ANNUAL REPORT 2021

SKJERN BANK

Skjernpigen / Nicole with chair
Original version of Hanne Varming – Banktorvet, Skjern

Extremely satisfactory 2021

2021	Profit before tax of DKK 204,5 million
EQUITY	Equity yielded interest of 17,9 % before tax
CORE EARNINGS	Core earnings amounted to DKK 175,6 million
NET INTEREST AND FEE INCOME	Increased by9,6 % to DKK 381 million
IMPAIRMENT	Increased to DKK -15,2 million, corresponding to -0,2 % of loans and guarantees
LENDING	Loans increased 11,7 % amounted to DKK 4.720 million and deposits amounted to DKK 7.028 million
CAPITAL	Satisfactory capital ratio of 22,2 % and individual solvency requirements of 9,8 %
PROFIT BEFORE TAX EXPECTATIONS	Profit before tax in 2022 is expected in the range of DKK 175 - 205 million

Content

Management's financial report for 2021

A profit before tax of DKK 204.5 million is the result of the Bank's best operating year thus far. The profit was positively affected by growth in net interest and fee income, positive exchange rate adjustments and write-downs recognised as income. Equity yielded a very satisfactory interest of 17.9 % before tax and 14.2 % after tax.

The positive trend in profits over the year have resulted in 5 upward adjustments, most recently on 6 January 2022, where the realised level was announced together with the expectations for profit for 2022. In 2022, a profit before tax is expected in the range of DKK 175 - 205 million and a core earnings in the range of DKK 170 - 190 million. The solid development is thus expected to continue in 2022.

In light of the achieved profit, expectations for future earnings and the adequate capital coverage, it is recommended to the Annual General Meeting that dividends of DKK 3 per share be distributed. The Bank is also budgeting for capital-intensive growth in lending in 2022 and the years ahead and also wants a satisfactory capital coverage, primarily based on equity. This is the reason why the position of this year's dividend distribution is at the lower end of the range of the Bank's dividend policy. A distribution of DKK 3 per share or a total of DKK 28.9 million is considered fully prudent in terms of capital, as the Bank has also strengthened its earnings and capital position in 2021.

The Bank's development is very satisfactory in all areas and the main performance goals in the Bank's strategic plan up to 2022 have been realised at the end of 2021. The most important factors in the strategy are high employee satisfaction, high customer satisfaction and earnings relatively near 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.

Employee satisfaction is measured by an anonymous employee satisfaction survey every year in Q4. The satisfaction has been very high for several years and in 2021, employee satisfaction and pride in working at Skjern Bank was set at 96.3 %, which is very satisfactory. Customer satisfaction is measured in an independent study conducted by Finanssektorens Uddannelsescenter in Skanderborg. In the survey, 87 % respond that they are very satisfied with being a customer of Skjern Bank and 9 out of 10 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. The Bank's earnings in the form of return on equity and earnings per cost ratio are 17.9 % and 2.02 respectively, and are also expected to be at the very top once the financial institutions' 2021 annual reports have been published.

The Bank's credit provision increased in 2021. Lending increased by 11.7 %, while the creditworthiness of the portfolio has improved. The provision of mortgage loans from Totalkredit and DLR Kredit have increased significantly. The customers' participation in pool schemes has grown while at the same time deposits have grown by DKK 563 million or 8.7 %. Amongst other things, the positive development has led to the Bank establishing 2 more branches in Hørsholm and Ølgod in 2021, while there has also been an influx of employees, where at the end of 2021 there were 14 more employees than at the end of 2020.

The Bank's solid development, combined with the generally positive development of the stock markets, has contributed to a very satisfactory development of the price of the Bank's shares in 2021. At the beginning of the year, the rate was 70.4 and at the end of 2021, this increased to 103.5, meaning an increase of 33.1 percentage points, corresponding to 47 %. The low market interest rates have meant that interest income on lending alone has been maintained at the level of 2020, despite lending having increased over the course of the year by DKK 495 million, corresponding to 11.7 %, while a larger share of the average increase was realised at the end of 2021. The net inflow of customers has been very satisfactory and, together with high demand for loans from the Bank's existing customers, lending has increased very satisfactorily.

Interest income on deposits increased from DKK 15.1 million in 2020 to DKK 26.9 million in 2021. The low interest rate in society means that the Bank's placement of surplus liquidity in certificates of deposit in Nationalbanken bore a negative interest rate of 0.50 %, corresponding to a total of DKK 10.5 million.
Net interest income has increased satisfactorily by DKK 15.3 million to DKK 205.6 million, corresponding to an increase of 8.1 %.

Net interest and fee income increased by a total of DKK 33.4 million. The main reasons for this are the increase in interest income on deposits and the increasing fee income as a result of increased activity with the Bank's many new and existing customers. Primarily in the spring of 2021, the opportunities for restructuring mortgage financing have been favourable, and many of the Bank's customers have chosen to take advantage of this. The many loan restructurings, combined with the large influx of new customers with mortgage financing, has resulted in an increase in loan case fees of DKK 4.3 million. The Bank's goal has been to increase the proportion of fee earnings compared to interest income through increased activity in the areas of real estate, securities, pension and insurance. The share of the Bank's earnings from fees relative to net interest and fee income has increased from 43 % in 2019 to 45 % in 2020, which is satisfactory.

Staff and administration expenses etc. increased by DKK 13.6 million, corresponding to 7.0 %, from DKK 193.9 million compared with DKK 207.5 million. The increase follows the expectations and is primarily due to a strategic decision to grow and increase the level of activity in all branches, including the Bank's two newly established branches. Staff costs have increased by DKK 7.3 million as a result of a net of 14 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 were increased by DKK 6.3 million, primarily as a result of higher IT costs and other administrative expenses.

Impairment has decreased by DKK 48 million to an income of DKK 15.2 million, corresponding to -0.2 % of the Bank's loans and guarantees. At the end of the year, a management estimate of DKK 50.0 million was provisioned to accommodate any write-downs as a result of the COVID-19 pandemic and the effects thereof, such as uncertainty regarding global supply lines, rising inflation and rising interest rates etc. The Bank has also allocated a management estimate of DKK 5 million in 2021 for the Bank's exposure within pig production as a result of the uncertainty regarding African Swine Fever and the pressure on terms of trade.

In 2021, the Bank has only realised limited impairment as a result of COVID-19, and the Bank's customers have generally recovered well financially through the first 2 years of the pandemic. Some of the Bank's business customers have deferred VAT and A-tax payments. At the end of 2021, this amounts to around DKK 250 million, which must be repaid during 2022. The Bank is positive about providing financing to the customers who have deferred payments to the public sector and where an individual credit assessment shows that credit can be granted on a sound basis.

The need for write-downs has been limited, and there are no industries that have accounted for a larger share of write-downs in isolation. Overall, the agricultural sector has done reasonably well through 2021, though in the pig sector there have been and still are considerable challenges as a result of African Swine Fever and very weak terms of trade. Milk producers, which is by far the Bank's largest sub-segment in agriculture, have had reasonable terms of trade and in 2022 are looking at a year of good terms of trade and high settlement prices.

The Bank's other businesses are generally doing well, and the Bank's exposures within the hardest-hit industries in connection with the shutdown of Denmark – e.g. the experience industry, hotels and restaurants etc. – are limited. Within the manufacturing industries and the construction sector, challenges continue to arise with high price increases on materials and very sluggish supply lines. This is expected to continue in 2022.

The Bank's private customers have recovered well through 2021, and thus there has been a larger net reversal of write-downs.

At the beginning of 2021, the Bank expected a core earnings in the range of DKK 140 – 155 million. The profit expectations have been adjusted upwards during the year, most recently on 6 January 2022 to approximately DKK 177 million. Core earnings were realised at DKK 175.6 million and were thus increased by a very satisfactory DKK 20.8 million compared to 2020. The increase is partly due to the large influx of customers and high activity amongst existing customers.

There has been an increasing provision of credit union loans, increasing fee income and increasing guarantees driven by continued high activity in the housing market and increased income from negative interest on deposit accounts.

The expectations for the profit before tax for the year at the beginning of 2021 was a range of DKK 125 – 140 million, which was adjusted upwards over the course of the year, the most recent adjustment was on 6 January 2022 to around DKK 202 million. Expectations were realised at DKK 204.5 million. Both the achieved core earnings and the profit before tax are considered entirely satisfactory.

The capital ratio is calculated at 22.2 % and the core capital ratio at 20.5 %. As a result of particularly satisfactory profit, the capital coverage was increased in the course of 2021 compared to the individual solvency requirements, from 11.4 % points in 2020 to 12.4 % points in 2021. With deduction of the capital conservation buffer of 2.5 percentage points and NEP supplement of 3.11 %, the capital coverage at the end of 2021 amounted to 6.8 percentage points. The Bank has a goal of a surplus compared to the capital requirement of min. 5 percentage points, which is thus met. The capital base increased by DKK 126.6 million to DKK 1,262 million. The increase is primarily due to a profit after tax of DKK 163.3 million less interest on hybrid loans of DKK 5.3 million and proposed dividends of DKK 28.9 million.

The Bank's capital ratio amounted to 22.2 % at the end of 2021 and has thus increased by 1.0 percentage points compared to the end of 2020. If the risk-weighted items had been unchanged compared to the end of 2020, the capital ratio would have been increased by 2.3 percentage points. The increase in risk-weighted assets of a total of DKK 313 million thus reduces the capital ratio by 1.3 percentage points. The Bank's solvency requirements have been calculated at 9.8 % and overall the Bank's capital base is considered solid and adequate. With regards to the bank's capital position in general, refer to note 28.

In 2021, the Danish Financial Supervisory Authority investigated the Bank's handling of money laundering. As expected, the investigation proceeded very positively, and the Bank confirmed that the Bank's management in the area was working satisfactorily. The Bank received 4 minor instructions, which have subsequently been prepared and incorporated into the Bank's business procedures and other relevant areas in monitoring money laundering.

FUTURE CAPITAL RESERVES

At the end of 2021, the Bank had a solid capital base with a capital coverage including capital conservation buffer and NEP supplement of 6.8 %. In the coming years, the following capital buffers will be phased in to the requirement for the Bank's capital base:

- The cyclical buffer currently amounts to 0.00 %, but is being phased in by 1 % in Q3 2022 and an additional 1 % in Q4 2022. The cyclical buffer can at maximum be phased in by 2.5 %.
- NEP supplement of 6.0 percentage points once fully phased in on 1 January 2024 The NEP supplement was phased in by 3.11 % at the end of 2021, but increased to 3.7 % on 1 January 2022.

Upon full phasing in of all known capital requirements, and with a solvency requirement of 9.8 %, the Bank's capital requirement can be calculated at 20.8 %. The NEP supplement of 6 % will be phased in on 1 January 2024, and with the cyclical buffer fully phased in at this time, at the end of 2023 the Bank will have a capital ratio of 25.8 %, achieving the Bank's target of capital reserves of 5 percentage points. This corresponds to an increase of 3.6 % compared to 31 December 2021.

The Bank expects that the continued improvement in the earnings will mean that the Bank can phase in the remaining known capital requirements through consolidation from operating earnings, but will eventually raise Tier III capital to partially cover the NEP requirement.

EXPECTATIONS FOR 2022

The Bank has had a very satisfactory 2021, where expectations for all areas have been met and exceeded. In light of this, the Bank is optimistic about 2022 and expects an increase in business volume, including an increase in lending volume of up to 5 %. The earnings trend in 2021 was driven by high activity in all areas, positive exchange rate adjustments and write-downs recognised as income.

The Bank expects an increase in core earnings, but is not budgeting with exchange rate adjustments and write-downs at the same level as in 2021. However, the growth in ordinary operations is sufficient for the Bank to also expect very satisfactory profit in 2022. On 6 January 2022, the Bank announced that it expects core earnings for 2022 in the range of DKK 170 - 190 million and a profit before tax in the range of DKK 175 - 205 million.

The bank has established the strategic and profit-related goals for the coming year, of which the most significant are listed below.

In light of the very satisfactory customer growth, based on referrals and relations to the Bank, the management is very confident in terms of continuing to attract new customers and increasing business volume with the many existing and loyal customers. The focus is on strengthening the Bank's earnings and increasing capital provisioning, partly via retention of satisfied customers and employees. This will secure our position as the independent and local financial institution, which makes a difference in the areas where the Bank's branches are, as well in the long term.

We are pleased to note that the private customers still have a robust economy, which is supported by stable housing prices and general financial accountability and diligence. The Bank is experiencing major growth in the number and business volume of private customers and does not expect any significant challenges with lending to them in 2022. The Bank still has close ties to the agricultural industry, which represents a significant and valuable customer group.

Easily the largest of the customer groups in agriculture is milk producers, who have generally had reasonable profitability in operations in 2021. Reasonable operations are expected to continue in 2022, as favourable settlement prices are expected in 2022. The forecasts are not as good for pig producers for 2022, as the settlement prices have fluctuated considerably in 2021. Furthermore, there is uncertainty regarding African Swine Fever, therefore the Bank expects a tough year for the industry in 2022. To address this, the Bank has made a management estimate of DKK 5 million below the write-downs. The Bank's customers within the mink industry are still waiting for final settlement for their production facilities, but are generally expected to benefit financially from the acquisition.

Overall, we expect quite a reasonable year in agriculture, and the Bank is confident with regard to how the industry will meet the challenges in the coming years. There will still be customers for whom it will be difficult to achieve profitability in 2022 and here the Bank will continue, out of loyalty and respect and in close cooperation with individual farmers, to try to find the best possible solutions.

Lending to agriculture accounts for 9.9 % of the total lending, where the distribution is 5.7 % to cattle farming, 0.7 % to mink production, 1.0 % to pig farming, 1.3 % to crop farming and 1.2 % to other forms of production. The number of customers in the agricultural segment has increased in 2021 and this is expected to continue in 2022 through the acquisition of well-run and well-capitalised agricultural customers within the various industries.

The real estate segment amounts to 9.5 % compared with 11.8 % at the end of 2020 and the exposure in real estate is primarily within rental for residential purposes. The starting point for project financing is typically that they have been sold after completion of the project before commissioning or that there is an adequate liquid security. The other business segments are generally assessed to be developing well, although the COVID-19 pandemic and the effects thereof will also have a clear impact on many markets and business opportunities in 2022, which could lead to losses for the Bank.

The Bank's liquidity is 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.

ACTIVITIES AND BUSINESS VOLUME

During the year, it has been possible to establish new branches in Ølgod and Hørsholm. The branch network is planned to be expanded with a single branch in the Copenhagen area in 2022 if the business potential is assessed to be satisfactory.

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 2021, there is a volume of just over DKK 156 million, which is expected to increase in 2022.

Overall, 2022 is expected to lead to a satisfactory increase in the Bank's business volume and earnings, including in insurance and pension products.

BUSINESS VOLUME IN CONTROLLED DEVELOPMENT

The Bank's business model and credit policy were essentially unchanged in 2021. The focus is, and will continue to be, to be ready to participate in our customers' goals for financing etc. when this can be done in a prudent and risk-acceptable manner.

In total, lending volume increased by DKK 494.9 million, or 11.7 %, to DKK 4,720 million. Deposits from customers increased by DKK 563.9 million or 8.7 % to DKK 7,028 million. The total guarantees for customers increased by DKK 60.5 to DKK 2,691 million.

CAPITAL GOALS AND DIVIDEND POLICY

Due to the acceptable profit after tax, satisfactory capital reserves have been achieved, primarily consisting of a solid core capital of 19.4 % compared with the individual solvency requirement of 9.8 %. An added capital conservation buffer of 2.5 % and NEP supplement of 3.11 % results in a total capital requirement of 15.41 % and a capital coverage relative to the capital requirements of 6.79 percentage points.

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 largely based on actual core capital, but raising foreign capital may also be included in the future capital structure.
The Bank has a satisfactory capital coverage, and therefore it is the management's assessment that there is a solid base to reward the Bank's many shareholders with an appropriate portion of the realised profit. 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. DKK 3 per share is being distributed, which represents a small portion of the satisfactory earnings in 2021. 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 higher than the distribution for the financial year 2020, where DKK 2 per share was distributed based on the Danish Financial Supervisory Authority's recommendations for increased caution as a result of the COVID-19 pandemic.

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

DIVIDEND POLICIES

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

THE BANK'S IMPORTANT STAKEHOLDERS

The Bank's management 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 2021 is 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. The shareholders achieved satisfactory price development in 2021, as the price in 2021 has increased from 70.4 to 103.5, corresponding to 47 %. A cash dividend of DKK 3 per share, a total of DKK 28.9 million, is proposed for the financial year 2021.

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 Skjern Bank. This combined with solid advice, living up to the Bank's key values and the electronic options, such as online meetings and mobile banking, make daily life work smoothly and flexibly.

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 that nearly 9 out of 10 of the Bank's customers would recommend the Bank to others.

All the employees at the Bank are very thankful and humbled by the trust shown by the customers when they refer their family, friends and acquaintances to the Bank in large numbers via the Bank's customer referral concept.

EMPLOYEES

As of 31 December 2021, the Bank employs 189 employees, which is an increase of 14 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 there. 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, the employees and the Bank.

LOCAL COMMUNITIES

The Bank's goal is to play an important role in all of the Bank's local communities, both as a partner for the many business owners, but of course also for the local population in general. It is important for the Bank to back local initiatives and the Bank helps a great number of businesses – entrepreneurs and existing customers - with counselling and financing, so that ideas and investment goals have the best chance of being realised.

The bank is also a partner for more than 400 of the local communities' associations and 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 Skjern 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.

ESG-REPORTING

The Bank supports the green transition and the initiatives taken in various ways in Denmark, the EU and the rest of the world. Like other parts of the financial sector, the business community and society in general, the Bank is making good progress in the development of new initiatives and general reporting in the area and is transitioning to a more sustainable utilisation of resources.

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

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

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

NET INTEREST INCOME

Net interest income amounts to DKK 205.6 million, which is an increase of 8.1 % compared to last year, when net interest income was DKK 190.2 million.

Interest income on customer lending decreased by a net of DKK 0.9 million to DKK 184 million, which is not satisfactory, but unfortunately unavoidable as a result of the continued low interest rate level and fierce competition in the market, which has resulted in lower average lending prices. This includes the Bank's proportion of lending where there was impairment but where interest still continues to be accrued having decreased and interest on this amounts to DKK 7.6 million in 2021 compared with DKK 11.2 million in 2020. Bond interest income decreased by DKK 0.8 million, while there has been an increase of DKK 1.9 million on financial instruments. Overall, interest income is thus on a par with 2020 with DKK 195.6 million.

In terms of accounting, the Bank's negative interest rates on deposits are placed under interest income in a special line in the statement of profit or loss. The Bank has realised DKK 26.9 million on this in 2021, compared with DKK 15.1 million in 2020. Interest income including interest income from deposits has increased by a total of DKK 11.7 million, corresponding to 5.6 %.

Interest expenses decreased by 23.6 % to DKK 6.4 million, which is due to lower interest expenses on deposits of DKK 1.9 million.
The Bank's interest expenses for deposits in Nationalbanken decreased by DKK 1.6 million to DKK 10.6 million in 2021, and in terms of accounting the expenses were placed in a special line in the statement of profit or loss.

FEE INCOME
Income from fees and commissions has increased very satisfactorily by 11.2 % to DKK 178.0 million, driven by growth in the number and volume of customers. Borrowing fees have increased by DKK 4.4 million to a total of DKK 80.5 million and guarantee provisions have increased by DKK 5.3 to DKK 26.3 million.

The customer-driven activity has increased satisfactorily, which increased the income from securities trading and payment services and other fees by a total of DKK 4.6 million.

DIVIDENDS
Dividends from shareholdings increased marginally in 2021 and amount to DKK 2.6 million.

NET INTEREST AND FEE INCOME
Net interest and fee income including dividends increased by 9.6 % to DKK 380.9 million, which is very satisfactory.

EXCHANGE RATE ADJUSTMENTS
In 2021, securities markets were characterised by optimism and increasing share prices

but also slightly lower bond prices.

A profit of DKK 17.5 million was realised in the Bank's shareholdings, compared to DKK 23.4 million in 2020. 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 negative in 2021 by DKK 3.1 million. The bank continues to have a cautious investment policy for bonds, which dictates short maturities and low interest rate risk. The total exchange rate adjustments amount to DKK 20.2 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 5.8 million.

EXPENSES
Staff and administration expenses increased by 7.0 % and amount to DKK 207.5 million, compared with DKK 193.9 million in 2020. This is considered satisfactory in a year in which considerable investment has been made in the expansion of the branch network. Salary expenses have increased by DKK 7.3 million, corresponding to 6.3 %, due to an increasing number of employees, collective bargaining wage increases and an increase in payroll tax.

Other administrative expenses increased in 2021 by DKK 6.3 million to DKK 80.5 million, which is primarily due to higher IT costs.

DEPRECIATION AND WRITE-DOWNS
In 2021, there was depreciation and impairment on tangible fixed assets of DKK 7.3 million, compared with DKK 5.2 million in 2020. The increase is due to the fact that the Bank has written down DKK 2.0 million on a newly acquired domicile in Virum.

IMPAIRMENT
Impairment on loans and customer receivables etc. amounted to -0.2 % of the total loans and guarantees, or an income of DKK 15.2 million, compared with DKK 32.9 million in 2020.

As a result of the continued uncertainty around the COVID-19 pandemic and the potential effects thereof, the management estimate of DKK 50 million was maintained at the end of 2021. In addition, a management estimate of DKK 5 million has been allocated for exposures in pig production as a result of the uncertainty around African Swine Fever and the highly fluctuating terms of trade in general.

Reversal of impairment from previous accounting years amounted to DKK 144.8 million, while recorded losses amounted to DKK 56.5 million, of which DKK 50.6 million had not been previously written down. In total, the Bank has provisioned DKK 295.6 million to accommodate future losses, which corresponds to 3.8 % of the Bank's total lending and guarantees.

CORE EARNINGS
At the beginning of 2021, the Bank expected a core earnings in the range of DKK 140 – 155 million. The expectations for profit have been adjusted upwards several times, most recently on 6 January 2022 to approximately DKK 177 million. Realised core earnings amounted to DKK 175.6 million compared to DKK 154.7 million in 2020 and are considered very satisfactory. The growth is primarily due to increased interest income on deposits and to a sharp increase in fee income.

PROFIT BEFORE TAX
At the beginning of 2021, the expectations for profit before tax for the year were in the range of DKK 125 – 140 million, and over the course of the year, this was adjusted upwards several times, the most recent adjustment was on 6 January 2022 to approximately DKK 202 million. The bank's profit before tax amounted to DKK 204.5 million compared to DKK 143.8 million in 2020. The profit is considered extremely satisfactory.

CAPITAL
At the end of 2021, the Bank's equity amounted to DKK 1,247.1 million, of which DKK 60.9 million was hybrid core capital, which for accounting purposes is included under equity. At the end of 2020, equity was a total of DKK 1,108.1 million. The increase is due to the realised profit in 2021 less approved and paid dividends for the financial years 2020 and 2021 as well as interest on hybrid core capital.

The capital base, which consists of equity and supplemental borrowing, amounted to DKK 1,262.4 million at the end of 2021 and the total risk exposure amounted to DKK 5,683.7 million. The capital ratio is calculated at 22.2 % and the core capital at 20.5 %. The solvency requirement amounted to 9.8 %, whereby there is a satisfactory coverage in relation to the solvency requirement of 12.4 percentage points, corresponding to DKK 707.7 million. At the end of 2021, in addition to the solvency requirements, the Bank will also add a capital conservation buffer of 2.5 % and a NEP supplement of 3.11 %. Including this capital requirement, the solvency coverage relative to the total capital requirements amounts to 6.79 percentage points, corresponding to DKK 385.9 million.

The solvency requirements, which are calculated according to the Danish Financial Supervisory Authority's credit reservation method, are recognised at DKK 454.7 million, corresponding to 8.0 % for the Column 1 requirement (Søjle 1-kravet). In addition, DKK 73.1 million was provisioned for credit risk, including "NPE backstops", where DKK 9.3 million was reserved for an interest risk of DKK 1.1 million and a credit spread risk of DKK 13.3 million under the market risk and DKK 12.5 million for reservations under the operational risk.

The Bank's goal for capital coverage relative to the calculated solvency requirements plus the current phased-in capital requirements is 5 percentage points. In the coming years, the capital requirements will increase significantly by up to a potential 2.5 % in the cyclical buffer and from 3.11 % to 6 % in NEP requirements. At the same time, the Bank has a goal of organic growth in business volume at a level of 3-5 % in the coming years, which increases the requirements for the capital base.

Over the coming years, the bank wants to strengthen the capital base with consolidation from operations and, depending on growth, also supplement it with foreign capital in the form of either hybrid capital, subordinated capital or Tier III capital.

The management considers the Bank to have a solid capital foundation, but there is a constant focus on always having an appropriate capital structure and coverage.

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

LIQUIDITY

The bank's goal is to maintain liquidity reserves at a continued sufficient and solid level based on deposits from the bank's customers. In 2021, the goal was met by increasing the total deposits to a total of DKK 7.028 million.

The bank's liquidity reserves are solid. The LCR (Liquidity Coverage Ratio) of DKK 2.373 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. Skjern 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 2021 has an LCR financial ratio of 353 %.

MAJOR SHAREHOLDERS

The Bank has a major shareholder - Investeringsselskabet af 15. maj (AP Pension Livsforsikringsaktieselskab, København Ø.) - who at the last ownership announcement possessed 20.75% of the share capital and 5 % of the voting rights.

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.

EVENTS OCCURRING AFTER 31 DECEMBER 2021

No events have occurred after 31 December 2021 that significantly affect the Bank's circumstances.

AUDIT

The Danish version of the Annual Report for 2021 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 2021 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.

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 2021 and of the result of the bank's activities for the accounting year 1 January – 31 December 2021.

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 10 February 2022

The board of Skjern Bank A/S

Per Munck
Manager

Skjern, the 10 February 2022

The board of Skjern Bank A/S

Hans Ladekjær Jeppesen — *Bjørn Jepsen*
Chairman — *Vice-chairman*

Niels Erik Kjærgaard — *Finn Erik Kristiansen*

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

Profit and loss account

Note	DKK 1,000	2021	2020
2	Interest receivable	195.584	195.693
	Interest receivable deposits	26.963	15.119
3	Interest payable	6.376	8.344
	Interest payable central banks	10.596	12.224
	Net income from interest	**205.575**	**190.244**
	Dividend on shares and other holdings	2.657	2.089
4	Charges and commission receivable	178.044	160.113
	Charges and commission payable	5.306	4.932
	Net income from interest and charges	**380.970**	**347.514**
5	Value adjustments	20.181	26.513
	Other ordinary income	3.487	1.977
6	Staff costs and administrative expenses	207.517	193.929
	Depreciation and write-downs on intangible and tangible assets	7.337	5.195
	Other operating expenses	480	234
9	Write-downs	-15.227	32.874
	Result before tax	**204.531**	**143.772**
10	Tax	41.230	28.131
	Net-result for the financial year	**163.301**	**115.640**
	Of which are holders of shares of hybrid core capital instruments etc.	5.289	6.487
PROPOSAL FOR DISTRIBUTION OF PROFIT			
	Dividends	28.920	19.280
	Holders of hybrid core capital instruments	5.289	6.487
	Transferred to/from retained earnings	129.092	89.873
	Total distribution of the amount available	**163.301**	**115.640**
STATEMENT OF COMPREHENSIVE INCOME			
	Profit for the financial year	163.301	115.640
	Total comprehensive income	**163.301**	**115.640**

Balance Sheet

Note	DKK 1,000	2021	2020
	ASSETS		
	Cash in hand and demand deposits with central banks	2.566.381	192.109
11	Receivables at credit institutions and central banks	74.300	2.225.139
12	Loans and other receivables at amortised cost	4.719.737	4.224.773
13	Bonds at fair value	941.900	959.506
14	Shares etc.	208.217	201.220
15	Shares associated with pool schemes	1.306.663	1.039.002
16	Holdings in associated enterprises and group enterprises	67.599	66.758
	Investment properties	3.019	3.019
	Owner-occupied properties	45.895	43.166
	Owner-occupied properties, leasing	18.685	20.573
17	Other tangible assets	5.626	4.253
	Current tax assets	3.640	183
	Other assets	84.106	60.806
	Prepayments	329	718
	Total assets	**9.978.498**	**8.974.467**

Note	DKK 1,000	2021	2020
	LIABILITIES		
	DEBT		
18	Debt to credit institutions and central banks	0	181.165
19	Deposits and other debts	7.027.670	6.463.735
	Deposits in pooled schemes	1.306.663	1.039.002
	Other liabilities	280.201	71.121
	Prepayments	1.832	1.656
	Total debt	**8.616.366**	**7.756.679**
	PROVISIONS		
20	Provisions for deferred tax	2.298	1.423
12	Provisions for loss on guarantees	14.423	10.472
	Total provisions	**16.721**	**11.895**
	SUBORDINATED DEBT		
21	Subordinated loan capital	98.334	97.834
	Total subordinated debt	**98.334**	**97.834**
	EQUITY		
22	Share capital	192.800	192.800
	Revaluation reserves	417	417
	Retained earnings	964.059	834.814
	Proposed dividend	28.920	19.280
	Capital owners share of equity	**1.186.196**	**1.047.311**
23	Holders of hybrid capital	60.881	60.748
	Total equity	**1.247.077**	**1.108.059**
	Total liabilities	**9.978.498**	**8.974.467**

Information on changes in equity

Note	DKK 1,000	2021	2020
	Share capital beginning-of-year	192.800	192.800
	Share capital end-of-year	**192.800**	**192.800**
	Revaluation reserves beginning-of-year	417	417
	Revaluation reserves end-of-year	**417**	**417**
	Retained earnings beginning-of-year	834.815	744.402
	Profit or loss for the financial year	129.092	89.873
	Dividend own shares	30	30
24	Purchase of own funds	122	509
	Retained earnings end-of-year	**964.059**	**834.814**
	Dividend beginning-of-year	19.280	28.920
	Proposed dividend	28.920	19.280
	Dividends paid	-19.280	-28.920
	Dividend end-of-year	**28.920**	**19.280**
	Holders of hybrid capital beginning-of-year	60.748	60.030
	Hybrid capital out	-	-60.030
	Hybrid capital in	-	59.244
	Net profit or loss for the year (interest hybrid capital)	5.156	6.211
	Paid interest	-5.023	-4.707
	Holders of hybrid capital end-of-year	**60.881**	**60.748**
	Total equity	**1.247.077**	**1.108.059**

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.

However, the outbreak of the corona pandemic has led to significant fluctuations in both GDP and public consumption in particular, which remains the case. These fluctuations mean that a linear adjustment to the long-term equilibrium over 10 years will overestimate a more likely development in the macroeconomic variables. Therefore, the method of adjusting for the long-term equilibrium for GDP and public consumption respectively changed in such a way that these two variables affect the long-term equilibrium as early as 2023 and maintain this level for the subsequent 10 years.

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.

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 3.5 % - 5.5 % 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	2021	2020
2	INTEREST INCOME		
	Loans and other receivables	191.640	196.227
	Loans (interest conc. the written-down part of loans)	-7.551	-11.188
	Bonds	4.252	5.022
	Other derivative financial instruments, total of which	7.216	5.249
	Interest-rate contracts	-70	5.782
	Currency contracts	7.286	-533
	Other interest income	27	383
	Total	**195.584**	**195.693**
3	INTEREST EXPENSES		
	Deposits	-1.318	640
	Subordinated debt	6.632	6.542
	Other interest expenses	1.062	1.162
	Total	**6.376**	**8.344**

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

Note	DKK 1,000	2021	2020
4	FEES AND COMMISSION INCOME		
	Securities trading and custody accounts	23.762	21.647
	Payment services	12.546	11.098
	Loan fees	80.479	76.106
	Guarantee commission	26.270	20.919
	Other fees and commission	34.987	30.343
	Total	**178.044**	**160.113**
5	VALUE ADJUSTMENTS		
	Bonds	-3.165	-1.040
	Total shares	17.513	23.433
	- Shares in sectorcompanies etc	10.516	9.012
	- Other shares	6.997	14.421
	Foreign currency	6.454	4.615
	Other financial instruments	-621	-219
	Assets linked to pooled schemes	-85.013	-71.313
	Deposits in pooled shemes	85.013	71.037
	Total	**20.181**	**26.513**

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	2021	2020
6	STAFF COSTS AND ADMINISTRATIVE EXPENSES		
	Salaries and remuneration of audit committee, managers etc.		
	Management board	1.336	1.370
	Audit Committee	90	90
	Committee of representatives	181	165
	Total salaries and remuneration of board etc	**1.607**	**1.625**
	Staff costs		
	Wages and salaries	97.412	91.530
	Pensions	10.678	9.725
	Social security costs	1.557	1.243
	Payroll tax	15.753	15.637
	Total staff costs	**125.400**	**118.135**
	Salary to special risk takers (11 persons in 2021, 11 persons in 2020)	10.716	11.085
	Pensions to special risk takers (11 persons in 2021, 11 persons in 2020)	844	864
	The bank has no employees with variable salary shares.		
	Other administrative expenses		
	IT expenses	44.862	41.745
	Rent, electricity, heating etc	2.721	2.248
	Postage, telephony etc	922	1.038
	Other administrative expenses	32.005	29.138
	Total other administrative expenses	**80.510**	**74.169**
	Total staff costs and administrative expenses	**207.517**	**193.929**

Note	DKK 1,000	2021	2020

Pension and severance terms for the executive board
Upon retirement, Skjern Bank pays a severance payment equivalent to 6 months' salary. The management may retire at 62 years. Skjern Bank's notice period to the management is 36 months, but may be 48 months in special circumstances. The management'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.

Average number of employees during the financial year converted into full-time employees	2021	2020
Employed in credit institution business	166	158
Total	**166**	**158**

7 INCENTIVE AND BONUS SCHEMES

The bank does not have any incentive or bonus schemes.

8 AUDIT FEE

	2021	2020
Total remuneration to the auditors appointed by the Annual General Meeting who perform the statutory audit	**759**	**665**
Honorariums for statutory audits of financial statements	458	482
Honorariums for assurance services	157	31
Honorariums for tax advice	72	115
Honorariums for other services	72	37

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

	2021	2020
Write-downs and provisions during the year	132.591	177.716
Reversal of write-downs made in previous years	-144.766	-135.040
Finally lost, not previously written down	5.847	4.828
Interest on the written-down portion of loans	-7.551	-11.188
Recoveries of previously written off debt	-1.348	-3.442
Total	**-15.227**	**32.874**

Note	DKK 1,000	2021	2020
10	TAX		
	Calculated tax of income of the year	42.038	28.315
	Adjustment of deferred tax	865	783
	Adjustment of tax calculated in previous years	-1.673	-967
	Total	**41.230**	**28.131**
	Tax paid during the year	43.150	28.148
	EFFECTIVE TAX RATE (%)	(Pct.)	(Pct.)
	Tax rate currently paid by the bank	22,00	22,00
	Non deductable costs and not taxable income	-1,17	-1,96
	Adjustment of tax calculated for previous years	-0,82	-0,67
	Other adjustments	0,15	0,20
	Effective tax rate	**20,16**	**19,57**
11	RECEIVABLES AT CREDIT INSTITUTIONS AND CENTRAL BANKS		
	Deposits with central banks	0	2.171.326
	Receivables at credit institutions	74.300	53.813
	Total	**74.300**	**2.225.139**
	Remaining period		
	Demand	74.300	2.225.139
	Total	**74.300**	**2.225.139**

No assets related to genuine purchase and resale transactions included.

Note	DKK 1,000	2021	2020
12	LOANS AND OTHER DEBTORS AT AMORTISED COST PRICE		
	Remaining period		
	Claims at call	1.599.516	1.404.900
	Up to 3 months	133.723	111.271
	Over 3 months and up to 1 year	609.199	526.959
	Over 1 year and up to 5 years	1.093.075	928.421
	Over 5 years	1.284.224	1.253.222
	Total loans and other debtors at amortised cost price	**4.719.737**	**4.224.773**

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	21.271	20.005
Stage 1 impairment charges / value adjustment during the period	7.314	12.848
Stage 1 impairment reversed during the period	-15.987	-11.582
Cummulative stage 1 impairment total	**12.597**	**21.271**
STAGE 2 IMPAIRMENT CHARGES		
Stage 2 impairment charges at the end of the previous financial year	109.773	63.076
Stage 2 impairment charges / value adjustment during the period	44.694	92.635
Stage 2 impairment reversed during the period	-54.439	-45.938
Cummulative stage 2 impairment total	**100.028**	**109.773**
STAGE 3 IMPAIRMENT CHARGES*		
Stage 3 impairment charges at the end of the previous financial year	217.886	240.252
Stage 3 and impairment charges / value adjustment during the period	72.139	66.707
Reversal of stage 3 impairment charges during the period	-70.850	-70.684
Recognised as a loss, covered by stage 3 impairment charges	-50.610	-18.389
Cummulative stage 3 impairment total	**168.566**	**217.886**
Total cumulative impairment charges IFRS9	**281.191**	**348.930**

Note	DKK 1,000	2021	2020
	PROVISIONS		
	Provisions beginning of the year	10.472	13.590
	Provisions during the year	8.402	5.527
	Reversal af provisions	-3.490	-6.906
	Provisions for losses	-961	-1.739
	Guarantees end of year	**14.423**	**10.472**
	Total cumulative impairment charges IFRS9 and guarantees	**295.614**	**359.402**

	Stage 1	**Stage 2**	**Stage 3**
Beginning			
Impairment	21.271	109.773	217.886
- in % of total impairment	6%	31%	63%
Maximum credit risk	7.386.203	1.153.356	332.182
- in % of maximum credit risk	83%	13%	4%
Rating, weighted average	3,2	6,9	10,0
End			
Impairment	12.597	100.028	168.566
- in % of total impairment	4%	36%	60%
Maximum credit risk	10.638.886	1.213.375	365.591
- in % of maximum credit risk	87%	10%	3%
Rating, weighted average	2,6	6,8	10,0

In light of the COVID-19 pandemic and the effects thereof, such as uncertainty around global supply lines, rising inflation and rising interest rates etc., an extra amount has been reserved as a management estimate of DKK 50.0 million, of which DKK 32.5 million is in Stage 2 and DKK 17.5 million is in Stage 3.

There is also a management estimate for the agricultural industry of DKK 5.0 million, which is placed in Stage 2.

This is a total of DKK 55.0 million in management estimates, divided into DKK 37.5 million in Stage 2 and DKK 17.5 in Stage 3.

Refer to note 31 on page 83 for a description of ratings.

		2021	2020
Loans etc. with suspended calculation of interest		**45.653**	**61.596**

Note	DKK 1,000	2021	2020
13	BONDS AT FAIR VALUE		
	Treasuries	921.654	942.144
	Mortgage credit bonds	8.483	5.636
	Other bonds	11.763	11.726
	Total bonds at fair value	**941.900**	**959.506**
	The bank has no held-to-maturity assets		
14	SHARES ETC		
	Quoted on Nasdaq OMX Copenhagen A/S	21.886	29.719
	Quoted on other stock exchanges	17.967	16.943
	Sectorshares recorded at fair value	168.364	154.558
	Total shares etc	**208.217**	**201.220**
15	SHARES ASSOCIATED WITH POOL SCHEMES		
	Investment units	1.305.385	1.037.873
	Cash deposits etc.	1.278	1.129
	I alt	**1.306.663**	**1.039.002**
16	LAND AND BUILDINGS		
	Investment properties		
	Fair value - end of previous financial year	3.019	2.961
	Acquisitions during the year incl. improvements	0	58
	Fair value end-of-year	**3.019**	**3.019**
	Owner occupied properties	43.166	44.179
	Reassessed value - end of previous financial year	6.156	408
	Acquisitions during the year incl. improvements	-1.427	-1.421
	Depreciations	-2.000	-
	Reassessed value end-of-year	**45.895**	**43.166**

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-year	20.573	0
Increase from changes in accounting policies at the beginning of the year	-	22.859
Acquisitions during the year incl. improvements	412	
Depreciations	-2.300	-2.286
End of the year	**18.685**	**20.573**

Note	DKK 1,000	2021	2020
17	OTHER TANGIBLE ASSETS		
	Total cost price beginning-of-year	26.220	23.927
	Acquisitions during the year incl. Improvements	3.080	2.418
	Reduction during the year	-6.273	-125
	Total cost price beginning-of-year	**23.027**	**26.220**
	Total write-ups/downs and depreciations beginning-of-year	21.968	20.604
	Depreciations during the year	1.610	1.489
	Reversal of depreciations	-6.177	-125
	Total write-ups/downs and depreciations end-of-year	**17.401**	**21.968**
	Book value end-of-year	**5.626**	**4.252**
18	DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
	Debt to credit institutions	0	181.165
	Total debt to credit institutions and central banks	**0**	**181.165**
	Term to maturity		
	Demand	0	181.165
	Total debt to credit institutions and central banks	**0**	**181.165**
	No liabilities related to genuine sale and repurchase transactions included		
19	DEPOSITS AND OTHER DEBTS		
	Demand	6.458.049	5.844.944
	At notice	19.733	13.430
	Special types of deposits	549.888	605.361
	Total deposits and other debts	**7.027.670**	**6.463.735**
	Term to maturity		
	Demand	6.484.203	5.862.675
	Desposits redeemable at notice:		
	Up to 3 months	86.320	87.148
	Over 3 months and up to 1 year	6.167	6.212
	Over 1 year and up to 5 years	54.675	47.383
	Over 5 years	396.305	460.317
	Total deposits and other debts	**7.027.670**	**6.463.735**
	No liabilities related to genuine sale and repurchase transactions included.		
20	DEFERRED TAXATION		
	(Tax amount)		
	Tangible assets	5.103	3.847
	Loans and other receivables	-3.308	-3.067
	Other	503	643
	Total deferred taxation	**2.298**	**1.423**

Note	DKK 1,000	2020	2019
21	SUBORDINATED DEBT		
	Supplementary capital DKK 100 mio	98.334	97.834
	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.

		2020	2019
	Subordinated debt total	**98.334**	**97.834**
	Subordinated debt that may be included in the capital base	98.334	97.834
	Interest on subordinated liabilities recognised in income	6.632	6.542
22	**SHARE CAPITAL**	**192.800**	**192.800**
	Number of shares is 9,640,000 at DKK 20 each		

The bank has pr. 31. December 2020 15,057 registered shareholders. 96,18 % of the share capital are registered on name

23 HOLDERS OF HYBRID CAPITAL

	2020	2019
Hybrid core capital	**60.881**	**60.748**
Rate	8,6632%	8,6632%
Due date	Ingen dato	Ingen dato

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	2021	2020
24	OWN CAPITAL SHARES		
	Purchase and sales of own shares		
	Holdings beginning of the year		
	Number of own shares	6.047	16.957
	Nominal value of holding of own shares (DKK 1,000)	121	339
	Own shares proportion of share capital	0,06	0,18
	Addition		
	Number of own shares	55.500	57.335
	Nominal value of holding of own shares (DKK 1,000)	1.110	1.147
	Own shares proportion of share capital	0,58	0,59
	Purchase price (DKK 1,000)	4.934	3.491
	Disposal		
	Number of own shares	56.822	68.245
	Nominal value of holding of own shares (DKK 1,000)	1.136	1.365
	Own shares proportion of share capital	0,59	0,71
	Sale price (DKK 1,000)	4.948	4.093
	Holdings end of the year		
	Number of own shares	4.725	6.047
	Nominal value of holding of own shares (DKK 1,000)	95	121
	Own shares proportion of share capital	0,05	0,06

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 2021 are a consequence of this.

Note		2021	2020
25	CONTINGENT LIABILITIES		
	Guarantees		
	Finance guarantees	602.385	689.786
	Guarantees against losses on mortgage credit loans	955.781	787.151
	Registration and conversion guarantees	998.185	1.015.910
	Other contingent liabilities	134.329	137.292
	Total	**2.690.680**	**2.630.139**
	Other binding engagements		
	Irrevocable credit-undertakings	799.908	466.619
	Total	**799.908**	**466.619**

Note	DKK 1,000	2021	2020

Assets pledged as collateral

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

Contract Legal obligations

As a member of Bankdata, the bank is due to a possible resgination required to pay a withdrawal benefit with the addition of the bank's part of capitalized development costs.

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 22,1 million, which is 0,6914 %.

In 2021, Skjern Bank paid 464 TDKK to Afviklingsformuen (Settlement Assets).

The Bank is a tenant in one leases, which can be terminated with 6 months' notice, the yearly lease is 223 TDKK.
The Bank is a tenant in one leases, which can be terminated with 12 months' notice, the yearly lease is 157 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:	2021	2020
Loans	0	0
Bid Bond	0	0
Rate of interest	-	-

Note	DKK 1,000	2021	2020
	Board of directors:		
	Loans	6.798	25.220
	Bid Bond	2.903	41.513
	Rate of interest	0,7864-5,25%	0,333-12,65%
	Holding of shares in Skjern Bank:		
	The board of managers - Per Munck	31.687	30.199
	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
	Lars Skov Hansen	704	704
	Carsten Jensen	2.303	2.164
	Michael Tang Nielsen	140	140
28	CAPITAL REQUIREMENT		
	Equity	1.247.077	1.108.059
	Proposed dividend	-28.920	-19.280
	Revaluation reserves	-417	-417
	Holders of hybrid capital	-60.881	-60.748
	Deduction for the sum of equity investments etc. above 10 %	-47.622	-46.125
	NPE	-1.020	-
	CVA deduction	-977	-1.002
	Deduction of trading framework for own sharers	-2.494	-1.697
	Core tier 1 capital	**1.104.746**	**978.790**
	Holders of hybrid capital	59.378	59.245
	Tier 1 capital	**1.164.124**	**1.038.035**
	Subordinated loan capital	98.334	97.834
	Capital base	**1.262.458**	**1.135.869**
	Weighted items		
	Credit risk	4.672.450	4.369.781
	Market risk	288.622	293.700
	Operational risk	722.581	707.072
	Weigthed items total	**5.683.653**	**5.370.553**
	Core tier 1 capital ratio (excl. hybrid core capital)	**19,4**	**18,2**
	Tier 1 capital ratio	**20,5**	**19,3**
	Solvency ratio - Tier 2	**22,2**	**21,2**

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	2021		2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash in hand+claims at call on central banks	2.566.381	2.566.381	192.109	192.109
Claims on credit institutes and central banks 1)	74.300	74.300	2.225.139	2.225.139
Loans and other debtors at amort. costprice 1)	4.720.266	4.725.991	4.225.804	4.231.398
Bonds at current value 1)	941.900	943.638	961.774	961.774
Shares etc.	208.217	201.220	201.220	201.220
Derivative financial instruments	3.343	3.343	2.884	2.884
Total financial assets	**8.514.407**	**8.514.873**	**7.808.930**	**7.814.524**
Financial liabilities				
Debt to credit institutions and central banks 1)	0	0	181.165	181.165
Deposits and other debts 1)	7.027.670	7.027.894	6.463.736	6.465.015
Derivative financial instruments	3.242	3.242	2.211	2.211
Subordinated debt 1) 2)	99.944	99.944	99.444	99.444
Total financial liabilities	**7.130.856**	**7.131.080**	**6.746.556**	**6.747.835**

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

Note	DKK 1,000	2021	2020
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 90 TDKK - 160 TDKK. In the real-estate sector is used return requirement in the range 4.5% - 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.	2021	2020
31	CREDIT RISKS		
	Loans and guarantees distributed on sectors		
	Public authorities	0,0	0,0
	Business:		
	Agriculture, hunting, forestry & fishing	9,9	10,8
	- Plant production	1,3	1,2
	- Cattle farming	5,7	5,8
	- Pig farming	1,0	1,2
	- Mink production	0,7	1,8
	- Other agriculture	1,2	0,8
	Industry and mining	3,8	3,6
	Energy	1,3	1,8
	Building and constructions	6,8	4,5
	Wholesale	6,7	6,3
	Transport, hotels and restaurants	1,8	1,4
	Information and communication	0,2	0,8
	Financial and insurance business	4,9	4,0
	Real-esate	9,5	11,8
	Other business	3,8	3,8
	Total business	48,7	48,8
	Private persons	51,3	51,2
	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

	2021 (DKK 1,000) Exposure	2021 (DKK 1,000) Guarantees	2021 (DKK 1,000) Credit-undertakings
Public authorities	0	0	0
Business - agriculture	871.776	174.452	168.440
Business - other	3.677.608	645.311	558.850
Private persons	3.005.618	1.870.917	72.618
Total	**7.555.002**	**2.690.680**	**799.908**
Which recognized in the balance after deduction of depreciation	4.719.737		

Note

	2020 (DKK 1,000) Exposure	2020 (DKK 1,000) Guarantees	2020 (DKK 1,000) Credit-under-takings
Public authorities	0	0	0
Business - agriculture	857.462	146.486	25.260
Business - other	3.261.468	674.946	331.988
Private persons	2.674.527	1.808.706	109.371
Total	**6.793.457**	**2.630.138**	**466.619**
Which recognized in the balance after deduction of depreciation	4.224.773		

Description of collateral

Security distributed by type (DKK 1,000)	2021 Business, agriculture	2021 Business, other	2021 Private
Securities	17.883	206.849	74.936
Real property	526.755	1.186.006	1.255.913
Chattels, vehicles and rolling stock	60.095	669.842	492.518
Guarantees	3.637	69.719	1.388
Other forms of security	169.830	665.280	1.314.644
Total	**778.200**	**2.797.696**	**3.139.399**

Security distributed by type (DKK 1,000)	2020 Business, agriculture	2020 Business, other	2020 Private
Securities	8.694	161.853	84.255
Real property	457.376	994.372	1.020.113
Chattels, vehicles and rolling stock	76.147	628.293	430.886
Guarantees	8.632	55.160	2.479
Other forms of security	146.560	622.717	820.140
Total	**697.409**	**2.462.395**	**2.357.873**

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 write-downs) across the entire customer portfolio.

In 2021, this resulted in a blank of DKK 3.234,7 million. This is a fall of DKK 311 million compared to 2020.

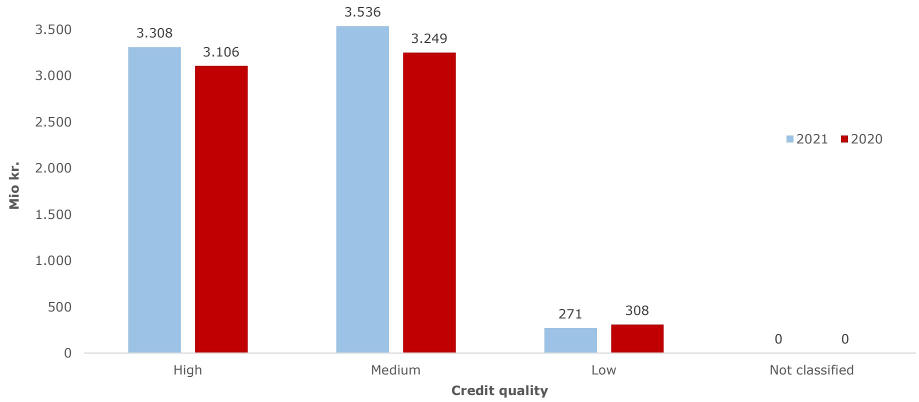
31.12.2021

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											
Agriculture	182.416	83.934	128.777	22.353	434.094	82.678	37.586	9.686	31.338	0	1.012.863
Property	227.286	510.272	67.392	178.106	248.783	32.306	28.052	9.683	3.586	0	1.305.466
Other	643.580	790.363	202.655	297.476	420.935	30.800	56.765	69.735	32.446	0	2.544.755
Private	852.821	825.200	411.842	975.818	564.437	106.023	57.558	66.462	47.012	0	3.907.172
Deposits at Danmarks Nationalbank	2.500.976	0	0	0	0	0	0	0	0	0	2.500.976
Accounts with other banks	3.247	73.000	86.316	0	0	0	0	0	0	0	162.562
Instruments without significant increase in credit risk (stage 2)	4.410.326	2.282.768	896.982	1.473.754	1.668.248	251.807	179.961	155.567	114.381	0	11.433.794
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	1	13.012	39.752	17.645	16.233	12.928	33.314	0	132.885
Property	10	0	0	26.057	25.645	22.317	14.752	3.092	7.842	0	99.715
Other	0	0	2	125.134	78.905	60.011	50.196	20.973	111.024	0	446.245
Private	50	0	26	119.817	90.459	15.996	10.793	8.815	39.966	0	285.923
Accounts with other banks	0	0	0	2.250	0	2	0	0	0	0	2.252
Instruments with significant increase in credit risk (stage 2)	60	0	29	286.270	234.761	115.971	91.974	45.808	192.146	0	967.019
Industry group											
Agriculture	0	0	0	0	0	0	0	0	0	149.231	149.231
Property	0	0	0	0	0	0	0	0	0	82.945	82.945
Other	0	0	0	0	0	0	0	0	0	259.090	259.090
Private	0	0	0	0	0	0	0	0	0	120.681	120.681
Credit-impaired instruments (stages 3 and 2 weak)	0	0	0	0	0	0	0	0	0	611.947	611.947
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime)	60	0	29	286.270	234.761	115.971	91.974	45.808	192.146	611.947	1.578.967
Total financial assets, loan commitments and financial guarantees.	**4.410.386**	**2.282.768**	**897.011**	**1.760.024**	**1.903.009**	**367.779**	**271.934**	**201.375**	**306.528**	**611.947**	**13.012.761**
Work guarantees etc. not covered by IFRS9											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Total	**166.977**	**222.782**	**103.314**	**341.192**	**165.081**	**25.004**	**17.174**	**10.682**	**10.574**	**38.328**	**1.101.108**
Total	**4.577.363**	**2.505.550**	**1.000.325**	**2.101.215**	**2.068.090**	**392.783**	**289.108**	**212.057**	**317.102**	**650.275**	**14.113.869**

31.12.2020

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											
Agriculture	133.449	112.536	111.990	40.546	157.658	114.137	40.137	1.618	65.763	0	777.834
Property	161.074	286.921	115.083	177.901	53.187	117.898	36.231	45.151	3.700	0	997.147
Other	515.369	889.947	158.367	242.294	262.411	55.423	50.266	44.450	58.756	0	2.277.284
Private	677.727	712.239	393.699	824.201	572.545	130.099	52.434	90.031	54.140	0	3.507.115
Deposits at Danmarks Nationalbank	119.097	0	0	0	0	0	0	0	0	0	119.097
Accounts with other banks	2.771	73.000	88.414	0	0	0	0	0	0	0	164.185
Instruments without significant increase in credit risk (stage 2)	1.609.487	2.074.643	867.553	1.284.943	1.045.802	417.556	179.069	181.250	182.359	0	7.842.661
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	205	0	12.474	18.722	6.755	4.783	0	36.289	0	79.228
Property	0	0	0	27.740	45.259	9.431	3.887	0	12.037	0	98.354
Other	1	521	152	120.102	82.846	58.393	7.466	56.208	95.242	0	420.932
Private	1	156	362	106.292	100.470	15.263	2.546	11.130	49.260	0	285.480
Accounts with other banks	0	0	0	2.250	0	1.000	0	0	0	0	3.250
Instruments with significant increase in credit risk (stage 2)	1	882	514	268.858	247.298	90.842	18.682	67.338	192.829	0	887.244
Industry group											
Agriculture	0	0	0	0	0	0	0	0	0	184.766	184.766
Property	0	0	0	0	0	0	0	0	0	96.672	96.672
Other	0	0	0	0	0	0	0	0	0	187.711	187.711
Private	0	0	0	0	0	0	0	0	0	134.306	134.306
Credit-impaired instruments (stages 3 and 2 weak)	0	0	0	0	0	0	0	0	0	603.455	603.455
Instruments for which impairment has been recognised corresponding to expected credit losses in their lifetime)	1	882	514	268.858	247.298	90.842	18.682	67.338	192.829	603.455	1.490.699
Total financial assets, loan commitments and financial guarantees.	**1.609.488**	**2.075.525**	**868.067**	**1.553.801**	**1.293.100**	**508.399**	**197.751**	**248.588**	**375.187**	**603.455**	**9.333.360**
Work guarantees etc. not covered by IFRS9											
Rating classification	1	2	3	4	5	6	7	8	9	10	Total
Total	**153.003**	**221.641**	**127.699**	**345.916**	**141.209**	**24.549**	**16.819**	**17.758**	**19.852**	**41.516**	**1.109.962**
Total	**1.762.491**	**2.297.166**	**995.767**	**1.899.717**	**1.434.308**	**532.948**	**214.570**	**266.345**	**395.039**	**644.971**	**10.443.323**

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

	2021 Exposure before write-down	2021 Write-downs	2021 Securities
Significant financial difficulties	406.670	155.208	250.712
Breach of contract	6.621	4.999	509
Reductions in terms	9.186	5.713	3.204
Probability of bankruptcy	63.938	29.828	45.421
Total	**486.415**	**195.748**	**299.846**

	2020 Exposure before write-down	2020 Write-downs	2020 Securities
Significant financial difficulties	450.320	202.549	260.806
Breach of contract	7.825	5.477	1.743
Reductions in terms	10.209	4.946	4.041
Probability of bankruptcy	45.265	30.517	21.785
Total	**513.619**	**243.489**	**288.375**

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.

	2021	2020
Arrears amount for loans, which have not been written down		
0-90 days	12.658	9.138
>90 days	154	84
Total	**12.812**	**9.222**
Loans and arrears amount for loans, which have not been written down		
0-90 days	95.228	89.453
>90 days	3.202	2.851
Total	**98.430**	**92.304**

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

Assets with and without significantly impaired credit risk, but which are not impaired, 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 - 30.06.2020 distributed by rating class and private and business by DS industry codes	The proportion of cus-tom-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 repre-senta-tive of the bank's custom-ers. The bank has provided data for the calculations.	Calculated based on histori-cal PD figures from 6 small financial institutions in the years 2010-2016.
The asset's lifetime	Settlement agreements for assets, as well as calculat-ed average maturities from BankData	Loans are settled as agreed (otherwise 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 calcu-lated 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 Den-mark) mac-ro-tools based on forecasts.	The factors are repre-senta-tive of the bank's custom-ers in the near future. The factors were phased out of the model over 10 years, as the ex-tension factors are consid-ered 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 2010-2019. Factor 1 will limit the increase in the macro from year to year. Factor 1 was chosen based on the great-est 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 deter-mined based on a principle of caution.
LGD	The bank's statistics for realised loss on assets that were impaired during the period 1/1/2011 to 30/06/2020. The loss rates are divided into private and business according to DS industry codes.	The loss rate is repre-senta-tive of the future loss in the mentioned groups.	The loss rate is the realised loss in relation to EAD. To the degree possible, 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 exposures 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 deducted 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-financial guarantees are included in the calcula-tion of EAD.

Factor	Information base	Assumptions	Assessment methods
Starting risk class	The as the asset's initial recognition date is the exposure's establishment 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 increases).	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.

Note

Factor	Information base	Assumptions	Assessment methods
Cause of credit impairment	The cause of the custom-er'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 finan-cial difficulties	When stating the reason the guidelines in Appendix 10 of the Executive Order are followed
Scenario weight	Exposures that have im-paired credit during the pe-riod 1/1/2011 – 30/09/2019 where the case has been closed	The historical distribution of scenarios is represent-ative of the credit loss on customers with similar causes and industries. The number of zero-losses fluctuates with the eco-nomic trend.	The distribution of ex-posures by percentage is calculated based on a placement in one of the three scenarios: Zero-loss, Sale and Collapse. The per-centage of zero-losses is then reduced in relation to a cyclical factor calculated based on the bank's impair-ment and provisions during the period 2007-2018.
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 reduc-tions. 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 reduc-tions are expected if the customer cooper-ates with a sale than if it is a forced sale	For agriculture, reductions are used based on his-tori-cal documentation. There are little experience with other exposures. Reduc-tions are thus esti-mated based on a precau-tionary principle.
Expected settlement abil-ity/dividends	Availability calculations for private customers, operating profit and budgets/periodic results for business custom-ers, dividend statements from bankruptcies	The basis indicates some-thing about the ability to settle the expo-sure	Great caution is taken with recognition. If the custom-er is no longer cooperating with the bank, the settle-ment 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

Note	DKK 1,000	2021	2020
	Interest rate risk on debt instruments etc - total	12.263	13.398
	Interest rate risk in pct of core capital after deductions	1,1	1,3
	Interest rate risk split in currencies with highest risk:		
	DKK	12.500	13.560
	EUR	-112	-75
	CHF	-40	-47
	JPY	-1	-2
	USD	-80	-38
	Other	-4	0
	Total	**12.263**	**13.398**
	Foreign currency risk		
	Total assets in foreign currency	229.317	190.396
	Total liabilities in foreign currency	117.819	103.934
	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	1.180	828
	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	12	4
	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.

Equity Risk

If stock prices change by 10 percentage points, equity is affected as shown below:

		2021	2020
	Quoted on Nasdaq OMX Copenhagen A/S	2.189	2.972
	Quoted on other stock exchanges	1.797	1.694
	Unquoted shares recorded at fair value	16.836	15.456
	Total shares etc.	**20.822**	**20.122**

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	2021 Nominal value	2021 Net market-value	2021 Market-value-positive	2021 Market-value-negative	2020 Nominal value	2020 Net market-value	2020 Market-value-positive	2020 Market-value-negative
Currency-contracts								
Up to 3 months	261.394	488	1.338	850	117.268	-228	240	468
Over 3 months and up to 1 year	92.781	-59	218	277	16.811	-24	254	278
Average market value			902	609			350	545
Interest-rate contracts								
Up to 3 months	292.560	-450	588	1.038	232.194	-339	1.282	1.621
Over 3 months and up to 1 year	16.618	-28	30	58	35.564	-54	134	188
Over 5 years	0	0	0	0				
Average market value			1.826	2.418			2.881	3.074
Shares contracts								
Up to 3 months	0	0	0	0	0	0	0	0
Average market value			0	0			12	0

DKK 1,000	2021	2020
Credit risk on derivative financial instruments		
Positive market value, counterparty with risk weighting of 20 %	3.367	1.452
Positive market value, counterparty with risk weighting of 50%	843	85
Positive market value, counterparty with risk weighting of 75%	2.176	1.553
Positive market value, counterparty with risk weighting of 100%	293	806
Total	**6.679**	**3.896**

Unsettled spot transactions	Nominal value	Market-value-positive	Market-value-negative	Market-value-net
Foreign-exchange transactions, purchase	2.065	7	-	7
Foreign-exchange transactions, sale	979	3	1	2
Interest-rate transactions, purchase	21.809	7	26	-19
Interest-rate transactions, sale	20.309	61	1	60
Share transactions, purchase	8.953	96	24	72
Share transactions, sale	8.953	25	88	-63
Total 2021	**63.068**	**199**	**140**	**59**
Total 2020	**45.133**	**329**	**290**	**39**

Note	DKK 1,000	2021	2020	2019	2018	2017
34	5 YEARS IN SUMMARY					
	Profit and loss account					
	Net income from interest	205.575	190.244	185.287	185.242	171.972
	Dividend on shares	2.657	2.089	5.863	3.476	10.020
	Charges and commission, net	172.738	155.181	143.257	119.515	114.620
	Income from core business	**380.970**	**347.514**	**334.407**	**308.233**	**296.612**
	Value adjustments	20.181	26.513	40.225	69.389	31.045
	Other ordinary income	3.487	1.977	1.945	1.503	1.031
	Staff cost and admin. expenses	207.517	193.929	191.861	191.626	161.052
	Depreciation of intangible and tangible assets	7.337	5.195	2.821	3.004	3.071
	Other operating expenses	480	234	112	127	52
	- Contribution to the Guarantee Fund for deposits	464	194	112	52	52
	- Other operating expenses	16	40	0	75	0
	Write-downs on loans etc. (net)	-15.227	32.874	16.831	19.729	19.886
	Operating result	**204.531**	**143.772**	**164.952**	**164.639**	**144.627**
	Taxes	41.230	28.131	29.469	22.126	20.804
	Profit for the year	**163.301**	**115.640**	**135.482**	**142.513**	**123.823**
	Of which are holders of shares of hybrid core capital instruments etc.	5.289	6.487	6.626	6.626	5.168
	Balance as per 31st December					
	Summary					
	Total assets	9.978.498	8.974.467	7.614.080	6.703.573	6.367.636
	Loans and other receivables	4.719.737	4.224.773	4.325.613	4.359.561	3.924.509
	Guarantees etc	2.690.680	2.630.139	2.379.168	1.543.324	1.125.541
	Bonds	941.900	959.506	1.045.717	1.016.994	1.072.833
	Shares etc	208.217	201.220	225.094	220.498	245.686
	Deposits and other debts	7.027.670	6.463.735	6.223.604	5.457.413	5.240.913
	Subordinated debt	98.334	97.834	97.334	99.976	99.797
	Total equity	**1.247.077**	**1.108.059**	**1.026.569**	**926.740**	**814.332**
	- of which proposed dividend	28.920	19.280	28.920	28.920	0
	Capital Base	**1.262.458**	**1.135.869**	**1.032.679**	**923.409**	**819.582**
	Weighted items	5.683.653	5.370.562	5.551.264	5.310.230	4.605.145

Note		2021	2020	2019	2018	2017
35	FINANCIAL RATIO (FIGURES IN PCT.)					
	Solvency ratio	22,2	21,2	18,6	17,4	17,8
	Core capital ratio	20,5	19,3	16,9	15,5	15,8
	Return on equity before tax*	17,9	13,7	17,3	19,5	19,8
	Return on equity after tax*	14,2	10,9	14,1	16,8	17,1
	Return on assets	1,6	1,3	1,8	2,1	1,9
	Earning/expense ratio in DKK	2,02	1,62	1,78	1,77	1,75
	Interest rate risk	1,1	1,3	1,6	1,7	1,9
	Foreign currency position	0,1	0,1	0,2	0,2	0,1
	Foreign currency risk	0,0	0,0	0,0	0,0	0,0
	Loans etc. against deposits	60,0	60,9	74,6	86,3	81,4
	Statutory liquidity surplus	-	-	-	165,1	191,6
	NSFR	1,42	-	-	-	-
	LCR**	353	351	357	247	262
	Total large commitments	114,4	118,3	136,5	144,1	55,1
	Loans and debtors at reduced interest	0,6	0,9	1,2	1,9	2,2
	Accumulated impairment ratio	3,8	4,9	4,7	5,8	6,3
	Impairment ratio for the year	-0,2	0,4	0,2	0,3	0,4
	Increase in loans etc. for the year	11,7	-2,3	-0,8	11,1	6,4
	Ratio between loans etc. and capital funds	3,8	3,8	4,2	4,7	4,8
	(value per share 100 DKK)					
	Earnings per share*	103,4	56,8	66,8	70,5	61,5
	Book value per share*	616	544	502	450	390
	Rate on Copenhagen Stock Exchange	518	352	311	305	368
	Dividend per share	15	10	15	15	0
	Market value/net income per share	5,0	6,2	4,7	4,3	6,0
	Market value/book value*	0,84	0,65	0,62	0,68	0,94
	(value per share 20 DKK)					
	Earnings per share*	20,7	11,4	13,4	14,1	12,3
	Book value per share*	123	109	100	90	78
	Rate on Copenhagen Stock Exchange	103,5	70,4	62,2	61,0	73,5

*) 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.

**) New calculation formula from the beginning of 2018 cf. the Danish Financial Supervisory Authority’s guidance.

Note	DKK 1,000

36

COPERATIVE AGREEMENTS

Skjern Bank cooperates with receives commission relating to paymnet transfers from, and is co-owner of some of the following companies: Totalkredit A/S, Nykredit A/S, DLR Kredit A/S, BRF Kredit A/S, Privatsikring A/S, Eurocard, PFA Pension, Sparinvest A/S, Valueinvest Asset Management S.A., BI Asset Management Fondsbørsmæglerselskab A/S, Jyske Invest, Forvaltningsinstituttet for Lokale Pengeinstitutter, Sydinvest A/S, HP Fondsbørsmæglerselskab A/S, Investeringsforeningen Maj Invest, Stonehenge Fondsmæglerselskab A/S, Investeringsforeningen Falcon Invest, SEB Invest A/S, Investeringsforeningen BIL Danmark, Codan, Dankort A/S, Nets A/S, Visma Enterprise, Krone Kapital, Købstædernes Forsikring og Visa International.

FINANCIAL CALENDER 2022

21 January	Deadline for submission of items for the agenda for the Annual General Meeting
10 February	Announcement of Annual Report 2021
7 March	General Meeting – Ringkøbing-Skjern Kulturcenter
5 May	Announcement of quarterly report 1st quarter 2022
18 August	Announcement of half-yearly report 2022
27 Ocotober	Announcement of quarterly report 3rd quarter 2022

AUDIT COMMITTEE

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

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
Jens Bruun	Former manager	Aarhus	2007	1952
Heine Delbing	Manager	Odense	2019	1953
Poul Frandsen	Manager	Herning	2012	1967
Bjarke Hansen	Manager	Ringkøbing	2020	1977
Ole Blach Hansen	Manager	Gørding	2021	1971
Kasper Herrestrup	Chief Investmest Officer	Brabrand	2019	1982
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	Former logisticdirector	Ribe	2018	1966
Dorte H. Knudsen	Nurse	Hviding	2006	1956
Finn Erik Kristiansen*	Manager	Varde	2020	1969
Karsten Larsen	Manager	Dejbjerg	2020	1979
Tommy Noer	Technical teacher	Esbjerg	2005	1954
Torben Ohlsen	Manager	Esbjerg	2020	1965
Morten Henrik Pedersen	Merchant	Holte	2019	1963
Niels Christian Poulsen	Mink farmer	No	2006	1963
Jesper Ramskov	Manager	Esbjerg	2005	1964
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
Helle Vingolf	Manager	Esbjerg	2018	1968

*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 2023

<u>Other management duties:</u>
Manager of Poppelstykket 8 ApS
Board chairman of Byggefirmaet Ivan V. Mortensen A/S
Board chairman of Grey Holding 2 A/S
Board chairman of Grønbjerg Grundinvest A/S
Board chairman of Gråkjær A/S
Board chairman of Gråkjær Holding A/S
Board chairman of Gråkjær Aqua A/S
Board chairman of Gråkjær Aqua International A/S
Board chairman of LHI Invest A/S
Board chairman of ODJ Holding ApS
Board chairman of PE Trading A/S
Board chairman of Roslev Trælasthandel A/S
Board chairman of Specialfabrikken Vinderup A/S

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 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 2022

<u>Other management duties:</u>
Vice board chairman of Mejeriforeningen Danish Dairy Bo-
ard
Board member of Arla Foods AmbA
Board member of Kvægafgiftsfonden
Board member of Mælkeafgiftsfonden
Board member of SEGES- kvæg

Finn Erik Kristiansen

Born 23 April 1969
Elected on the board 2020
Current term expires 2024

Other management duties:
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

Niels Erik Kjærgaard, former city manager, Skjern

Born on 3 July 1954
Elected on the board in 2019
Current term expires in 2022

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

Board member of Ringkøbing-Skjern Kulturcenter
Board member of Ejendomsselskabet Husumparken A/S
Board member of Ejendomsselskabet Husumparken af 2000 A/S
Board member of Skjern Udviklingsforum

Lars Skov Hansen, advisor, Esbjerg
Employee-selected

Born 17 May 1973
Elected on the board in 2011
Current term expires in 2023

Carsten Jensen, advisor, Skjern
Employee-selected

Born 29 April 1980
Elected on the board in 2015
Current term expires in 2023

Michael Tang Nielsen, finance manager, Velling
Employee-selected

Born 17 December 1977
Elected on the board in 2019
Current term expires in 2023

MANAGEMENT

Per Munck, banking executive, Skjern

Born 12 November 1954
Hired 1 November 1999

Other management duties:
Boardmember of Foreningen Bankdata
Boardmember of Forvaltningsinstituttet for Lokale Pengeinstitutter

SKJERN BANK

SKJERN
Banktorvet 3
6900 Skjern
Tlf. 9682 1333

ESBJERG
Kongensgade 58
6700 Esbjerg
Tlf. 9682 1500

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

VIRUM
Frederiksdalsvej 65
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
Tlf. 9682 1420

skjernbank.dk