increase this more than the lending to secure the Bank's continued growth opportunities.

ACTIVITIES AND BUSINESS VOLUME

In 2023, the Bank's branches in Hørsholm and the Carlsberg City District were established in new locations and the Bank's branches are now in full operation. The branch network is not planned to be expanded in the coming year.

Skjern Bank Leasing offers financial leasing of most types of assets to the Bank's business customers. The administrative management of this is outsourced to a well-established player in the industry. The business volume in Skjern Bank Leasing is still increasing, and at the end of 2023 there is a volume of just over DKK 205 million, which is expected to increase in 2024.

Overall, 2024 is expected to bring strong earnings, based on a moderate increase in overall business volume.

STRONG DEVELOPMENT IN BUSINESS VOLUME

The Bank's business model and credit policy were essentially unchanged in 2023. The focus is, and will continue to be, to be ready to participate in the customers' goals for financing etc. when this can be done in a prudent and risk-acceptable manner.

In total, lending volume increased by DKK 1,261.9 million, or 23.1 %, to DKK 6,726 million. Deposits from customers increased by DKK 443.8 million or 5.7 % to DKK 8,235 million. The total guarantees for customers decreased by DKK 166.8 to DKK 1,857 million.

As shown in figure 3, which shows the number of customers in each lending bracket, the Bank's lending is distributed amongst many small and medium-sized customers.

CAPITAL GOALS AND DIVIDEND POLICY

The management will have the utmost focus on ensuring that the Bank has a solid capital base to support the continued development of the Bank's activities and implementation of current and future regulatory capital requirements.

The capital base will continue to be primarily based on actual core capital, but raising foreign capital may also be included in the future capital structure.

The Bank has a lower capital coverage at the end of 2023 than the management's goal for this, though this is still accepted in light of the budgeted results in the coming years and the capital plan's projection of the future capital coverage. The lower capital coverage is expected as a result of a high lending growth, which has improved the Bank's overall credit quality distribution in the portfolio and which, as a result of the many smaller loans to private customers, has a very high risk diversification. The future earnings will increase in 2023 on the basis of this development, which will improve the future capital coverage. It is the management's assessment that in light of this, there is solid basis for rewarding the Bank's many shareholders through an appropriate percentage of the realised profit in dividends.

The Danish Financial Supervisory Authority's recommendations and the management's expectations for future growth and earnings have been taken into account in the assessing the sufficient capital coverage.

It is proposed to distribute DKK 5 per share, or DKK 48.2 million, which constitutes 18.7 % of the realised profit after tax in 2023. The dividend level must be assessed on the basis of the management's position of primarily strengthening the Bank's solvency through consolidation from operations. The distribution is DKK 19.3 million higher than for the financial year 2022.

The Bank's management has decided to maintain 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 to accommodate regulatory requirements. 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
With regard to its capital goal, the Bank wants to be stable in payments of dividends. The goal is for distribution to amount to 30-50 % of the annual profit after tax, either as share buy-backs or cash distributions, which exceeds a return on equity of 6 %.

THE BANK'S IMPORTANT STAKEHOLDERS

The Bank's management considers the cooperation with and involvement of the Bank's many stakeholders and the running of a well-functioning local Bank to be equally important.

The focus has always been on creating value for the Bank's stakeholders, which in 2023 is also considered to have been the most important factor in the solid business development.

The Bank's strategic objective is primarily a controlled organic growth based on long-term relations with all stakeholders. When the customers choose the way the Bank is run, it increases the profits to the benefit of the shareholders. The local community benefits from this in the form of the Bank's local backing as well as product distribution to local businesses and private customers. The employees benefit from this in the form of job retention and an exciting job where they can develop. The customers clearly express that it is valuable to have a local bank that knows their needs and where they have an advisor who knows them and who back the local community's activities.

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 customers, primarily in the Bank's local areas.

The experience has been that the close personal knowledge between customer and adviser is crucial for choosing the 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.

Customer satisfaction with the Bank is paramount, and the external anonymous measurements of satisfaction with the Bank are conducted annually. It is very gratifying to note that customer satisfaction with the Bank is extremely high and further improved in 2023, and not least that nearly 9 out of 10 of the Bank's customers would recommend the Bank to others. The Bank is very grateful and humbled by the trust shown by the customers as they refer their business contacts, family and acquaintances to the Bank in large numbers.

EMPLOYEES

As of As of 31 December 2023, the Bank employs 210 employees, which is an increase of 15 over the 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 employee satisfaction in each department and the Bank as a whole. It is a strategic goal for the Bank to have employees who feel the Bank is a good workplace and who are proud to work at the Bank. There is a very high level of employee satisfaction, which is an important foundation for always being able to offer advice and service at the high level expected by the customers.

LOCAL COMMUNITIES

The Bank's goal is to play an important role in the Bank's local communities, both as a partner for the many business owners, and 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 a very large percentage the local communities' 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 for banking operations in the Bank is the many shareholders, customers, talented 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.

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 the Bank's ESG report for 2023, the Bank's status on compliance with the points is presented, and the goals for the future work are described.

From the 2025 Annual Report, the Bank will be covered by the upcoming requirement for sustainability reporting, cf. the EU reporting directive, CSRD, and has begun the preparations for this.

In the Bank, the focus on sustainability can generally be divided into two main tracks:

- The Bank's influence on stakeholders, especially customers.
- The Bank as a company.

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: making their properties more energy efficient, getting attractive financing for electric cars and placing investments to influence sustainable development in line with the customer's sustainability preferences.
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 worked to reduce power consumption through energy-reducing measures and in 2023, the Bank installed solar panels at its main headquarters in Skjern. The Bank also compensates for the rest of the power consumption via purchase of certificates of origin for power from Danish wind turbines. The bank also supports climate measures in third world countries via its electric bill.

The ESG report can be read in full on the Bank's website.

NET INTEREST INCOME

Net interest income amounts to DKK 403.3 million, which is an increase of 58.6 % compared to last year, when net interest income was DKK 254.3 million.

Interest income on net customer loans has increased by DKK 146.7 to DKK 366.5 million, which is very satisfactory and due to increased lending and due to both increased lending and a higher interest rate level. The Bank's proportion of lending where there was impairment, but where interest still continues to be accrued, increased and the interest amounts to DKK 7.9 million in 2023 compared with DKK 7.2 million in 2022. Interest income on the Bank's deposits in Danmarks Nationalbank were at DKK 61.8 million in 2023 and amount to DKK 69.6 million. Bond interest income increased by DKK 13.5 million, while there has been a decrease of DKK 7.5 million on financial instruments. Overall, interest income has thus increased by DKK 214.2 million compared to last year.

In terms of accounting, negative interest rates on deposits are placed under interest income in a special line in the statement of profit or loss. The Bank has not had income on this in 2023, compared with DKK 25.5 million in 2022.

The interest expenses have increased by DKK 48.1 million to DKK 58.8 million as a result of the increasing interest level on the Bank's deposits.

The Bank's interest expenses for deposits in Danmarks Nationalbank decreased in 2023 by DKK 8.4 million to DKK 0 million.

FEE INCOME

Income from fees and commissions has decreased by 10.1 % to DKK 188.6 million. Borrowing fees have decreased by DKK 14.8 million to a total of DKK 78.4 million and guarantee provisions have decreased by DKK 1.9 to DKK 27.9 million.

The customer-driven activity in the loan case area was reduced in 2023 as a result of fewer house deals and significantly fewer conversions of mortgage financing than in previous years. The number of customers has increased satisfactorily in recent years, and it is expected that this will lead to increasing fee income in 2024.

DIVIDENDS

In 2023, dividends from shareholdings increased by DKK 1.1 million and amounted to DKK 5.6 million.

NET INTEREST AND FEE INCOME

Net interest and fee income including dividends increased by 28.0 % to DKK 593.5 million, which is very satisfactory.

EXCHANGE RATE ADJUSTMENTS

The securities markets in 2023 have been characterised by slightly decreasing interest rates, with increasing bond prices as a result, and increasing share prices.

A capital gain of DKK 22.8 million was realised in the shareholdings, compared with a loss of DKK 1.5 million in 2022. The Bank wants a continued low share price exposure and the treasury portfolio of shares is thus still of a modest size.

Exchange rate adjustments on bond portfolios have been positive by DKK 13.0 million in 2023. The Bank continues to have a cautious investment policy for bonds, which promises a short maturity and low interest risk and the total bond holdings in 2023 were reduced by DKK 109.7 million to DKK 752.0 million.

The total exchange rate adjustments amount to DKK 47.2 million and, in addition to the exchange rate adjustments on bonds and shares, consist of earnings on currency and financial instruments of a satisfactory DKK 11.3 million.

EXPENSES

Staff and administration expenses increased by 9.2 % and amount to DKK 255.5 million, compared with DKK 234.0 million in 2022. The increase is as expected in a year in which considerable investment has been made in the expansion of the branch network. Personnel expenses have increased by DKK 14.5 million, corresponding to 10.3 %, due to an increasing number of employees, collective bargaining wage increases and an increase in payroll tax.

Other administrative expenses increased in 2023 by DKK 6.9 million to DKK 99.4 million, which is primarily due to higher other administrative expenses as a result of furnishing of new branches, marketing and other expenses. IT expenses alone increased by DKK 0.8 million, which is very satisfactory.

DEPRECIATION AND WRITE-DOWNS

In 2023, there was depreciation and impairment on tangible fixed assets of DKK 15.3 million, compared with DKK 6.6 million in 2022. The increase is due to impairment on the Bank's owner-occupied properties in Bramming and Hørsholm, both of which are undergoing renovation.

IMPAIRMENT

Impairment on loans and customer receivables etc. amounted to 0.4 % of the total loans and guarantees, corresponding to DKK 27.6 million, compared with DKK 2.7 million in 2022.

As a result of uncertainty around an upcoming implementation of carbon tax in the agricultural segment, the management estimate was increased by DKK 30.0 to DKK 100.0.

Reversal of impairment from previous accounting years amounted to DKK 110.1 million, while recorded losses amounted to DKK 16.3 million, of which DKK 9.1 million had not been previously written down. In total, the Bank has provisioned DKK 323.2 million to accommodate future losses, which corresponds to 3.6 % of the Bank's total lending and guarantees.

CORE EARNINGS

At the beginning of 2023, the Bank expected a core earnings in the range of DKK 225 – 275 million. The profit expectations have been adjusted upwards 3 times during the year, the most recent specification on 21 December 2023 was in the range of DKK 330 – 340 million. The realised core earnings amount to DKK 335.9 million, compared with DKK 233.5 million in 2022, and are considered highly satisfactory. The increase is due to increased net interest income, while fee income was reduced as a result of fewer loan cases.

PROFIT BEFORE TAX

The expectations for profit before tax for the year in 2023 were in the range of DKK 210 – 250 million at the beginning of the year, and were adjusted upwards three times by the end of 2023. On 21 December 2023, the expectation was specified in the range of DKK 320 – 340 million. The Bank realised a marginally higher profit before tax of DKK 344.1 million compared to DKK 191.1 million in 2022.

The profit is considered completely satisfactory.

CAPITAL

The capital base, which consists of equity and supplemental borrowing, amounted to DKK 1,514.2 million at the end of 2023 and the total risk exposure amounted to DKK 6,641.6 million. The capital ratio is calculated at 22.8 % and the core capital at 21.3 %. The solvency requirement amounted to 10.1 %, whereby there is a satisfactory coverage in relation to the solvency requirement of 12.7 percentage points, corresponding to DKK 841 million.

At the end of 2023, in addition to the solvency requirements, the Bank will also add a capital conservation buffer of 2.5 percentage points, a cyclical buffer of 2.5 percentage points and a NEP supplement of 4.7 percentage points. Including this capital requirement, the solvency coverage relative to the total capital requirements amounts to 3 percentage points, corresponding to DKK 197 million.

The solvency requirements, which are calculated according to the Danish Financial Supervisory Authority's credit reservation method, are recognised at DKK 531.3 million, corresponding to 8.0 % for the Column 1 requirement (Søjle 1-kravet). DKK 40.1 has been allocated on the basis of the Bank's lending growth, which has exceeded 10 %. In addition, DKK 73.1 million was provisioned for credit risk, including "NPE backstops", where DKK 12.7 million was reserved, an interest risk of DKK 10.3 million and a credit spread risk of DKK 8.1 million, which in total amounts to DKK 18.4 million under the market risk and DKK 10.0 million for reservations under the operational risk. Overall, the Bank thus has a capital requirement of DKK 672.9 million.

The Bank's goal for capital coverage relative to the calculated solvency requirements plus the current phased-in capital requirements is a minimum of 4 percentage points. In the coming years, the capital requirements will further increase by 0.8 percentage points in NEP requirements and a calculated 0.6 % for the systemic buffer in the real estate segment. At the same time, the Bank has a goal of organic growth in business volume at a level of 1-3 % in the coming years, which increases the requirements for the capital base.

It is expected that the excess coverage will increase in the coming years based on budgeted results.

The management assesses that the Bank has a solid capital base. The decrease in the capital coverage is as expected and is solely due to a solid growth in 2023. The Bank will also continue to have a constant focus on having an appropriate capital structure and capital coverage.

For more information on capital and solvency requirements, please refer to the Bank's website: www.skjern-bank.dk/banken/investor/solvensbehov

LIQUIDITY
The Bank's goal is to maintain liquidity reserves at a continued solid level based on deposits from the bank's customers. In 2023, the goal on deposit growth was met by increasing the total deposits to a total of DKK 8.284 million. The Bank's lending has increased more than the deposits, which has reduced the liquidity coverage ratio, though this is still considered satisfactory and is expected to expand again in 2024 via deposit growth and modest lending growth in the range of 1-3%.

The bank's liquidity reserves are solid. The LCR (Liquidity Coverage Ratio) of DKK 2.012 million exceeds both the regulatory requirements and the stricter liquidity goals established by the Bank's Board of Directors. 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. The ratio is calculated by comparing the Bank's cash reserves and liquid assets with the Bank's payment obligations for the next 30 days calculated according to certain rules.

The Bank has established an internal limit for the minimum liquidity reserves of 175 %, which exceeds the minimum requirements of 100 % from the Danish Financial Supervisory Authority. The Bank achieved the goal and as of 31 December 2023 has an LCR financial ratio of 331 %.

The liquidity reserve ratio measured according to NSFR (Net Stable Funding Ratio) is 124 %, while the Bank's internal limit for this is set to 120 %, and the minimum requirement from the Danish Financial Supervisory Authority is 100 %. The ratio expresses the stability of the Bank's deposit surplus.

MAJOR SHAREHOLDERS
As of 31 December 2023, the Bank has four 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, Kim Pedersen, who as of the most recent ownership report both personally and via their wholly-owned company Immoinvest.dk ApS held 5.0% of the share capital, and Heine Delbing, who personally and via their wholly-owned companies Olalde Holding ApS, Evostate Invest ApS and Storegade ApS held 5.0 % of the share capital as of the most recent ownership report.

LIQUIDATION RESERVE
In connection with establishing the statutory liquidation reserve, the Bank has prepared business procedures and implemented tests to ensure compliance with the special requirements resulting from the legislation. This has been done in cooperation with the Bank's data centre, and it is the management's assessment that the Bank is in compliance with the requirements.

SIGNIFICANT AGREEMENTS
If control of the Bank is changed, a number of agreements will cease or terms will be changed. The withdrawal of the data centre Bankdata, which may result in a severance payment equivalent to 2.5 times last year's invoicing from Bankdata, will be significant. All other agreements are assessed to be immaterial.

EVENTS AFTER 31 DECEMBER 2023
No events have occurred after 31 December 2023 that significantly affect the Bank's circumstances.

AUDIT
The Danish version of the Annual Report for 2023 is equipped with internal audit statements and independent auditors' statement. The statements are without reservations and complementary information.

Endorsement of the Annual Report by the Management

We have today discussed and approved the annual report for the period 1 January – 31 December 2023 for Skjern Bank A/S.

The annual report has been prepared in accordance with the Danish legislation on financial activities, including executive order on financial reports for credit institutes and stock broker companies, etc. Furthermore, the annual report has been prepared in accordance with accordance with the Danish Financial Business Act. The Financial Statements have been prepared in accordance with Danish legal requirements for listed financial companies.

It is also our opinion that the annual report has been prepared in accordance with the ESEF regulation in all material respects.

We consider the accounting practice chosen to be appropriate so that the annual report gives a correct impression of the bank's assets, liabilities, financial position as at the 31st December 2023 and of the result of the bank's activities for the accounting year 1 January – 31 December 2023.

The management report includes a correct presentation of the development of the bank's activities and financial conditions together with a description of the material risks and uncertainties by which the bank may be affected.

The annual report is recommended for approval by the General Meeting.

Skjern, the 7 February 2024

The management of Skjern Bank A/S

Per Munck
CEO

Thomas Baun
Bank director

The board of Skjern Bank A/S

Hans Ladekjær Jeppesen
Chairman

Bjørn Jepsen
Vice-chairman

Niels Erik Kjærgaard *Finn Erik Kristiansen* *Ole Strandbygaard*

Lars Skov Hansen *Carsten Jensen* *Michael Tang Nielsen*

Profit and loss account

Note	DKK 1,000	2023	2022
2	Interest receivable	462.134	247.922
	Interest receivable deposits	0	25.507
3	Interest payable	58.828	10.684
	Interest payable central banks	0	8.421
	Net income from interest	**403.306**	**254.324**
	Dividend on shares and other holdings	5.603	4.485
4	Charges and commission receivable	188.614	209.801
	Charges and commission payable	3.989	4.887
	Net income from interest and charges	**593.534**	**463.723**
5	Value adjustments	47.178	-30.830
	Other ordinary income	2.525	2.078
6	Staff costs and administrative expenses	255.532	234.038
	Depreciation and write-downs on intangible and tangible assets	15.333	6.620
	Other operating expenses	623	477
9	Write-downs	27.638	2.703
	Result before tax	**344.111**	**191.133**
10	Tax	86.132	40.894
	Net-result for the financial year	**257.979**	**150.239**
	Of which are holders of shares of hybrid core capital instruments etc.	5.287	5.287
PROPOSAL FOR DISTRIBUTION OF PROFIT			
	Dividends	48.200	28.920
	Holders of hybrid core capital instruments	5.287	5.287
	Transferred to/from retained earnings	204.492	116.032
	Total distribution of the amount available	**257.979**	**150.239**
STATEMENT OF COMPREHENSIVE INCOME			
	Profit for the financial year	257.979	150.239
	Total comprehensive income	**257.979**	**150.239**

Balance Sheet

Note	DKK 1,000	2023	2022
	ASSETS		
	Cash in hand and demand deposits with central banks	2.345.718	2.830.343
11	Receivables at credit institutions and central banks	60.630	54.939
12	Loans and other receivables at amortised cost	6.726.329	5.464.400
13	Bonds at fair value	752.038	861.733
14	Shares etc.	283.275	231.757
15	Shares associated with pool schemes	1.592.836	1.614.083
16	Holdings in associated enterprises and group enterprises	77.553	67.204
	Investment properties	3.019	3.019
	Owner-occupied properties	55.250	47.868
	Owner-occupied properties, leasing	19.284	16.317
17	Other tangible assets	6.532	5.375
	Current tax assets	7.486	6.175
	Other assets	113.926	92.424
	Prepayments	588	60
	Total assets	**11.966.911**	**11.228.493**

Note	DKK 1,000	2023	2022
	LIABILITIES		
	DEBT		
18	Debt to credit institutions and central banks	2.385	2.974
19	Deposits and other debts	8.284.256	7.840.474
	Deposits in pooled schemes	1.592.836	1.614.083
	Other liabilities	382.890	292.451
	Prepayments	297	850
	Total debt	**10.262.664**	**9.750.832**
	PROVISIONS		
20	Provisions for deferred tax	5.430	3.749
12	Provisions for loss on guarantees	13.416	11.716
	Total provisions	**18.846**	**15.465**
	SUBORDINATED DEBT		
21	Subordinated loan capital	99.335	98.835
	Total subordinated debt	**99.335**	**98.835**
	EQUITY		
22	Share capital	192.800	192.800
	Retained earnings	1.283.918	1.080.626
	Proposed dividend	48.200	28.920
	Capital owners share of equity	**1.524.918**	**1.302.346**
23	Holders of hybrid capital	61.148	61.015
	Total equity	**1.586.066**	**1.363.361**
	Total liabilities	**11.966.911**	**11.228.493**

Information on changes in equity

		Share capital	Proposed dividends	Hybrid capital	Retained earnings	Total
	Equity 01.01.2022	**192.800**	**28.920**	**60.881**	**964.475**	**1.247.076**
24	Purchase of own funds				90	90
	Dividend own shares				30	30
	Amortization hybrid capital		-28.920			-28.920
	Paid interest hybrid capital			-131		-131
	Dividends proposed 2021			-5.023		-5.023
	Profit or loss		28.920	5.287	116.032	150.239
	Equity 31.12.2022	**192.800**	**28.920**	**61.014**	**1.080.627**	**1.363.361**
24	Purchase of own funds				-1.219	-1.219
	Dividend own shares				18	18
	Dividends paid 2022		-28.920			-28.920
	Amortization hybrid capital			-131		-131
	Paid interest hybrid capital			-5.022		-5.022
	Profit or loss		48.200	5.287	204.492	257.979
	Equity 31.12.2023	**192.800**	**48.200**	**61.148**	**1.283.918**	**1.586.066**

Notes

1. ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Danish Financial Business Act and the Executive Order on financial reports for credit institutions and investment companies, etc.

The Financial Statements have been prepared in accordance with additional Danish legal requirements for Financial Statements for listed financial companies.

The Financial Statements are presented in DKK and rounded to the nearest DKK 1,000.

General information on recognition and measurement
Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the Bank and the asset's value can be measured reliably.

Liabilities are recognised in the statement of financial position when they are likely and can be measured reliably.
Assets and liabilities are initially recognised at fair value. However, tangible assets are measured at cost at the time of initial recognition. Measurement after initial recognition occurs as described for each item below.

Foreseeable risks and losses which may arise before the Financial Statements are reported and which confirm or invalidate conditions existing on the balance date are taken into account in recognition and measurement. Income is recognised in the statement of profit or loss and other comprehensive income as it is earned, while expenses are recognised at the amounts which relate to the financial year.

Purchases and sales of financial instruments are recognised on the transaction date and are no longer recognised when the right to receive/deliver cash to or from the financial asset or liability has expired or, if it is transferred, the Bank has transferred all significant risks and rewards of ownership. The bank has not used the rules for reclassification of certain financial assets at fair value to amortised cost.

Determination of fair value
The fair value is the amount to which an asset can be converted or at which a liability can be settled in a transaction under normal conditions between knowledgeable, willing and independent parties.

The fair value of financial instruments for which there is an active market is usually determined as the closing price on the Balance Sheet date or, if not available, another published price considered to best correspond to this.

For financial instruments for which there is an active market, fair value is established using generally accepted valuation techniques which are based on relevant observable market data.

Accounting estimates
When determining the carrying amount of certain assets and liabilities, discretion is used as to how future events will affect the value of the assets and liabilities on the balance date.

The estimates used are based on assumptions which the management considers to be reasonable, but which are associated with some uncertainty.

Therefore, the actual final results may differ from the estimates used, because the Bank is affected by risk and uncertainty, which can affect this.

The areas which involve a greater degree of assessments/assumptions and estimates are impairment of loans and receivables, determination of fair value of unlisted financial instruments, corporate and investment properties and provisions.

Although the carrying amounts are calculated in accordance with the Danish Executive Order on the Presentation of Financial Statements, particularly including appendices 9 and 10 and related guidelines, there is uncertainty and estimates associated with these carrying amounts, as they are based on a number of assumptions. If these assumptions change, the financial reporting may be affected and the impact may be significant. Changes may occur through a change in practice or interpretation by the authorities and amended principles from the management - for example, the value of collateral may entail changes to the calculations.

Foreign currency
Assets and liabilities in foreign currencies are recognised on the balance date at the National Bank of Denmark's listed rates. Foreign currency spot transactions are adjusted on the balance date based on the spot rate. Currency translation adjustments are recognised on an ongoing basis in the statement of profit or loss and other comprehensive income.

General
When determining the carrying amount of certain assets and liabilities, discretion is used as to how future events will affect the value of the assets and liabilities in question on the balance date.
The estimates used are based on assumptions which the management considers to be reasonable, but which are uncertain and unpredictable. Therefore, the actual final results may differ from the estimates used, because the Bank is affected by risk and uncertainty, which can affect this.

Model uncertainty
In addition to establishing expectations for the future, write-downs in stages 1 and 2 are also subject to uncertainty because the model does not account for all relevant circumstances. As there is still limited historical data as a basis for the models, it has been necessary to supplement the model's calculations with management estimates. Assessment of the effect of the long-term probability of default on customers and segments through improved and deteriorated outcomes of macroeconomic scenarios is associated with estimates. Please

refer to the more detailed description in note 31.

Statement of collateral values
To reduce the risk on the individual exposures in the Bank, collaterals have been received, primarily in the form of mortgages on physical assets (of which mortgages on real estate are the most significant form), securities etc. Significant management estimates are included in the valuation of the collateral. For a more detailed description of matters relating to collateral, see also note 31.

Fair values of owner-occupied properties
The return method is used to measure owner-occupied properties at fair value. Future cash flows are based on the Bank's best estimate of future ordinary profit and required rate of return for each property, taking into account factors such as location and maintenance. A number of these assumptions and estimates have a significant impact on the calculations. Changes in these parameters as a result of a change in market conditions affect the expected returns and thus the owner-occupied properties' fair value. Also refer to the discussion in note 1 "Accounting policies used etc." under the section "Land and buildings" and note 16 "Land and buildings".

Practice for writing off financial assets from the statement of financial position
Financial assets that are measured at amortised cost are wholly or partially written off from the statement of financial position if the Bank no longer has reasonable expectations that the outstanding amount will be wholly or partially covered. Recognition ceases based on specific, individual assessment of each exposure. For private and corporate customers, the Bank will typically write off losses when the pledged collateral is realised and the residual receivable is unsustainable. When a financial asset is written off from the statement of financial position in whole or in part, the impairment on the financial asset is removed from the calculation of accumulated impairment, cf. note 9.

The bank continues its collection efforts after the assets have been written off, with the measures depending on the specific situation. The bank essentially tries to enter a voluntary agreement with the customer, including renegotiation of terms or reconstruction of a business, such that debt collection or bankruptcy proceedings are only put to use when other measures have been tried.

STATEMENT OF PROFIT OR LOSS

Interest, fees and commissions, etc.
Interest income and expenses are recognised in the statement of profit or loss and other comprehensive income in the period to which they relate.

Interest income from deposits and interest expense to central banks are presented separately in the statement of profit or loss.

Received interest on credit-impaired loans on which impairment has occurred are passed to the impaired part of the loan in question under the item "Impairment of loans and receivables" and are thus offset in impairment for the year.

Commissions and fees which are an integral part of the effective interest rate of a loan are recognised as part of the amortised cost and are therefore part of interest income under loans.
Commissions and fees which are part of an ongoing service are accrued over the loan period.

Other fees and commissions and dividends are recognised in the statement of profit or loss and other comprehensive income when the rights to them are acquired.

Staff and administration expenses
Staff and administration expenses include wages and salaries, social costs, pensions, IT costs and administrative and marketing costs.

Pension schemes
The bank has entered into defined contribution schemes with the employees. In defined contribution schemes, fixed contributions are paid to an independent pension fund. The bank has no obligation to make further contributions.

Tax
Tax for the year, which consists of current tax for the year and movements in deferred tax, is recognised in the statement of profit or loss and other comprehensive income as the portion which is attributable to the net profit for the year and directly in equity as the portion which is attributable to items in equity.

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as tax calculated on taxable income for the year adjusted for tax paid on account.
Deferred tax is recognised on all temporary differences between carrying values and tax values of assets and liabilities.

Any deferred tax assets, including the tax value of tax loss carry forwards, are recognised in the statement of financial position at the value at which the asset is expected to be realised, either against deferred tax liabilities or as net assets.

STATEMENT OF FINANCIAL POSITION

Classification and measurement
According to the IFRS 9-compatible accounting regulations, classification and measurement of financial assets is done based on the business model for the financial assets and the contractual cash flows relating to the financial assets. This means that financial assets must be classified into one of the following two categories:

• Financial assets that are held to generate the contractual payments, and where the contractual payments exclusively consist of interest and repayments on the outstanding amount, are measured at amortised cost after the date of first recognition. This category includes loans at amortised cost and receivables from credit institutions.

• Financial assets that do not meet the above criteria for the business model or where the contractual cash flows do not exclusively consist of interest and repayments on the outstanding amount are initially recognised at fair value through the statement of profit or loss.

Skjern Bank does not have financial assets that are included in the measurement category for recognition of financial assets at fair value through other comprehensive income. Instead, the Bank's bond portfolio is measured at fair value through the statement of profit or loss because they are included in a trading portfolio.

Cash holdings and demand deposits with central banks
Cash holdings and demand deposits with central banks are initially recognised at fair value and then at amortised cost.

Receivables from credit institutions and central banks
Receivables from credit institutions and central banks include receivables from other credit institutions. Initially recognised at fair value plus transaction costs and minus origination fees, etc. and subsequently measured at amortised cost.

Loans
The accounting item consists of loans disbursed directly to the borrower. Loans are measured at amortised cost, which usually corresponds to the nominal value minus origination fees etc. and minus provisions for losses expected but not yet realised.

Model for impairment for expected credit losses
In accordance with the IFRS 9-compatible impairment rules, impairment is done for expected credit losses on all financial assets that are recognised at amortised cost and provisions are made according to the same rules for expected credit losses on unused credit lines, loan commitments and financial guarantees. The impairment rules are based on an expectation-based model.

For financial assets recognised at amortised cost, impairment for expected credit losses is recognised in the statement of profit or loss and the value of the asset is reduced in the statement of financial position. Provisions for losses on unused credit lines, loan commitments and financial guarantees are recognised as a reserved liability. (See also under contingent liabilities).

Stages of development in credit risk

The expectation-based impairment rules means that a financial asset etc. at the time of first recognition is impaired by an amount corresponding to the expected credit loss over 12 months (stage 1). If there is subsequently a significant increase in the credit risk compared to the time of first recognition, the financial asset is impaired by the amount corresponding to the expected credit loss in the asset's remaining life (stage 2). If impaired credit (stage 3) is discovered for the instrument, the asset is written down by an amount corresponding to the expected credit loss in the asset's remaining life, and interest income is recognised in the statement of profit or loss according to the effective interest method based on the impaired amount.

Financial assets where the customer has significant financial difficulties or where the Bank has offered easier terms due to the customer's financial difficulties are kept at stage 2 if losses are not expected in the most likely scenario.
Placement in stages and calculation of the expected loss is based on the Bank's rating models, which were developed by the data centre Bankdata and the Bank's internal credit management.

Assessment of significant increase in credit risk
In the assessment of the development of credit risk, it is assumed that a significant increase in credit risk has occurred in relation to the time of initial recognition when a downwards adjustment of the Bank's internal rating of the debtor corresponds to one rating class in the Danish Financial Supervisory Authority's rating classification guidelines.

If the credit risk on the financial asset is considered to be low on the reporting date, the asset is kept at stage 1, where a significant increase in credit risk has not occurred. Skjern Bank considers the credit risk to be low when the Bank's internal rating of the customer corresponds to 2a or better, though an overdraft for more than 30 days for a customer with an internal rating of 2a will lead to a significantly impaired credit risk. The category of assets with low credit risk also includes lending and receivables that meet the rating criterion, as well as receivables from Danish credit institutions. New customers are always placed in stage 1 unless they are credit impaired.

Definition of credit impairment and default
An exposure is defined as being impaired and as being in default if it meets at least one of the following criteria:
- The borrower is experiencing significant financial difficulties, and the Bank assesses that the borrower will not be able to honour their obligations as agreed.
- The borrower has committed a breach of contract, such as in the form of non-compliance with payment obligations for principal and interest or repeated overdrafts.
- The bank has granted the borrower easier terms than it would have granted were it not for the borrower's financial difficulties.
- It is likely that the borrower will go bankrupt or be subject to other financial reorganisation.
- The exposure has been in arrears/overdrawn for more than 90 days by an amount that is considered significant.

The definition of credit impairment and default that the Bank uses when measuring the expected credit loss and for transfer to stage 3 is in line with the definition used for internal risk management purposes.

Calculation of expected loss
The calculation of impairment on exposures in stages 1 and 2, except for the weakest exposures in stage 2, are made on a portfolio-based calculation model, while the impairment on the rest of the exposures are made through a manual, individual assessment based on three scenarios (basic scenario, a more positive scenario and a more negative scenario) with the associated likelihood that the scenarios will occur.

The portfolio model calculation is based on the Bank's division of customers into different rating classes and an assessment of the risk of loss in each rating class. The calculation occurs in a setup that is developed and maintained in Bankdata, supplemented with a predictive macroeconomic module, which is developed and maintained by LOPI, and which forms the basis for the incorporation of management's expectations for the future.

The macroeconomic module is based on a series of regression models that establish the historical correlation between impairment for the year within a number of sectors and industries and a number of explanatory macroeconomic variables.

Estimates are then applied to the regression models for the macroeconomic variables based on forecasts from consistent sources such as Det Økonomiske Råd [The Danish Economic Council], Danmarks Nationalbank etc. where the forecasts are generally for two years in the future and include variables such as increase in public consumption, increase in GDP, interest rates etc. The expected impairment is thereby calculated for up to two years in the future for each sector and industry. For maturities longer than two years and up to year 10, a projection of the impairment percentage is made such that it converges towards a normal level in year 10. Maturities longer than 10 years are given the same impairment percentage as in year 10. Finally, the calculated impairment percentages are converted into adjustment factors that correct the data centre's estimates in the individual sectors and industries. The Bank makes adjustments to these based on its own expectations for the future and based on the loan composition.

Changes in write-downs are adjusted in the statement of profit or loss and other comprehensive income under the item "Impairment of loans and receivables etc".

Bonds and shares, etc.
Bonds and shares traded on a listed stock exchange are measured at fair value. Fair value is usually determined as the official closing price on the balance date.

Unlisted securities and other equity investments (including level 3 assets) are also recognised at fair value, calculated based on what the transaction price would be in a trade between independent parties. If there is no current market data, the fair value is determined based on the published financial reports or on a return model which is based on cash flows and other available information.

Value adjustments on bonds and shares, etc. are recognised on an ongoing basis in the statement of profit or loss and other comprehensive income under the item "Exchange rate adjustments".

Pool activities
All pool assets and deposits are recognised in separate balance sheet items. Returns on pool assets and distributions to pool participants are entered under the item "exchange rate adjustments".

Land and buildings
Land and buildings include

- "Owner-occupied properties", which consist of the properties from which the bank conducts banking activities
- "Leased company domiciles", which consist of the leased properties from which the Bank conducts
- "Investment properties", which consist of all other properties the bank owns and possess in order to obtain rental income.

Owner-occupied properties are measured in the statement of financial position at revalued amount, which is the fair value determined based on the return method with a rate of return in the range of 5.6 - 7 % less accumulated depreciation and any impairment loss. Depreciation is recognised in the statement of profit or loss and revaluation is done so frequently that there are no significant differences in fair value. Increases in the owner-occupied properties' revalued amount are recognised under revaluation reserve in equity. If an increase in the revalued amount corresponds to an earlier case and is thus recognised in the statement of profit or loss in a previous year, the increase is recognised in the statement of profit or loss. A decrease in the revalued amount is recognised in the statement of profit or loss and other comprehensive income, unless there is a reversal of previous revaluations. Owner-occupied properties are depreciated linearly over 50 years based on the cost adjusted for any value adjustments where residual values are not used.

Leased company domiciles All lease agreements must be recognised by the lessee in the form of a leasing asset that represents the value of the right of use. The asset is initially recognised at present value of the lease liability including costs and any prepayments. After initial recognition, lease contracts for domicile properties are measured in the same way as other domicile properties.

At the same time, the present value of the agreed lease payments are recognised as a liability. Assets leased on short-term contracts and leased assets of low value are excluded from the requirement for recognition of a lease asset.

In calculating the properties' value, an internal interest rate in the range of 5 % - 7 % was used.

Investment properties are measured in the statement of financial position at fair value determined based on the return method. Ongoing changes in fair value of investment properties are recognised in the statement of profit or loss and other comprehensive income.

Establishment of the revalued amount of owner-occupied properties and the fair value of investment properties are associated with significant estimates. The estimates particularly relate to the establishment of required rate of return.

Other tangible fixed assets
Other tangible fixed assets, including plant and machinery, are recognised at the acquisition at cost. Then, other tangible assets and conversion of rented premises are recognised at cost minus accumulated depreciation. A linear amortisation is done over 3-5 years based on the cost and amortisations and impairment losses recognised in the statement of profit or loss.

Other assets
Other assets include interest receivable and provisions and positive market value of derivative financial instruments.

Prepayments and accrued income
Prepayments and accrued income recognised under assets include costs relating to subsequent financial years. Prepayments and accrued income recognised under liabilities include prepaid interest and guarantee provisions relating to subsequent financial years.

Liabilities to credit institutions and central banks
Items are measured at amortised cost.

Deposits and other payables
Items are measured at amortised cost.

Subordinated debt
Items are measured at amortised cost.

Hybrid core capital under equity
Hybrid core capital that meets the rules in CRR to be classified as additional tier I capital with indefinite maturity and where the payment of interest is voluntary is classified as equity.

Interest on hybrid core capital is deducted from equity.

The tax effect of the interest is recognised under current tax in the statement of profit or loss.

Other liabilities
Other liabilities include interest payable and provisions and negative market value of derivative financial instruments and debt to Danmarks Nationalbank.

Provisions
Assurances, guarantees and other liabilities which are uncertain in terms of size or time of settlement are recognised as provisions when it is probable that the liability will result in financial resources flowing out from the bank and the liability can be measured reliably. The liability is calculated at the present value of the costs required to settle the liability.

Treasury shares
Acquisition and disposal and dividends from treasury shares are recognised directly under equity.

Derivative financial instruments
All derivative financial instruments, including forward contracts, futures and options in bonds, shares or currency, as well as interest and currency swaps, are measured at fair value on the balance date.

Exchange rate adjustments are included in the statement of profit or loss and other comprehensive income.

Positive market values are recognised under other assets, while negative market values are recognised under other liabilities.

Contingent liabilities
The bank's outstanding guarantees are disclosed in the notes under the item "Contingent liabilities". The liability relating to outstanding guarantees which are assessed to lead to a loss for the bank is provisioned under the item "provisions for loss on guarantees". The liability is expensed in the statement of profit or loss under "Impairment of loans and receivables etc". Non-financial guarantees, cf. IFRS 9, are not included in stages 1 and 2.

Financial highlights
Key figures and ratios are presented in accordance with the requirements in the Danish Executive Order on the Presentation of Financial Statements.

Notes

Note	DKK 1,000	2023	2022
2	INTEREST INCOME		
	Centralbanks	69.572	7.723
	Loans and other receivables	374.407	226.970
	Loans (interest conc. the written-down part of loans)	-7.933	-7.154
	Bonds	20.130	6.642
	Other derivative financial instruments, total of which	5.948	13.471
	Interest-rate contracts	-192	-373
	Currency contracts	6.140	13.844
	Other interest income	10	270
	Total	**462.134**	**247.922**
3	INTEREST EXPENSES		
	Deposits	50.848	3.081
	Subordinated debt	6.592	6.615
	Other interest expenses	1.388	988
	Total	**58.828**	**10.684**

No income or expenses are entered from genuine purchase or repurchase contracts in notes 2 and 3.

Note	DKK 1,000	2023	2022
4	FEES AND COMMISSION INCOME		
	Securities trading and custody accounts	23.609	28.344
	Payment services	17.286	16.322
	Loan fees	78.394	93.162
	Guarantee commission	27.872	29.806
	Other fees and commission	41.453	42.167
	Total	**188.614**	**209.801**
5	VALUE ADJUSTMENTS		
	Bonds	13.049	-38.467
	Total shares	22.833	-1.518
	- Shares in sectorcompanies etc	18.100	9.236
	- Other shares	4.733	-10.754
	Foreign currency	11.320	8.888
	Other financial instruments	-24	267
	Assets linked to pooled schemes	-100.970	104.331
	Deposits in pooled shemes	100.970	-104.331
	Total	**47.178**	**-30.830**

As the bank essentially operates deposits and lending activity in its local areas, the division of market areas is not specified for notes 2-5.

Note	DKK 1,000	2023	2022
6	STAFF COSTS AND ADMINISTRATIVE EXPENSES		
	Salaries and remuneration of audit committee, managers etc.		
	Management incl. pensioncontribution*)	4.904	-
	Of which fixed remuneration incl. pensioncontribution	4.904	-
	Management board	1.477	1.425
	Audit Committee	96	92
	Risk Committee	80	-
	Committee of representatives	183	181
	Total salaries and remuneration of board etc	**6.740**	**1.698**
	*) In the period 1/1 2023 - 30/6 2023 there is only one member of the management. From 1/7 2023 - 31/12 2023 there are two members of the management. Both members have a company car.		
	Staff costs		
	Wages and salaries	114.919	108.224
	Pensions	13.329	12.154
	Social security costs	1.839	1.706
	Payroll tax	19.232	17.749
	Total staff costs	**149.319**	**139.833**
	Salary to management and special risk takers (11 persons in 2023, 11 persons in 2022)	11.962	10.744
	Pensions to management and special risk takers (11 persons in 2023, 11 persons in 2022)	1.036	919
	The bank has no employees with variable salary shares.		
	Other administrative expenses		
	IT expenses	52.177	51.324
	Rent, electricity, heating etc	3.392	3.759
	Postage, telephony etc	1.027	848
	Other administrative expenses	42.877	36.576
	Total other administrative expenses	**99.473**	**92.507**
	Total staff costs and administrative expenses	**255.532**	**234.038**

Note	DKK 1,000	2023	2022

Pension and severance terms for the executive board
Managing Director:
Pension is not paid.
In the event of resignation as a result of retirement, Skjern Bank pays a severance payment equivalent to 6 months of salary. Skjern Bank's notice of termination to the Managing Director is 12 months, but up to 48 months in the event of a change in ownership. The Managing Director's notice period to the bank is 6 months.
Bank Director:
11.65 % is paid in annual pension, which is contribution-based through a pension company in which the payments are expensed continually. Skjern Bank's notice of termination to the Bank Manager is 12 months, but up to 24 months in the event of a change of ownership. The Bank Director's notice period to the bank is 6 months.

The Board's pension terms
No pension is paid to the Board

Special risk takers' pension terms
The special risk takers receive 11,25 % of their respective salary grades in annual pension, which is contributionbased through a pension company in which the payments are expensed continually.

	2023	2022
Average number of employees during the financial year converted into full-time employees		
Employed in credit institution business	190	181
Total	**190**	**181**

7 INCENTIVE AND BONUS SCHEMES

The bank does not have any incentive or bonus schemes.

8 AUDIT FEE

	2023	2022
Total remuneration to the auditors appointed by the Annual General Meeting who perform the statutory audit	**630**	**748**
Honorariums for statutory audits of financial statements	475	564
Honorariums for assurance services	55	65
Honorariums for tax advice	0	0
Honorariums for other services	100	119

Honorariums for other declarations of certainty concerning statutory declarations to public authorities and Nets. Honorariums for tax advice concerning advice on tax matters. Other services relating to review in connection with the recognition of current profits in the capital base and accounting advice.

9 WRITE-DOWNS ON LOANS AND RECEIVABLES

	2023	2022
Write-downs and provisions during the year	139.865	140.742
Reversal of write-downs made in previous years	-110.100	-130.784
Finally lost, not previously written down	7.206	764
Interest on the written-down portion of loans	-7.933	-7.154
Recoveries of previously written off debt	-1.400	-865
Total	**27.638**	**2.703**

Note	DKK 1,000	2023	2022
10	TAX		
	Calculated tax of income of the year	84.722	40.782
	Adjustment of deferred tax	1.000	803
	Adjustment of tax calculated in previous years	410	-691
	Total	**86.132**	**40.894**
	Tax paid during the year	85.160	42.610
	EFFECTIVE TAX RATE (%)	(Pct.)	(Pct.)
	Tax rate currently paid by the bank	25,20	22,00
	Non deductable costs and not taxable income	-0,41	-0,40
	Adjustment of tax calculated for previous years	0,12	-0,36
	Other adjustments	0,12	0,16
	Effective tax rate	**25,02**	**21,40**
11	RECEIVABLES AT CREDIT INSTITUTIONS AND CENTRAL BANKS		
	Receivables at credit institutions	60.630	54.939
	Total	**60.630**	**54.939**
	Remaining period		
	Demand	60.630	54.939
	Total	**60.630**	**54.939**

No assets related to genuine purchase and resale transactions included.

Note	DKK 1,000	2023	2022
12	LOANS AND OTHER DEBTORS AT AMORTISED COST PRICE		
	Remaining period		
	Claims at call	2.621.799	2.061.586
	Up to 3 months	141.872	145.101
	Over 3 months and up to 1 year	686.260	618.456
	Over 1 year and up to 5 years	1.165.872	1.001.882
	Over 5 years	2.110.526	1.637.375
	Total loans and other debtors at amortised cost price	**6.726.329**	**5.464.400**
	DEVELOPMENT IN WRITE-DOWNS AND PROVISIONS RELATING TO FINANCIAL ASSETS AT AMORTIZED COST AND OTHER CREDIT RISKS		
	STAGE 1 IMPAIRMENT CHARGES		
	Stage 1 impairment charges at the end of the previous financial year	18.030	12.597
	Stage 1 impairment charges / value adjustment during the period	39.593	12.437
	Stage 1 impairment reversed during the period	-12.716	-7.005
	Cummulative stage 1 impairment total	**44.907**	**18.030**
	STAGE 2 IMPAIRMENT CHARGES		
	Stage 2 impairment charges at the end of the previous financial year	149.203	100.028
	Stage 2 impairment charges / value adjustment during the period	35.758	87.041
	Stage 2 impairment reversed during the period	-67.747	-37.866
	Cummulative stage 2 impairment total	**117.214**	**149.203**
	STAGE 3 IMPAIRMENT CHARGES*		
	Stage 3 impairment charges at the end of the previous financial year	123.522	168.566
	Stage 3 and impairment charges / value adjustment during the period	60.910	39.287
	Reversal of stage 3 impairment charges during the period	-27.733	-81.161
	Recognised as a loss, covered by stage 3 impairment charges	-9.052	-3.169
	Cummulative stage 3 impairment total	**147.647**	**123.522**
	Total cumulative impairment charges IFRS9	**309.768**	**290.755**

Note	DKK 1,000	2023	2022
	PROVISIONS		
	Provisions beginning of the year	11.716	14.423
	Provisions during the year	3.604	2.045
	Reversal af provisions	-1.904	-4.752
	Provisions for losses	0	0
	Guarantees end of year	**13.416**	**11.716**
	Total cumulative impairment charges IFRS9 and guarantees	**323.184**	**302.471**

	Stage 1	Stage 2	Stage 3
Beginning			
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
End			
Impairment	44.907	117.213	147.648
- in % of total impairment	14%	38%	48%
Maximum credit risk	12.432.169	1.337.371	349.054
- in % of maximum credit risk	88%	9%	2%
Rating, weighted average	2,6	6,5	10,0

The continued uncertainty around the development of society, including increased interest rates and fluctuating energy prices etc., leads to increased uncertainty for both the business community and private households. As a result of this, as of 31 December 2023 the Bank has reserved an extra amount as a management estimate of DKK 100.00 million compared with DKK 70.0 million. 31 December 2022.

The Bank made an estimate of increased impairment rates for the private, business and agriculture segments in the event of an economic downturn. The Bank has updated macro-factors, benchmark calculations etc.

In light of the government platform, a carbon tax is expected to be introduced for agriculture. This is expected to have a major impact on the Bank's agricultural customers, which is why the Bank has increased the management estimate by DKK 30.0 million to DKK 100.0 million in the future. The total management estimates are divided by DKK 34.5 million in stage 1 (2022: DKK 0 million), by DKK 52.1 million in stage 2 (2022: DKK 70.0 million) and by DKK 13.4 in stage 3 (2022: DKK 0 million).

Refer to note 31 for a description of ratings.

	2023	2022
Loans etc. with suspended calculation of interest	**79.762**	**48.534**

Note	DKK 1,000	2023	2022
13	BONDS AT FAIR VALUE		
	Treasuries	740.509	841.192
	Mortgage credit bonds	0	8.918
	Other bonds	11.529	11.623
	Total bonds at fair value	**752.038**	**861.733**
	The bank has no held-to-maturity assets		
14	SHARES ETC		
	Quoted on Nasdaq OMX Copenhagen A/S	19.511	17.266
	Quoted on other stock exchanges	15.688	12.807
	Sectorshares recorded at fair value	248.076	201.683
	Total shares etc	**283.275**	**231.756**
15	SHARES ASSOCIATED WITH POOL SCHEMES		
	Investment units	1.590.630	1.612.015
	Cash deposits etc.	2.206	2.068
	I alt	**1.592.836**	**1.614.083**
16	LAND AND BUILDINGS		
	Investment properties		
	Fair value - end of previous financial year	3.019	3.019
	Fair value end-of-year	**3.019**	**3.019**
	Owner occupied properties	47.868	45.895
	Reassessed value - end of previous financial year	17.770	4.494
	Acquisitions during the year incl. improvements	-1.677	-1.496
	Depreciations	-8.711	-1.025
	Reassessed value end-of-year	**55.250**	**47.868**

External experts have not been involved by measurement of investment- and owner-occupied properties. Return method is used for measurement of investment and owner-occupied properties where used required rate of return between 5.6-7 %.

Owner-occupied properties (leasing)		
Beginning of the year	16.317	18.685
Acquisitions during the year incl. improvements	5.616	0
Depreciations	-2.649	-2.368
End of the year	**19.284**	**16.317**

Note	DKK 1,000	2023	2022
17	OTHER TANGIBLE ASSETS		
	Total cost price beginning-of-year	29.255	23.027
	Acquisitions during the year incl. Improvements	3.453	1.479
	Reduction during the year	-306	0
	Total cost price beginning-of-year	**32.402**	**24.506**
	Total write-ups/downs and depreciations beginning-of-year	23.880	17.401
	Depreciations during the year	2.296	1.730
	Reversal of depreciations	-306	0
	Total write-ups/downs and depreciations end-of-year	**25.870**	**19.131**
	Book value end-of-year	**6.532**	**5.375**
18	DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
	Debt to credit institutions	2.385	2.974
	Total debt to credit institutions and central banks	**2.385**	**2.974**
	Term to maturity		
	Demand	2.385	2.974
	Total debt to credit institutions and central banks	**2.385**	**2.974**
	No liabilities related to genuine sale and repurchase transactions included		
19	DEPOSITS AND OTHER DEBTS		
	Demand	7.015.907	7.147.965
	At notice	16.365	18.063
	Time deposits	611.866	71.050
	Special types of deposits	640.118	603.396
	Total deposits and other debts	**8.284.256**	**7.840.474**
	Term to maturity		
	Demand	7.036.192	7.171.507
	Desposits redeemable at notice:		
	Up to 3 months	303.414	80.515
	Over 3 months and up to 1 year	402.991	80.189
	Over 1 year and up to 5 years	65.748	59.387
	Over 5 years	475.911	448.876
	Total deposits and other debts	**8.284.256**	**7.840.474**
	No liabilities related to genuine sale and repurchase transactions included.		
20	DEFERRED TAXATION		
	(Tax amount)		
	Tangible assets	10.533	7.106
	Loans and other receivables	-5.368	-3.721
	Other	265	364
	Total deferred taxation	**5.430**	**3.749**

Note	DKK 1,000	2023	2022
21	SUBORDINATED DEBT		
	Supplementary capital DKK 100 mio	99.335	98.835
	Rate	6,4573%	6,4573%
	Due date	20.05.2030	20.05.2030

The loan may be paid early with the Danish Financial Supervisory Authority's approval starting on 20 May 2025 and then on each interest payment date.

The interest rate is determined as the 6-year swap rate plus a premium of 6.3 percentage points, valid for 6 years from date of issue.

		2023	2022
	Subordinated debt total	**99.335**	**98.835**
	Subordinated debt that may be included in the capital base	99.335	98.835
	Interest on subordinated liabilities recognised in income	6.592	6.615
22	**SHARE CAPITAL**	**192.800**	**192.800**
	Number of shares is 9,640,000 at DKK 20 each		

The bank has pr. 31. December 2022 13,541 registered shareholders. 93,21 % of the share capital are registered on name

23 HOLDERS OF HYBRID CAPITAL

	2023	2022
Hybrid core capital	**61.148**	**61.015**
Rate	8,6632%	8,6632%
Due date	No date	No date

The hybrid core capital has an infinite maturity and payment of interest is voluntary, which is why it is treated as equity for accounting purposes. The loan can be repaid early on 14 September 2026 with the approval of the Danish Financial Supervisory Authority.

As of 14 September 2026, the interest rate will be changed to a half-year variable coupon rate corresponding to the CIBOR rate published by Nasdaq OMX for a term of 6 months with the addition of 8.80 % annually.

Note	DKK 1,000	2023	2022
24	OWN CAPITAL SHARES		
	Purchase and sales of own shares		
	Holdings beginning of the year		
	Number of own shares	4.713	4.725
	Nominal value of holding of own shares (DKK 1,000)	94	95
	Own shares proportion of share capital	0,05	0,05
	Addition		
	Number of own shares	82.400	47.000
	Nominal value of holding of own shares (DKK 1,000)	1.648	940
	Own shares proportion of share capital	0,85	0,49
	Purchase price (DKK 1,000)	11.001	5.216
	Disposal		
	Number of own shares	80.652	47.012
	Nominal value of holding of own shares (DKK 1,000)	1.613	940
	Own shares proportion of share capital	0,84	0,49
	Sale price (DKK 1,000)	12.650	5.188
	Holdings end of the year		
	Number of own shares	6.461	4.713
	Nominal value of holding of own shares (DKK 1,000)	129	94
	Own shares proportion of share capital	0,07	0,05

At the Annual General Meeting, the bank requests that shareholders be allowed to acquire up to a total nominal value of 3% of the bank's share capital, cf. the provisions in the Danish Budget Act (finansloven), Section 13, paragraph 3. The bank has asked the Danish Financial Supervisory Authority for a framework for holding of treasury shares of 0.25% of the bank's total share capital. The bank wants this authorisation in order to always be able to meet customers' and investors' demand for purchasing and selling Skjern Bank shares and the net acquisitions in 2023 are a consequence of this.

Note		2023	2022
25	CONTINGENT LIABILITIES		
	Guarantees		
	Finance guarantees	384.934	397.280
	Guarantees against losses on mortgage credit loans	753.010	811.308
	Registration and conversion guarantees	562.309	684.593
	Other contingent liabilities	157.165	131.026
	Total	**1.857.418**	**2.024.207**
	Other binding engagements		
	Irrevocable credit-undertakings	437.263	370.096
	Total	**437.263**	**370.096**

Note	DKK 1,000	2023	2022

Assets pledged as collateral

The bank has pledged cash for a total of DKK 10 million.

Contract Legal obligations

If the control of the bank changes, there will be a number of agreements that will end or the terms will be changed. Withdrawal from the data center Bankdata, where, depending on the given change, a severance allowance corresponding to 5 times the last year's bill for Bankdata may be applied. All other agreements are considered to be immaterial.

Like other Danish financial institutions, Skjern Bank is liable for loss sustained by the Deposit Guarantee Fund. The most recent calculation of Skjern Bank's share of the industry's assurances to the Deposit Guarantee Fund is DKK 26,1 million, which is 0,82 %.

In 2023, Skjern Bank paid 0,6 mio DKK to Afviklingsformuen (Settlement Assets).

The Bank is a tenant in one leases, which can be terminated with 12 months' notice, the yearly lease is 173 TDKK.

26 LAWSUITS ETC.

As part of ordinary operations, the bank is involved in disputes and lawsuits. The bank´s risk in these cases are evaluated by the bank´s soliciters and management on an ongoing basis, and provisions are made on the basis of an evaluation of the risk of loss.

27 RELATED PARTIES

Loans and warranties provided to members of the bank's management board, board of directors and committee of representatives are on marked-based terms.

Transactions with related parties

There have during the year not been transactions with related parties, apart from wages and salaries, etc. and loans and similar.

Wages and considerations to the bank's management board, board of directors, audit commitee and committee of representatves can be found in note no. 6.

There are no related with control of the bank.

Amount of loans, mortgages, guarantees, with accompanying security for members of the management and related parties mentioned below:

Management:	2023	2022
Loans	1.486	400
Bid Bond	1.100	400
Rate of interest	5,9 - 7,06%	5,30%
Board of directors:		
Loans	4.039	5.086
Bid Bond	2.683	2.683
Rate of interest	3,9 - 7,95%	0,95-16,10%

Note	DKK 1,000	2023	2022
	Holding of shares in Skjern Bank:		
	The board of managers	33.878	32.862
	Per Munck	9.526	-
	Thomas Baun		
	The board of directors		
	Hans Ladekjær Jeppesen	11.115	11.115
	Bjørn Jepsen	5.286	5.286
	Niels Erik Kjærgaard	300	300
	Finn Erik Kristiansen	1.941	1.941
	Ole Strandbygaard	2.585	2.085
	Lars Skov Hansen	744	704
	Carsten Jensen	2.549	2.415
	Michael Tang Nielsen	1.088	140
28	CAPITAL REQUIREMENT		
	Equity	1.580.909	1.357.788
	Proposed dividend	-48.200	-28.920
	Holders of hybrid capital	-61.148	-61.015
	Deduction for the sum of equity investments etc. above 10 %	-105.241	-74.426
	NPE	-7.470	-4.159
	CVA deduction	-1.038	-1.097
	Deduction of trading framework for own sharers	-3.458	-575
	Core tier 1 capital	**1.354.354**	**1.187.596**
	Holders of hybrid capital	61.148	61.015
	Tier 1 capital	**1.415.502**	**1.248.611**
	Deduction for the sum of equity investments etc. above 10 %	99.335	98.835
	Subordinated loan capital	-629	-4.604
	Capital base	**1.514.208**	**1.342.842**
	Weighted items		
	Credit risk	5.496.142	4.788.415
	Market risk	219.126	255.266
	Operational risk	926.343	759.073
	Weigthed items total	**6.641.611**	**5.802.754**
	Core tier 1 capital ratio (excl. hybrid core capital)	**20,4**	**20,5**
	Tier 1 capital ratio	**21,3**	**21,5**
	Solvency ratio - Tier 2	**22,8**	**22,2**

Note

29 CURRENT VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are measured in the statement of financial position at either fair value or at cost.
Fair value is the price which would be received from the sale of an asset or which will be paid to transfer a liability in a normal transaction between market participants on the measurement date. For financial assets and liabilities valued on active markets, the fair value is calculated based on observable market prices on the market date. For financial instruments valued on active markets, the fair value is calculated based on generally accepted valuation methods.

Shares, etc. and derivative financial instruments are measured in the accounts at fair value so that recognised values correspond to fair value. Loans are recorded in the bank's statement of financial position at amortised cost. The difference to fair value is calculated as fees and commissions received, expenses incurred through lending transactions, interest receivable which is first due for payment after the end of the financial year and for fixed-rate loans, also the variable interest rate, which is calculated by comparing the current market rate with the loans' nominal interest rate.

The fair value of receivables from credit institutions and central banks is determined by the same method as for loans, since the bank does not currently recognise impairments on receivables from credit institutions and central banks.

Bonds issued and subordinated liabilities are measured at amortised cost. The difference between the carrying amount and fair value is calculated based on rates in the market of its own listed emissions.

For floating rate financial liabilities in the form of lending and payables to credit institutions measured at amortised cost, the difference fair value is estimated to be interest payable which is first due for payment after the end of the financial year.

For fixed-rate financial liabilities in the form of lending and payables to credit institutions measured at amortised cost, the difference to fair value is estimated to be interest payable which is first due for payment after the end of the financial year and the variable interest rate.

DKK 1,000	2023		2022	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash in hand+claims at call on central banks	2.345.718	2.345.718	2.830.343	2.830.343
Claims on credit institutes and central banks 1)	60.630	66.829	54.939	54.939
Loans and other debtors at amort. costprice 1)	6.726.792	6.740.185	5.465.049	5.475.070
Total financial assets	**9.133.140**	**9.152.732**	**8.350.331**	**8.360.352**
Financial liabilities				
Debt to credit institutions and central banks 1)	2.385	2.385	2.974	6.258
Deposits and other debts 1)	8.281.555	8.281.542	7.840.730	7.840.713
Subordinated debt 1) 2)	102.514	102.514	100.445	100.445
Total financial liabilities	**8.386.454**	**8.386.441**	**7.944.149**	**7.947.416**

1) The entry includes calculated interest on the balance sheet date, which is included in "Other assets" and "Other liabilities".
2) Applied the latest quoted trading price at the balance sheet date

30 RISKS AND RISK MANAGEMENT

Skjern Bank is exposed to various types of risks which are controlled at various levels within the organisation.
Skjern Bank's financial risks consist of:

Credit risk:
Risk of losses due to debtors' or counterparties' default on payment obligations.

Market risk:
Risk of losses resulting from the fair value of financial instruments and derivative financial instruments fluctuating due to changes in market prices. Skjern Bank classifies three types of risk for the market risk area:
Interest rate risk, equity risk and currency risk.

Liquidity risk:
Risk of losses due to financing costs rising disproportionately, the risk that Skjern Bank is prevented from maintaining the adopted business model due to a lack of financing/funding or ultimately, the risk that Skjern Bank cannot honour incoming payment obligations when due as a result of a lack of financing/funding.

Evaluation of securities:
The bank is exposed to the sectors agriculture and real-estate. The Bank has in the assessment of collateral in agricultural exposures used acres of arable land prices in the range of 125 TDKK - 160 TDKK. In the real-estate sector is used return requirement in the range 5% - 10%. Valuations in both agricultural exposures as real-estate exposures are made in accordance with the FSA's current guidance. The Bank notes that estimating the value of collateral is generally associated with uncertainty.

The following notes to the annual report contain some additional information and a more detailed description of the bank's credit- and market risks.

Note	Figures in pct.	2023	2022
31	CREDIT RISKS		
	Loans and guarantees distributed on sectors		
	Public authorities	0,0	0,0
	Business:		
	Agriculture, hunting, forestry & fishing	10,4	8,5
	- Plant production	2,0	1,3
	- Cattle farming	5,4	4,9
	- Pig farming	2,1	1,1
	- Mink production	0,2	0,4
	- Other agriculture	0,8	0,8
	Industry and mining	3,9	4,4
	Energy	1,1	1,2
	Building and constructions	6,0	6,6
	Wholesale	7,4	7,6
	Transport, hotels and restaurants	0,7	1,4
	Information and communication	0,1	0,1
	Financial and insurance business	6,5	6,2
	Real-esate	8,0	9,5
	Other business	2,4	2,7
	Total business	46,4	48,2
	Private persons	53,6	51,8
	Total	**100,0**	**100,0**

The industry breakdown is based on Danmarks Statistik's industry codes etc.

Furthermore, an individual assessment is made of the individual exposures, which has resulted in some adjustment.

Earmarked credit limit divided by exposure, guarantees and credit commitments

	2023 (DKK 1,000) Exposure	2023 (DKK 1,000) Guarantees	2023 (DKK 1,000) Credit-under-takings
Public authorities	0	0	0
Business - agriculture	1.058.214	157.200	0
Business - other	4.009.403	454.358	366.670
Private persons	4.897.638	1.245.861	70.593
Total	**9.965.255**	**1.857.419**	**437.263**
Which recognized in the balance after deduction of depreciation	6.726.329		

Note

	2022 (DKK 1,000) Exposure	2022 (DKK 1,000) Guarantees	2022 (DKK 1,000) Credit-under-takings
Public authorities	0	0	0
Business - agriculture	816.049	153.689	13.700
Business - other	3.719.060	474.209	330.772
Private persons	3.803.422	1.396.309	25.624
Total	**8.338.531**	**2.024.207**	**370.096**
Which recognized in the balance after deduction of depreciation	5.464.400		

Description of collateral

Security distributed by type (DKK 1,000)	2023 Business, agriculture	2023 Business, other	2023 Private
Securities	34.097	128.463	114.499
Real property	653.685	1.286.753	2.696.517
Chattels, vehicles and rolling stock	27.701	920.248	720.706
Guarantees	4.389	64.375	481
Other forms of security	190.988	567.115	925.669
Total	**910.860**	**2.966.954**	**4.457.872**

Security distributed by type (DKK 1,000)	2022 Business, agriculture	2022 Business, other	2022 Private
Securities	14.541	306.322	78.705
Real property	571.653	1.120.234	1.985.922
Chattels, vehicles and rolling stock	33.893	754.257	588.075
Guarantees	7.808	69.186	701
Other forms of security	181.636	557.557	1.055.786
Total	**809.531**	**2.807.556**	**3.709.189**

As a general rule, the bank receives security in the funded asset. In addition, security is taken in the form of guarantees and mortgagesin parts and shares. The above list reflects the loan value attributable to the individual exposures.

The loan value reflects the fair value calculated in accordance with the bank's business process with a security margin of 10 - 60%,though less by government bonds.

The bank strives to reduce the calculated balance (maximum credit exposure excluding credit commitments less value of collateral andtotal wri-te-downs) across the entire customer portfolio.

In 2023, this resulted in a blank of DKK 3.177,20 million. This is a rise of DKK 431,5 million compared to 2022.

Note DKK 1,000

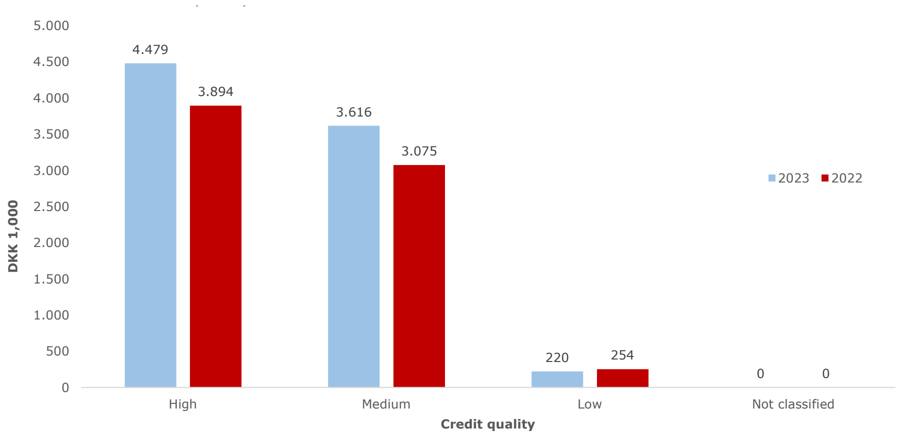
31.12.2023

Financial assets, loan commitments and financial guarantees. Instruments without significant increase in credit risk (stage 1)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Public authorities	2.000	0	0	0	0	0	0	0	0	0	2.000
Agriculture	154.698	226.766	150.359	162.083	331.220	8.786	7.443	23.768	27.307	0	1.092.431
Property	217.657	275.874	201.012	75.218	63.668	15.719	5.794	1.878	10.175	0	866.996
Other	1.114.684	472.097	675.956	400.918	355.285	132.719	34.245	91.086	36.620	0	3.313.610
Private	1.787.300	1.122.821	377.885	760.305	976.557	45.557	33.364	47.138	54.587	0	5.205.514
Deposits at Danmarks Nationalbank	2.233.180	0	0	0	0	0	0	0	0	0	2.233.180
Accounts with other banks	0	60.000	95.700	0	0	0	0	0	0	0	155.700
Instruments without significant increase in credit risk (stage 2)	**5.509.519**	**2.157.558**	**1.500.913**	**1.398.524**	**1.726.731**	**202.782**	**80.847**	**163.869**	**128.688**	**0**	**12.869.432**
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime (stages 2 and 3)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Agriculture	0	0	0	12.175	27.741	8.545	14.811	4.327	7.871	0	75.470
Property	0	0	0	10.703	5.714	35.633	3.395	1.493	19.689	0	76.627
Other	0	0	2	108.741	82.094	95.652	14.578	20.244	24.846	0	346.157
Private	0	50	27	190.479	223.830	46.844	6.422	12.739	58.101	0	538.492
Accounts with other banks	0	0	0	2.750	3.000	420	0	0	0	0	6.170
Instruments with significant increase in credit risk (stage 2)	**0**	**50**	**29**	**324.848**	**342.378**	**187.094**	**39.206**	**38.803**	**110.507**	**0**	**1.042.915**
Industry group											
Agriculture	0	0	0	0	0	0	0	0	0	125.787	125.787
Property	0	0	0	0	0	0	0	0	0	100.379	100.379
Estate agents and other property administration	0	0	0	0	0	0	0	0	0	8.377	8.377
Other	0	0	0	0	0	0	0		0	258.949	258.949
Private	0	0	0	0	0	0	0	0	0	150.019	150.019
Credit-impaired instruments (stages 3 and 2 weak)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**643.511**	**643.511**
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime)	**0**	**50**	**29**	**324.848**	**342.378**	**187.094**	**39.206**	**38.803**	**110.507**	**643.511**	**1.686.426**
Total financial assets, loan commitments and financial guarantees.	**5.509.519**	**2.157.608**	**1.500.941**	**1.723.372**	**2.069.109**	**389.875**	**120.053**	**202.673**	**239.195**	**643.511**	**14.555.857**
Work guarantees etc. not covered by IFRS9											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Total	**148.214**	**167.901**	**62.140**	**133.070**	**111.450**	**15.675**	**6.565**	**3.315**	**6.378**	**23.727**	**678.436**
Total	**5.657.733**	**2.325.509**	**1.563.082**	**1.856.442**	**2.180.560**	**405.551**	**126.618**	**205.988**	**245.574**	**667.237**	**15.234.293**

31.12.2022

Financial assets, loan commitments and financial guarantees. Instruments without significant increase in credit risk (stage 1)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group	2.250	0	0	0	0	0	0	0	0	0	2.250
Agriculture	112.418	79.608	166.926	2.605	287.985	11.614	4.899	75.017	24.644	0	765.715
Property	236.316	476.859	32.108	167.007	72.580	16.170	24.556	20.420	4.023	0	1.050.039
Other	764.914	925.090	185.000	255.763	195.759	26.530	59.824	204.655	28.211	0	2.645.746
Private	1.345.642	988.599	389.879	780.612	623.101	77.840	25.705	46.652	62.598	0	4.340.629
Deposits at Danmarks Nationalbank	2.760.630	0	0	0	0	0	0	0	0	0	2.760.630
Accounts with other banks	1.527	40.000	114.130	0	0	0	0	0	0	0	155.656
Instruments without significant increase in credit risk (stage 2)	**5.223.698**	**2.510.156**	**888.042**	**1.205.987**	**1.179.425**	**132.155**	**114.984**	**346.744**	**119.475**	**0**	**11.720.666**
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime (stages 2 and 3)											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Industry group											
Agriculture	0	0	0	18.171	48.378	28.991	15.627	7.109	20.846	0	139.122
Property	0	0	0	39.354	25.034	19.423	22.430	2.600	14.791	0	123.632
Other	0	0	1	126.920	56.531	67.455	19.464	27.166	75.671	0	373.208
Private	132	0	2.043	92.327	101.313	32.981	10.353	20.090	65.711	0	324.950
Accounts with other banks	0	0	0	2.250	3.000	2	0	0	0	0	5.252
Instruments with significant increase in credit risk (stage 2)	**132**	**0**	**2.045**	**279.022**	**234.257**	**148.851**	**67.875**	**56.965**	**177.018**	**0**	**966.165**
Industry group											
Agriculture	0	0	0	0	0	0	0	0	0	138.725	138.725
Property	0	0	0	0	0	0	0	0	0	56.537	56.537
Estate agents and other property administration	0	0	0	0	0	0	0	0	0	8.383	8.383
Other	0	0	0	0	0	0	0	0	0	277.637	277.637
Private	0	0	0	0	0	0	0	0	0	133.805	133.805
Credit-impaired instruments (stages 3 and 2 weak)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**615.087**	**615.087**
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime)	**132**	**0**	**2.045**	**279.022**	**234.257**	**148.851**	**67.875**	**56.965**	**177.018**	**615.087**	**1.581.251**
Total financial assets, loan commitments and financial guarantees.	**5.223.830**	**2.510.156**	**890.087**	**1.485.008**	**1.413.682**	**281.006**	**182.859**	**403.709**	**296.493**	**615.087**	**13.301.918**
Work guarantees etc. not covered by IFRS9											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Total	**188.575**	**194.615**	**69.196**	**129.900**	**113.810**	**17.799**	**1.855**	**2.400**	**16.713**	**27.878**	**762.740**
Total	**5.412.405**	**2.704.770**	**959.283**	**1.614.908**	**1.527.492**	**298.805**	**184.715**	**406.109**	**313.206**	**642.965**	**14.064.657**

Credit-quality on loans which are neither in arrears not written down *



*) Calculated based on the guidelines for accounting reports for credit institutions and investment companies, etc. regarding thresholds for reporting credit quality classes. Where high credit quality is the classes 3 and 2a, medium credit quality is class 2b and low credit quality is class 2c.

Reasons for individual write-downs and provisions incl stage 2 weak

	2023 Exposure before write-down	2023 Write-downs	2023 Securities
Significant financial difficulties	399.691	120.010	306.733
Breach of contract	4.045	3.435	1.089
Reductions in terms	3.864	2.308	1.043
Probability of bankruptcy	78.418	52.635	57.052
Total	**486.018**	**178.388**	**365.917**

	2022 Exposure before write-down	2022 Write-downs	2022 Securities
Significant financial difficulties	401.907	138.047	285.956
Breach of contract	5.026	4.222	398
Reductions in terms	7.164	3.703	2.363
Probability of bankruptcy	57.864	27.840	37.916
Total	**471.961**	**173.812**	**326.633**

The calculation of securities does not include the value of guarantees and transports. Collateral is calculated at the customer level.
The collateral value of securities in the above table reflects the fair value calculated in accordance with the Bank's business process with a security margin of 10 - 60 %. In connection with the calculation of expected loss, other haircuts are used for security values that reflect the estimated fair value at the time the security is expected to be sold, depending on the type of security. There will thus be differences between the collateral value of securities and the valuation of securities when calculating expected loss. Management estimates are not included in the calculation of impairment losses.

	2023	2022
Arrears amount for loans, which have not been written down		
0-90 days	27.386	13.270
>90 days	2.017	125
Total	**29.403**	**13.395**
Loans and arrears amount for loans, which have not been written down		
0-90 days	226.246	111.060
>90 days	2.438	2.600
Total	**228.684**	**113.660**

Practice for managing credit risk
The bank's credit risk is managed by debtors and other counterparties being rated based on various models that are mainly based on the debtor's/counterparty's financial capacity.
In addition to the models, a number of checks are made to ensure a correct rating. The ratings, both in the models and the checks, are largely based on the Danish Financial Supervisory Authority's guidelines on risk classification.
However, the bank uses a 10-step rating scale that can be compared with the Danish Financial Supervisory Authority's scale in the following way:

The bank's rating class	1	2	3	4	5	6	7	8	9	10
The Danish Financial Supervisory Authority's risk class	3/2A	3/2A	3/2A	2B	2B	2B	2B	2B	2C	1

Rating 1 is assets with very good credit quality, while rating 10 is impaired assets.
The credit risk is assessed to have increased significantly if the rating has deteriorated since initial recognition corresponding to one step on the Danish Financial Supervisory Authority's risk scale.
However, this does not apply to assets with low credit risk, which are defined as the Danish Financial Supervisory Authority's risk classes 3 and 2A.
Whether or not it is an asset with a low credit risk, the credit risk is considered to have increased significantly if the asset is overdrawn for more than 30 days, though arrears on loans are essentially considered an impairment.
Examples of assets with and without significantly impaired credit risk:

	Example 1	Example 2	Example 3
Starting risk class	3	2A	2A
Current risk class	2A	2A	2B
Overdrawn for 30 days	No	Yes	No
Significantly impaired credit risk	No	Yes	Yes

The bank's exposures are grouped by industry in the following groups based on DS industries:

Industry
Government Agencies
Agriculture etc.
Industry and raw materials
Energy
Building and construction
Transport
Information and communication
Financing
Property etc.
PI and mortgage
Other industries
Private

At least once a year, all assets with a rating of 9 (the Danish Financial Supervisory Authority's risk class 2C) are reviewed to assess whether the asset is impaired. In addition to this, a sample is taken from the other rating classes once a year for the same purpose.

All loan options that are handled in the Credit Department by the bank's Executive Board or Board of Directors are also assessed for any impairment. A financial asset is considered impaired if one or more events have occurred that have a negative impact on the expected cash flows from the asset.

Common to the assets is that the following factors are included in the assessment:
- Arrears, overdrafts and/or the bank has discontinued repayment for the asset
- Other creditors have granted a deferment or other easier terms
- The customer is only in this financial context due to a variable-interest loan or repayment freedom, or because the loan has otherwise been offered on easier terms
- The customer is in RKI (Ribers Credit Information), has significant tax debt or distraint has been levied
- The customer is associated with other customers who have impaired credit

When assessing business customers, the following factors are included:
- Negative or fragile equity ratio
- Negative or decreasing consolidation
- Tight liquidity
- Uncertain/negative future
- The customer applies for reconstruction or an agreement to avert bankruptcy
- The customer is bankrupt

When assessing private customers, the following factors are included:
- Negative assets and/or small available amount
- Uncertain future e.g. due to unemployment, divorce or illness
- The customer takes out loans to cover expenditures
- The customer applies for debt relief or an agreement to avert bankruptcy

Information base, assumptions and assessment methods in assessing expected credit loss

Assets with or without significant increase in credit risk

The bank’s credit losses are measured based on the following formula:
ECL = PD x LGD x EAD

Where:
- PD is the probability that the asset will impaired
- LGD is the expected loss, provided the asset is impaired
- EAD is the expected exposure in terms of loss

The probability that the asset will be impaired (PD) is composed of several factors:

- PD at 12 months of credit loss = PD - 12 months x macro factors
- PD in the asset’s lifetime = PD - 12 months x macro factors x extension factors

Calculation of 12 months of credit loss or credit loss in the asset’s lifetime is determined as described in ”Practice for managing credit risk”. Three factors are used for this: Starting risk class, current risk class and overdraft for 30 days.
Information base, assumptions and assessment methods for each factor are described in the overview below.

Factor	Information base	Assumptions	Assessment methods
PD - 12 months	The bank's statistics on cus-tomers for 01.01.2017 - 30.06.2023 distrib-uted by rating class and private and business by DS industry codes	The proportion of custom-ers with impaired credit during the period and the selected groups are repre-sentative of the upcoming 12 months. However, see "Macro factors".	PD is the proportionate num-ber of customers in the men-tioned groups who have impaired credit during the period.
Extension factors	Calculated extension factors from BankData	The factors are representa-tive of the bank's custom-ers. The bank has provided data for the calcula-tions.	Calculated based on histori-cal PD figures from 6 small financial institu-tions in the years 2010-2016.
The asset's lifetime	Settlement agreements for assets, as well as calculated average matur-ities from BankData	Loans are settled as agreed (other-wise the loan is impaired). Credits with renegotiation typically run longer than the initial negotiation.	A loan with a calculated residual maturity of 8 years will have loss estimated for 8 years, with the balance ex-pected for each year. A credit with renegotiation of 10 months will be calculated with the size of the credit on the reporting date in 5 years.

Note

Factor	Information base	Assumptions	Assessment methods
Macro factors	Factors calculated with Lokale Pengeinstitutter's (The Association of Local Banks, Savings Banks and Coopera-tive Banks in Denmark) mac-ro-tools based on forecasts.	The factors are representa-tive of the bank's custom-ers in the near future. The factors were phased out of the model over 10 years, as the extension factors are considered to contain suffi-cient cyclical balancing.	The two variables that must be entered in the tool were selected based on the bank's historical loss data in the years 2011-2022. Factor 1 will limit the increase in the macro from year to year. Factor 1 was chosen based on the greatest increase experienced during the period, so there is not actually a limitation. Factor 2 is a conversion factor between the bank's impairment and realised loss. Factor 2 is set to 100, as there are indications, but not documentation, that the bank's impairment have historically been greater than the realised loss. Both are thus determined based on a principle of caution.
LGD	The bank's statistics for realised loss on assets that were impaired during the period 1/1/2012 to 30/06/2023. The loss rates are divided into private and business according to DS indus-try codes.	The loss rate is representa-tive of the future loss in the mentioned groups.	The loss rate is the realised loss in relation to EAD. To the degree possi-ble, EAD is cal-culated based on the expo-sure one year before the asset was found to be im-paired, and the value of the collateral is not deduct-ed so that it is consistent with the application of the loss calculation.
EAD	EAD is calculated based on expo-sures divided by type. Each type is multiplied by a Credit Conversion Factor, which is determined based on the principles of article 11 of CRR. The value of collat-eral is not deduct-ed when calculating expected loss.	EAD in relation to the expo-sure's size divided by type of asset is expected to remain unchanged in the future	For example, EAD for a credit will be calculated as: Used part x 100% + unused part x 20%. All exposures except for non-finan-cial guarantees are included in the calculation of EAD.

Factor	Information base	Assumptions	Assessment methods
Starting risk class	The as the asset's initial recognition date is the exposure's establish-ment date or the date the exposure is subsequently extended by 50% or more. Since June 2017, assets have been labelled with a starting rating. To the degree possible, previous labels are entered based on the bank's methods for rating on the date of initial recognition.	The return on the asset reflects the risk on the date of establishment (and when there are major increas-es).	Ratings over time are care-fully converted to the current 10-step scale. If there is no initial rating, the loss is recognised in the asset's lifetime, except for assets with low risk (Rating class 1-3)
Current risk class	The customer's rating class on the reporting date	The rating reflects the credit risk	See "Practice for managing credit risk"
Overdrawn for 30 days	The facility's balance and credit facility	If the facility is overdrawn for more than 30 days, the credit risk has increased significantly	There is no minimum thresh-old for overdrafts or offset-ting of any deposits on the customer's other facilities

When using the mentioned macro factors, predictive information is taken into account.
No changes to important assumptions and assessment methods have occurred during the accounting period.

Assets that are impaired
See "Practice for managing credit risk" regarding assessment of whether the asset is impaired.
When calculating the credit loss, the available existing information on the reporting date is used, as well as expectations for future development.

The credit loss on impaired exposures is calculated based on the following criteria:

Exposure in thousands of DKK	Industry	Calculation
0-150	Everyone	The entire exposure is written off as a credit loss
150 -	Private	The credit loss is calculated weighted based on a minimum of 3 scenarios determined by the cause of the credit impairment
150-	Industries except agriculture	The credit loss is calculated weighted based on a minimum of 3 scenarios determined by the cause of the credit impairment
150-	Agriculture	The credit loss is calculated weighted based on a minimum of 3 scenarios

The calculations include the following parameters:
Cause of credit impairment, scenario weight, EAD, value of collateral, expected settlement ability/dividends.
Information base, assumptions and assessment methods for each parameter are described in the overview below.

Factor	Information base	Assumptions	Assessment methods
Cause of credit impairment	The cause of the customer's credit impairment registered by the bank	The probability of each scenario is the same for each cause: Probability of bankruptcy, breach of contract, easier terms and significant financial difficulties	When stating the reason the guidelines in Appendix 10 of the Executive Order are followed
Scenario weight	Exposures that have impaired credit during the period 1/1/2013 – 30/06/2023 where the case has been closed	The historical distribution of scenarios is representative of the credit loss on customers with similar causes and industries. The number of zero-losses fluctuates with the economic trend.	The distribution of exposures by percentage is calculated based on a placement in one of the three scenarios: Zero-loss, Sale and Collapse. The percentage of zero-losses is then reduced in relation to a cyclical factor calculated based on the bank's impairment and provisions during the period 2007-2023.
EAD	Exposure on the reporting date	See under EAD in the table above	See under EAD in the table above
Value of collateral	Current assessments less costs and expected reductions. There are generally greater reductions for a collapse scenario than a sales scenario.	The actual assessment is the closest we can get to a real selling price until the sale is final. Less reductions are expected if the customer cooper-ates with a sale than if it is a forced sale	For agriculture, reductions are used based on histori-cal documentation. There are little experience with other exposures. Reduc-tions are thus estimated based on a precautionary principle.
Expected settlement ability/dividends	Availability calculations for private customers, operating profit and budgets/periodic results for business custom-ers, dividend statements from bankruptcies	The basis indicates something about the ability to settle the expo-sure	Great caution is taken with recognition. If the customer is no longer cooperating with the bank, the settlement ability is generally not recognised

When using the cyclical factors under "Scenario weight", predictive information is taken into account.

32 MARKET RISKS AND SENSITIVITY INFORMATION

In connection with Skjern Bank's monitoring of market risk, a number of sensitivity calculations, which include market risk variables, have been carried out.

Interest rate risk

In the event of a general increase in interest rates by 1 percentage point in the form of a parallel shift of the yield curve, equity is affected as shown below

Note	DKK 1,000	2023	2022
	Interest rate risk on debt instruments etc - total	6.531	11.476
	Interest rate risk in pct of core capital after deductions	0,5	0,9
	Interest rate risk split in currencies with highest risk:		
	DKK	6.677	11.619
	EUR	-118	-54
	CHF	-22	-38
	JPY	0	0
	USD	-19	-68
	Other	13	17
	Total	**6.531**	**11.476**
	Foreign currency risk		
	Total assets in foreign currency	166.524	196.163
	Total liabilities in foreign currency	145.441	159.118
	In the event of a general change in exchange rates of 10%, and in the euro of 2.25%,		
	Currency Indicator 1 will also be increased	1.295	871
	Currency indicator 1 in pct of core capital after deductions	0,1	0,1
	In the event of a general change in exchange rates of 10%, and in the euro of 2.25%,		
	Currency Indicator 2 will also be increased	14	9
	Currency indicator 2 in pct of core capital after deductions	0,0	0,0

Currency Indicator 1 represents the sum of the respective positions in the currencies in which the bank has a net asset position, and currencies where the bank has net debt.

Currency Indicator 2 expresses the bank's currency risk more accurately than indicator 1, as it takes into account the different currencies' volatility and covariation.

A value of indicator 2 of TDKK 25 means that as long as the bank does not change its currency positions in the following 10 days, there is a 1% chance that the institution will get a capital loss greater than TDKK 25, which will affect the bank's profit and equity.

		2023	2022
	Equity Risk		
	If stock prices change by 10 percentage points, equity is affected as shown below:		
	Quoted on Nasdaq OMX Copenhagen A/S	1.951	1.727
	Quoted on other stock exchanges	1.569	1.281
	Unquoted shares recorded at fair value	24.808	20.168
	Total shares etc.	**28.328**	**23.176**

33 DERIVATE FINANCIAL INSTRUMENTS

Derivatives are used solely to hedge the bank's risks. Currency and interest rate contracts are used to hedge the bank's currency and interest rate risks. Cover may not be matched 100%, so the bank has own risk. However, this risk is minor.

Note	DKK 1,000	2023 Nominal value	2023 Net market-value	2023 Market-value-positive	2023 Market-value-negative	2022 Nominal value	2022 Net market-value	2022 Market-value-positive	2022 Market-value-negative
	Currency-contracts								
	Up to 3 months	267.226	59	131	72	245.808	-27	396	423
	Over 3 months and up to 1 year	142.390	-93	0	93	88.799	0	0	0
	Average market value			1.874	1.776			2.363	2.345
	Interest-rate contracts								
	Up to 3 months	208.691	-222	1.072	1.294	270.659	299	594	295
	Over 3 months and up to 1 year	28.910	-35	235	270	38.908	50	69	19
	Over 5 years			1.089	1.382			5.047	5.748
	Average market value								
	Shares contracts	0	0	0	0	13	2	7	5
	Up to 3 months			0	0			2	3
	Average market value			0	0			12	0

DKK 1,000	2023	2022
Credit risk on derivative financial instruments		
Positive market value, counterparty with risk weighting of 20 %	3.370	3.614
Positive market value, counterparty with risk weighting of 50%	772	537
Positive market value, counterparty with risk weighting of 75%	1.031	1.586
Positive market value, counterparty with risk weighting of 100%	3.735	1.015
Positive market value, counterparty with risk weighting of 150%	5	56
Total	**8.913**	**6.808**

Unsettled spot transactions	Nominal value	Market-value-positive	Market-value-negative	Market-value-net
Foreign-exchange transactions, purchase	658	1	-	1
Foreign-exchange transactions, sale	388	1	-	1
Interest-rate transactions, purchase	30.942	149	14	135
Interest-rate transactions, sale	23.331	33	118	-85
Share transactions, purchase	5.784	35	56	-21
Share transactions, sale	5.784	57	33	24
Total 2023	**66.887**	**276**	**221**	**55**
Total 2022	**50.574**	**219**	**150**	**69**

Note	DKK 1,000	2023	2022	2021	2020	2019
34	5 YEARS IN SUMMARY					
	Profit and loss account					
	Net income from interest	403.306	254.324	205.575	190.244	185.287
	Dividend on shares	5.603	4.485	2.657	2.089	5.863
	Charges and commission, net	184.625	204.914	172.738	155.181	143.257
	Income from core business	**593.534**	**463.723**	**380.970**	**347.514**	**334.407**
	Value adjustments	47.178	-30.830	20.181	26.513	40.225
	Other ordinary income	2.525	2.078	3.487	1.977	1.945
	Staff cost and admin. expenses	255.532	234.038	207.517	193.929	191.861
	Depreciation of intangible and tangible assets	15.333	6.620	7.337	5.195	2.821
	Other operating expenses	623	477	480	234	112
	Write-downs on loans etc. (net)	27.638	2.703	-15.227	32.874	16.831
	Operating result	**344.111**	**191.133**	**204.531**	**143.772**	**164.952**
	Taxes	86.132	40.894	41.230	28.131	29.469
	Profit for the year	**257.979**	**150.239**	**163.301**	**115.641**	**135.483**
	Of which are holders of shares of hybrid core capital instruments etc.	5.287	5.287	5.289	6.487	6.626
	Balance as per 31st December					
	Summary					
	Total assets	11.966.911	11.228.493	9.978.498	8.974.467	7.614.080
	Loans and other receivables	6.726.329	5.464.400	4.719.737	4.224.773	4.325.613
	Guarantees etc	1.857.418	2.024.207	2.690.680	2.630.139	2.379.168
	Bonds	752.038	861.733	941.900	959.506	1.045.717
	Shares etc	283.275	231.757	208.217	201.220	225.094
	Deposits and other debts	8.284.256	7.840.474	7.027.670	6.463.735	6.223.604
	Subordinated debt	99.335	98.835	98.334	97.834	97.334
	Total equity	**1.586.066**	**1.363.361**	**1.247.077**	**1.108.059**	**1.026.569**
	- of which proposed dividend	48.200	28.920	28.920	19.280	28.920
	Capital Base	**1.514.208**	**1.342.842**	**1.262.458**	**1.135.869**	**1.032.679**
	Weighted items	6.641.611	5.802.754	5.683.653	5.370.562	5.551.264

Note		2023	2022	2021	2020	2019
35	FINANCIAL RATIO (FIGURES IN PCT.)					
	Solvency ratio	22,8	23,1	22,2	21,2	18,6
	Core capital ratio	21,3	21,5	20,5	19,3	16,9
	Return on equity before tax*	24,0	15,0	17,9	13,7	17,3
	Return on equity after tax*	17,9	11,7	14,2	10,9	14,1
	Return on assets	2,2	1,3	1,6	1,3	1,8
	Earning/expense ratio in DKK	2,15	1,78	2,02	1,62	1,78
	Interest rate risk	0,5	0,9	1,1	1,3	1,6
	Foreign currency position	0,1	0,1	0,1	0,1	0,2
	Foreign currency risk	0,0	0,0	0,0	0,0	0,0
	Loans etc. against deposits					
	Statutory liquidity surplus	71,2	60,8	60,0	60,9	74,6
	NSFR	1,24	1,35	1,42	-	-
	LCR	331	352	353	351	357
	Total large commitments	120,6	106,9	114,4	118,3	136,5
	Loans and debtors at reduced interest	0,9	0,6	0,6	0,9	1,2
	Accumulated impairment ratio	3,6	3,8	3,8	4,9	4,7
	Impairment ratio for the year	0,4	0,1	-0,2	0,4	0,2
	Increase in loans etc. for the year	23,1	15,8	11,7	-2,3	-0,8
	Ratio between loans etc. and capital funds	4,2	4,0	3,8	3,8	4,2
	(value per share 100 DKK)					
	Earnings per share*	131,1	75,3	103,4	56,8	66,8
	Book value per share*	791	676	616	544	502
	Rate on Copenhagen Stock Exchange	718	610	518	352	311
	Dividend per share	25	15	15	10	15
	Market value/net income per share	5,5	8,1	5,0	6,2	4,7
	Market value/book value*	0,91	0,90	0,84	0,65	0,62
	(value per share 20 DKK)					
	Earnings per share*	26,2	15,1	20,7	11,4	13,4
	Book value per share*	158	135	123	109	100
	Rate on Copenhagen Stock Exchange	143,5	122,0	103,5	70,4	62,2

*) Key ratios are calculated as if the hybrid core capital is accounted for as an obligation with which the key figures are calculated based on the shareholders' share of earnings and equity. Shareholders' share of earnings and equity is stated in the equity statement.

FINANCIAL CALENDER 2024

19 January	Deadline for submission of items for the agenda for the Annual General Meeting
7 February	Announcement of Annual Report 2023
4 March	General Meeting – Ringkøbing-Skjern Kulturcenter
8 May	Announcement of quarterly report 1st quarter 2024
15 August	Announcement of half-yearly report 2024
24 Ocotober	Announcement of quarterly report 3rd quarter 2024

COMMITTEE OF REPRESENTATIVES

Name	Jobposition	City	Elected	Born
Hans L. Jeppesen (board chairman)*	Lawyer	Skjern	2011	1964
Ole Strandbygaard (board vice-chairman)*	Printer	Ringkøbing	2008	1972
Jørgen Søndergaard Axelsen	Real estate agent	Skjern	2002	1960
Ebbe Storgaard Bendixen	Manager	Bramming	2020	1981
Britta Boel	Manager	Varde	2022	1976
Heine Delbing	Manager	Odense	2019	1953
Poul Frandsen	Manager	Herning	2012	1967
Peter Sehested Glargaard	Manage	Skjern	2023	1971
Bjarke Hansen	Manager	Ringkøbing	2020	1977
Ole Blach Hansen	Manager	Gørding	2021	1971
Merete Lundøe Hillmann	Vice President	Vedbæk	2023	1969
Tom Jacobsen	Manager	Tarm	2010	1970
Mike Jensen	Bookseller	Skjern	2005	1966
Bjørn Jepsen*	Farmer	Borris	2011	1963
Niels Erik Kjærgaard*	Former city manager	Skjern	2002	1954
Birgitte Kloster	Nordic logisticdirector	Ribe	2018	1966
Dorte H. Knudsen	Nurse	Hviding	2006	1956
Finn Erik Kristiansen*	Manager	Varde	2020	1969
Karsten Larsen	Manager	Dejbjerg	2020	1979
Mads Sand Madsen	Manager	Charlottenlund	2022	1965
Tommy Noer	Technical teacher	Esbjerg	2005	1954
Torben Ohlsen	Manager	Esbjerg	2020	1965
Niels Christian Poulsen	Mink farmer	No	2006	1963
Jesper Ramskov	Manager	Esbjerg	2005	1964
Dina Reffstrup	Sales Manager	Esbjerg	2022	1973
Bente Tang	Farmer	Hanning	2006	1969
Birte Bruun Thomsen	Manager	Esbjerg	2014	1966
Poul Thomsen	Former trader	Skjern	1993	1952
Torben Tobiasen	Manager	Videbæk	2020	1977

*Members of the board of directors

BOARD OF DIRECTORS

Hans Ladekjær Jeppesen, lawyer, Skjern

Board chairman
Born 11th September 1964
Elected on the board in 2011
Current term expires in 2025

Other management duties:
Manager of KLA 2010 ApS
Board chariman of Ide Huse A/S
Board chariman of Grey Holding 2 A/S
Board chariman of Grønbjerg Grundinvest A/S
Board chariman of LHI Invest A/S
Board chariman of PE Trading A/S
Board chariman of Roslev Trælasthandel A/S
Board chariman of Specialfabrikken Vinderup A/S
Board chariman of Kjeld Andreas Ingvardsens Familiefond
Board chariman of Elin Marie Ingvardsens Familiefond
Board member of Advokatpartnerselskabet
Kirk Larsen & Ascanius
Board member of Carl C A/S
Board member of Carl C Ejendomme ApS
Board member of Gråkjær A/S
Board member of Gråkjær Holding A/S
Board member of Gråkjær Aqua A/S
Board member of GråkjærA/S
Board member of Gråkjær Landbrug A/S
Board member of Gråkjær Erhverv A/S
Board member of Grønbjerg Ejendomsselskab A/S
Board member of IFN Denmark ApS
Board member of Kastrup A/S
Board member of Kastrup Ejendomme ApS
Board member of Skanva Group A/S
Board member of Skjern Håndbold A/S
Board member of Vinduesgrossisten ApS

Bjørn Jepsen, farmer, Borris

Vice board chariman
Born 17 October 1963
Elected on the board in 2012
Current term expires in 2024

Other management duties:
Vice board chairman of Mejeriforeningen Danish Dairy Board
Board member of Arla Foods AmbA
Board member of Kvægafgiftsfonden
Board member of Mælkeafgiftsfonden
Board member of Landbrug & Fødevarer, kvæg

Niels Erik Kjærgaard, former city manager, Skjern

Born on 3 July 1954
Elected on the board in 2019
Current term expires in 2024

Other management duties:
Board chairman of Investeringsselskabet Lionek A/S
Board chairman of Iværksætterselskabet K&S ApS

Board member of Ejendomsselskabet Husumparken A/S
Board member of Ejendomsselskabet Husumparken af 2000 A/S
Board member of Fonden Remisen

BOARD OF DIRECTORS

Finn Erik Kristiansen

Born 23 April 1969
Elected on the board 2020
Current term expires 2025

<u>Other management duties:</u>
Manager of ProVarde S/I
Manager of i Bordin Holding ApS

Board chairman of Bog & Idé Aalborg Storcenter ApS
Board chairman of Kristiansen Bog & Idé A/S

Ole Strandbygaard

Born 21 February 1972
Elected on the board 2022
Current term expires 2024

<u>Other management duties:</u>
Manager of Strandbygaard A/S

Board member of Strandbygaard A/S
Board member of MOGIS A/S
Board member of OSBH Invest ApS
Board member of SH Invest, Skjern A/S
Board member of SH 1ApS
Board member of SH 2 ApS
Board member of SH 3 ApS
Board member of Lokalvækst
Board member of PrinfoDenmark A/S
Board member of Prinfo Holding A/S
Board member of Dejbjerglund Efterskole
Board member of KOSS Ejendomme ApS

Lars Skov Hansen, advisor, Esbjerg
Employee-selected

Born 17 May 1973
Elected on the board in 2011
Current term expires in 2027

BOARD OF DIRECTORS

Michael Tang Nielsen, finance manager, Velling
Employee-selected

Born 17 December 1977
Elected on the board in 2019
Current term expires in 2027

Carsten Jensen, advisor, Skjern
Employee-selected

Born 29 April 1980
Elected on the board in 2015
Current term expires in 2027

MANAGEMENT

Per Munck, CEO, Skjern

Born 12 November 1954
Hired 1 November 1999

<u>Other management duties:</u>
Boardmember of Foreningen Bankdata
Boardmember of Forvaltningsinstituttet for Lokale Pengeinstitutter
Boardmember of Fonden Remisen

Thomas Baun, bank director, Varde

Born 12 May 1976
Hired 15 August 2009
Joined the executive board 1 July 2023

AUDIT COMMITTEE SKJERN BANK

Name	Jobposition	City
Niels Erik Kjærgaard (Chairman)	Former city manager	Skjern
Finn Erik Kristiansen	Manager	Varde
Lars Skov Hansen	Advisor	Esbjerg

RISK COMMITTEE SKJERN BANK

Name	Jobposition	City
Bjørn Jepsen (Chairman)	Farmer	Borris
Finn Erik Kristiansen	Manager	Varde
Michael Tang Nielsen	Finance manager	Velling

SKJERN BANK

SKJERN
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6900 Skjern
Tlf. 9682 1333

ESBJERG
Kongensgade 58
6700 Esbjerg
Tlf. 9682 1500

RIBE
J. Lauritzens Plads 1
6760 Ribe
Tlf. 9682 1600

VIRUM
Kongevejen 159
2830 Virum
Tlf. 9682 1480

ØLGOD
Storegade 16-18
6870 Ølgod
Tlf. 9682 1540

VARDE
Bøgevej 2
6800 Varde
Tlf. 9682 1640

BRAMMING
Storegade 20
6740 Bramming
Tlf. 9682 1580

HELLERUP
Strandvejen 143
2900 Hellerup
Tlf. 9682 1450

HØRSHOLM
Lyngsø Allé 3
2970 Hørsholm
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