



3rd quarterly report 2019

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Acceptable profit



30/9 2019

Profit before tax amounts to DKK 134.1 million



EQUITY

Opening equity is expected to bear interest in the range of 17-19 % before tax for the full year of 2019



CORE EARNINGS

Core earnings of DKK 112.0 million, compared with DKK 104.2 million as of 30 September 2018



NET INTEREST AND FEE INCOME

Net interest and fee income increased by 8.8 % to DKK 250.2 million



IMPAIRMENT

Write-downs of DKK 11.2 million



LENDING

Lending growth increased by 1.0 % to DKK 4.3 billion from 30 September 2018



CAPITAL

Capital ratio of 17.8 % and core capital ratio of 16.0 %. Solvency requirements are 9.3 %.



CORE EARNINGS EXPECTATIONS

For the full year 2019, core earnings are in the range of DKK 130 - 150 million



EXPECTATIONS ANNUAL PROFIT BEFORE TAX

Annual profit before tax is expected in the range of DKK 150 – 160 million

5 years in summary

1,000 DKK	30/9 2019	30/9 2018	30/9 2017	30/9 2016	30/9 2015	YEAR 2018
PROFIT AND LOSS ACCOUNT						
Net income from interest	138,574	138,609	128,610	121,330	121,864	185,242
Div. on shares and other holdings	5,787	3,397	9,866	12,340	11,641	3,476
Charges and commissions (net)	105,889	88,028	84,816	64,613	59,310	119,515
Net inc. from int. & charges	250,250	230,034	223,292	198,283	192,815	308,233
Value adjustments	36,793	72,585	28,214	13,630	3,059	69,389
Other ordinary income	1,352	989	874	1,284	1,278	1,503
Staff costs and administrative expenses	140,705	127,793	116,247	109,608	100,400	191,626
Depreciation of intangible and tangible assets	2,295	2,295	2,295	2,898	3,837	3,004
Other operating expenses	112	52	52	52	6,796	127
Operating expenses	112	52	52	52	6,655	75
Guarantee commission first guarantee scheme	0	0	0	0	141	52
Write-downs on loans etc. (net)	11,202	13,939	14,133	24,682	39,713	19,729
Profit on holdings in associated and affiliated companies	0	0	0	0	-700	0
Operating profit	134,081	159,529	119,653	75,930	45,706	164,639
Taxes	24,878	20,438	15,834	15,882	10,741	22,126
Profit for the period	109,203	139,091	103,819	60,048	34,965	142,513
Of which are holders of shares of hybrid core capital instruments etc.	4,707	4,707	4,707	4,707	0	6,626
BALANCE SHEET AS PER JUNI 30TH						
summary						
Total assets	7,332,658	6,596,150	6,101,940	5,663,036	5,464,455	6,703,573
Loans and other debtors	4,289,001	4,245,526	3,776,094	3,668,106	3,712,516	4,359,561
Guarantees etc.	2,262,047	1,335,451	1,025,649	784,090	645,476	1,543,324
Bonds	1,043,597	1,034,147	1,089,020	775,596	782,006	1,016,994
Shares etc.	209,928	250,872	246,068	216,833	172,735	220,498
Deposits	5,772,673	5,293,337	5,011,635	4,666,404	4,483,568	5,457,413
Subordinated cap. investments	99,209	99,917	99,738	99,519	169,340	99,976
Capital funds	1,002,122	925,150	794,347	657,473	554,581	926,740
Dividends						28,920
Capital Base	975,788	923,911	770,595	654,297	599,282	923,409
Total weighted items	5,484,325	5,077,414	4,386,135	4,224,968	4,163,140	5,310,230
CORE EARNINGS						
Core income	255,107	234,421	227,229	140,709	143,402	314,385
Total costs etc.	-143,112	-130,140	-118,595	-74,217	-75,691	-194,757
Core earnings	111,995	104,281	108,634	66,492	67,711	119,628

Financial ratios - 30th September

Figures in pct.	2019	2018	2017	2016	2015
Solvency ratio	17.8	18.2	17.6	15.8	15.6
Core capital ratio	16.0	16.2	15.5	13.9	13.9
Return on own funds before tax*	14.3	19.1	16.1	12.3	8.5
Return on own funds after tax*	11.6	16.6	13.9	9.7	6.5
Earning/expense ratio in DKK	1.87	2.11	1.87	1.52	1.30
Interest rate risk	1.8	1.6	1.8	0.6	-1.4
Foreign currency position	0.3	0.1	0.3	0.4	0.2
Foreign currency risk	0.0	0.0	0.0	0.0	0.0
Advances against deposits	80.2	86.8	82.2	87.1	94.8
LCR	282	236	300	325	240
Total large commitments**)	137	142	40.5	22.8	29.7
Accumulated impairment ratio	5.2	6.0	6.7	7.3	7.9
Impairment ratio for the period	0.2	0.2	0.3	0.5	0.8
Increase in loans etc. for the period	-1.6	8.2	2.4	6.6	1.1
Ratio between loans etc. and capital funds	4.3	4.6	4.8	6.1	6.6
(value pr share 100 DKK)					
Earnings per share (result period)*	54.2	69.7	51.4	28.7	18.1
Book value pr share*	490	449	412	320	289
Market value/earning per share	5.5	4.7	7.3	7.0	9.9
Market value/book value*	0.61	0.73	0.91	0.63	0.62
(value pr share 20 DKK)					
Earnings per share (result period)*	10.8	13.9	15.0	5.7	3.6
Book value pr share*	98	90	82	64	58
Market value	59.8	65.4	75	39	36

*) Financial ratios are calculated as if the hybrid core capital were treated as an obligation for accounting purposes, whereby the financial ratios are calculated based on the shareholders' share of profit and equity. The shareholders' share of profit and equity is shown in the Statement of Changes in Equity.

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

Quarterly overviews

1,000 DKK	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018
PROFIT AND LOSS ACCOUNT					
Net income from interest	45,425	46,196	46,953	46,633	47,130
Div. on shares and other holdings	981	4,471	335	79	487
Charges and commissions (net)	36,974	33,759	35,156	31,487	27,415
Net inc. from int. & charges	83,380	84,426	82,444	78,199	75,032
Value adjustments	22,587	2,615	11,591	-3,196	3,217
Other ordinary income	368	720	264	514	486
Staff costs and administrative expenses	48,320	46,750	45,635	63,833	44,110
Depreciation of intangible and tangible assets	765	765	765	709	765
Other operating expenses	0	112	0	75	0
Operating expenses	0	0	0	0	0
Guarantee commission first guarantee scheme	0	112	0	75	0
Write-downs on loans etc. (net)	4,009	3,463	3,730	5,790	3,812
Operating profit	53,241	36,671	44,169	5,110	30,048
Taxes	7,093	8,068	9,717	1,688	6,266
Profit for the period	46,148	28,603	34,452	3,422	23,782
Of which are holders of shares of hybrid core capital instruments etc.	1,569	1,569	1,569	1,919	1,569
BALANCE					
Loans and other debts	4,289,001	4,330,603	4,331,256	4,359,561	4,245,526
Deposits	5,772,673	5,821,940	5,495,332	5,457,413	5,293,337
Subordinated cap. investments	99,209	97,083	100,000	99,976	99,917
Equity	1,002,122	957,456	935,940	926,740	925,150
Total assets	7,332,658	7,192,148	6,761,185	6,703,573	6,596,150
Guarantees etc.	2,262,047	2,048,683	1,669,526	1,543,324	1,335,451
CORE EARNINGS					
Core income	85,026	86,360	83,721	79,964	76,787
Total costs	-49,085	-47,627	-46,400	-64,617	-44,875
Core earnings	35,941	38,733	37,321	15,347	31,912

Management's report

The first 3 quarters of the year have been very satisfactory with growth in key areas. Net interest and fee income increased by 8.8 % as a result of growth in fee income, while net interest income is unchanged compared to the same period in 2018. In a difficult and competitive market, it is considered satisfactory to maintain the level of interest income, while the increase in fee income has to a certain extent been realised as a result of a strong increase in loan cases on mortgage products. There were also positive capital gains of DKK 36.7 million, of which DKK 20.9 million were realised after the sale of shares in Sparinvest Holdings SE in Q3.

As a consequence of developments in the interest rate market, negative deposit rates of down to 0.75 percentage points have been announced on the bank's corporate customers. The change came into effect in mid-October and will increase the base profit by up to 5%.

The positive development and acceptable profit have meant that the Bank has adjusted its expectations for profit before tax for the year upwards from the range of DKK 135 – 150 million to the range of DKK 150 – 160 million.

Profit before tax as of 30/9/2019 was realised at a satisfactory DKK 134.1 million, which is a reduction of DKK 25.7 million compared to the same period in 2018 as a result of the bank having extraordinary capital gains of about DKK 60 million in Q1 2018 from the sale of Value Invest Asset Management S.A. Corrected for sale of sectoral shares in both years, an increase in profit before tax of DKK 13.3 million was realised, which is considered satisfactory.

Core earnings grew to DKK 112.0 million compared with DKK 104.3 million in 2018, which is satisfactory considering the increased costs of DKK 13 million for strategic initiatives.

Impairments amount to DKK 11.2 million, corresponding to an impairment rate of 0.2 % for the period. The impairment need is at a satisfactory level, primarily as a result of good growth within the agricultural industry. Milk prices have been at a level where profitability is satisfactory in effective businesses, and the economic conditions for pig production have significantly strengthened in recent weeks, primarily as a result of significantly reduced production in China. However, the mink industry is still characterised by very low and not profitable sales prices and low demand.

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

The development in the lending portfolio is still weakly positive. A quite considerable influx of new customers can be noted, but at the same time, the demand for loans from the Bank's existing customers has been limited, which makes it difficult to grow in total lending. However, a lending growth of DKK 43 million or 1 % is noted compared to 30 September 2018.

Taken in isolation, a decrease in lending of DKK 70.6 million or 1.6 % was realised in 2019 as a result of planned large loan repayments with certain customers as well as a generally limited demand for loans. For this reason, the expectation for development in lending for the full year of 2019 is reduced from 5 % to a limited lending growth of up to 1 %.

Another indicator of the high is the Bank's guarantees, which significantly increased to DKK 2,262 million as of 30 September 2019 compared with DKK 1,543 million at the end of 2018. The increase is primarily due to a historically high interest in restructuring mortgages in the months of May to July, where the Bank's customers have largely made use of the currently favourable interest and exchange rate development to convert their mortgage debt into fixed-rate mortgage loans with a historically low interest rate all the way down to 0.50 %.

The proportion of lending and guarantees to private customers increased by 4.3 % to 44.8 % during 2019, which is nicely in line with the Bank's goal of increasing the proportion of lending and guarantees to private customers. This development is expected to continue. It has been strategically decided that the exposure to individual business segments must not exceed 15 %. The Bank offers financial leasing to the Bank's business customers via Skjern Bank Leasing. The development is satisfactory, and 315 leases were established as of 30 September.

The liquidity coverage ratio amounted to 282 % after LCR, which is satisfactory and a slight increase compared to 31/12/2018. The increase is due to increased deposit volumes, which follows the Bank's strategy of maintaining a solid liquidity coverage ratio based on stable customer deposits.

LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.09.2019	31.12.2018	30.09.2018
Public authorities	0.0%	0.0 %	0.0%
Agriculture, hunting, forestry & fishing	11.7%	11.2 %	12.0%
Plant production	1.6%	1.2 %	1.5%
Cattle farming	6.3%	6.0 %	6.6%
Pig farming	1.6%	1.4 %	1.5%
Mink production	1.2%	1.6 %	1.3%
Other agriculture	1.0%	1.0 %	1.1%
Industry and mining	3.4%	2.8 %	2.8%
Energy	2.9%	7.0 %	6.0%
Building and constructions	6.2%	6.7 %	6.7%
Wholesale	6.0%	6.4 %	6.6%
Transport, hotels and restaurants	1.4%	1.5 %	1.4%
Information and communication	0.4%	0.3 %	0.3%
Financial and insurance business	5.0%	5.7 %	6.6%
Real-estate	12.6%	12.8 %	12.2%
Other business	5.5%	5.1 %	5.4%
Private	44.8%	40.5 %	40.0%

The Bank's capital ratio increased in 2019 from 17.4 % to 17.8 %, while the core capital ratio increased from 15.5 % to 16.0 %. The Bank has recognised profit after tax for the first half of 2019 of DKK 63 million in the capital base but has chosen not to recognise the profit for Q3 in the capital base as a result of the satisfactory capital coverage. If the results were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit, the capital ratio could be calculated at 18.7 % and the core capital ratio at 17.0 %.

The individual solvency requirement is calculated at 9.3 %, and the Bank thus has a solvency coverage relative to the solvency requirements of 8.5 %. Compared with the actual capital base of DKK 975.8 million, there was a surplus of DKK 465.7 million at the end of the third quarter of 2019.

Relative to the necessary capital, which is expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 2.5 %, cyclical buffer of 1.0 % and the phased-in NEP supplement of 0.625 %, the coverage can be calculated at 4.375 % points, corresponding to a solvency coverage of 132.5 %, or DKK 239.5 million. If the results were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit, the surplus relative to the necessary capital could be calculated at 5.275 percentage points, corresponding to a solvency coverage of 139.3 % of DKK 289.3 million.

CAPITAL GOALS AND DIVIDEND POLICIES

Due to the satisfactory operating earnings, the Bank has achieved a solid capital coverage, primarily consisting of a core capital of 14.9 % compared with the individual solvency requirements of 9.3%, which, added to the capital conservation buffer of 2.5%, cyclical buffer of 1.0 % and NEP requirement of 0.625%, amounts to total capital requirements of 13.425 percentage points.

The Bank has an unchanged focus on maintaining a solid capital base to support the continued development of the Bank's activities and implementation of current and future regulatory capital requirements.

The capital base will continue to be largely based on actual core capital, but raising foreign capital will also be included in the capital structure if conditions are deemed favourable and it is deemed appropriate.

After many years of solidly increasing earnings without distribution to the shareholders, the Bank has achieved a solid capital coverage. Therefore, it is the management's current assessment that there is a sufficient base to reward the Bank's shareholders with an appropriate portion of the expected profit for 2019, as was the case for the financial year 2018.

The Bank has adopted the following capital goals and dividend policy:

Capital goals

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

Dividend policies

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

THE BANK'S IMPORTANT STAKEHOLDERS

The Bank's management equates cooperation and involvement with the Bank's many stakeholders with running a well-functioning local bank.

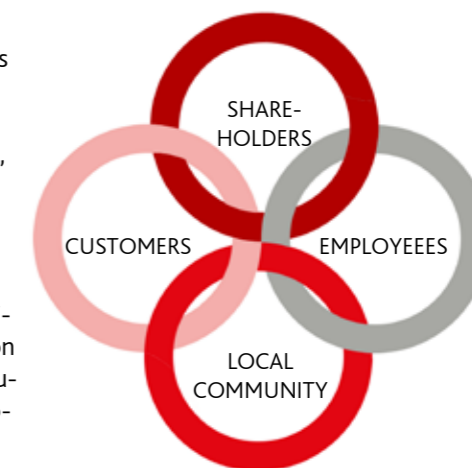
Shareholders

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

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

Customers

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



Through a close familiarity with individual customers and their needs, the Bank wants to make a difference when our customers are facing important financial decisions, but also in daily life when online banking, mobile banking and cards have to work. The Bank wants to be close to the customers, to have short response times and to find the financing solutions that work for each customer. At Skjern Bank, we call this presence, drive and individual solutions.

All the employees at the Bank are very humbled by the trust shown by the customers. This is true when it comes to managing their own private finances but also when they refer their family, friends and acquaintances to the bank in large numbers via the Bank's customer referral concept. The references from satisfied customers is the biggest reason why the bank experiences high and very satisfactory customer growth year after year.

Employees

The Bank currently employs 160 employees, which is an increase of 7 employees in the last year. All employees are offered employment terms that conform to the market as well as relevant training and continuing education in order to always ensure a high level of professionalism.

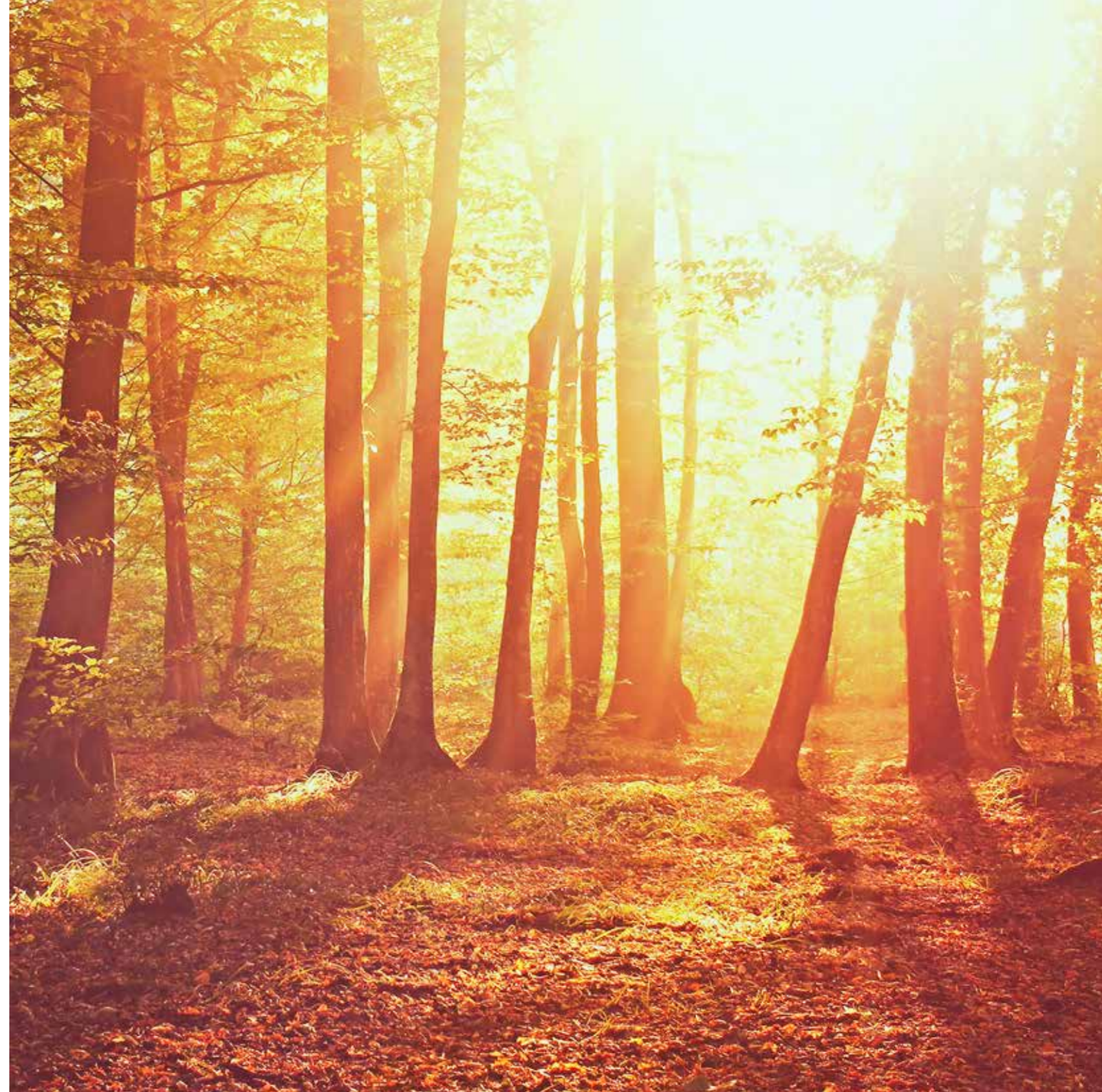
Employee job satisfaction is very important for the Bank and there are annual measurements of the development in employee satisfaction in each department and the Bank as a whole. It is a strategic goal for the Bank to have employees who are happy to work at the Bank and are proud to work there. There is a very high level of employee satisfaction, which is an important foundation for always being able to offer our many customers advice and service at the high level expected by the customers, the employees and the Bank.

Local community

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

The Bank is also a partner for a wide range of local community associations and organisations and supports both sports and culture and associations in general. The Bank has been very well received by the association community and the Bank has had a wide range of very productive mutual partnerships to the benefit of the specific association and its members as well as the Bank.

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



NET INTEREST INCOME

Net interest income amounted to DKK 138.6 million as of 30 September 2019, which is at the same level as 30 September 2018.

Total interest income decreased by DKK 1.3 million, corresponding to 0.9 % compared to 30 September 2018. The downturn is due to a decrease in interest income from bonds, while interest income from lending is at the same level as last year.

Interest expenses amounted to DKK 11.9 million and were reduced by DKK 1.3 million, corresponding to 10.0 %, as a result of reduced interest expenses for customer deposits which, due to the low interest rate level, is realised at DKK 2.4 million, compared with DKK 5.2 million as of 30 September 2018. However, the Bank's interest expenses for placing surplus liquidity in Nationalbanken increased by DKK 1.4 million and amounted to DKK 4.6 million as of 30 September 2019.

NET FEE AND COMMISSION INCOME

Net income from fees and commissions amounted to DKK 105.9 million, compared to DKK 88.0 million in 2018, and thus increased by DKK 17.9 million. The increase in fee income is due to a large influx of customers and generally high activity, particularly with loan transaction fees, which increased by DKK 11.3 million compared to 30 September 2018. The very high activity in restructuring customers' mortgages has particularly contributed to the growth.

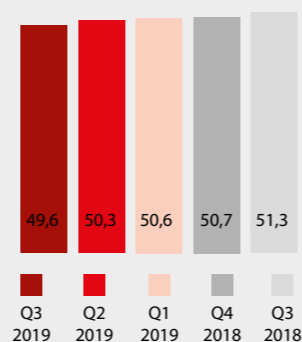
Dividends were realised at DKK 5.6 million, corresponding to an increase of DKK 2.3 million.

Net interest and fee income amounted to DKK 250.2 million, which is DKK 20.2 million or 8.8 % higher than 30 September 2018.

EXCHANGE RATE ADJUSTMENTS

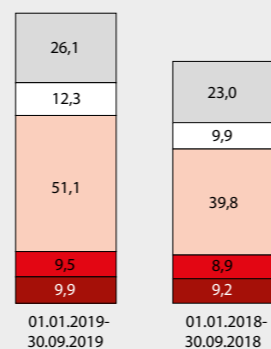
The securities markets have been characterised by fluctuations but have generally been positive in 2019 after a turbulent Q4 2018. For

Interest income (Million DKK)

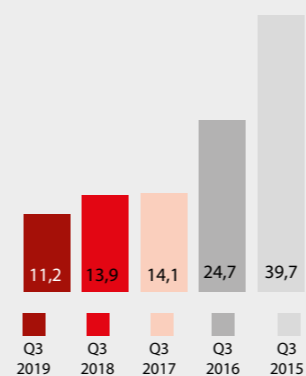


Charges and commissions receivable (Million DKK)

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



Write-downs on loans etc. (Million DKK)



this reason, the Bank has earned profits totalling DKK 36.8 million on the portfolio of stocks and bonds, compared with DKK 72.6 million as of 30 September 2018. In Q1 2018, the Bank sold its ownership interest in Value Invest Asset Management S.A. and acquired capital gains of approximately DKK 60 million from this. When adjusted for exchange rate adjustments, this alone is an improvement of DKK 24.2 compared to 30 September 2018. This improvement is a result of the DKK 20.9 million from the Bank's sale of shares in SparInvest Holding SE in August 2019.

As of 30 September 2019, capital gains were divided into DKK -1.7 million in the bond portfolio and DKK 34.6 million in the shareholdings, of which sectoral shares comprise DKK 27.2 million. In addition, exchange rates and derivative financial instruments achieved an income of DKK 3.9 million in the same period.

COSTS

Staff and administration expenses etc. increased by DKK 13.2 million, corresponding to 10.4 % and amounted to DKK 140.7 million as at 30 September 2019, compared with DKK 127.5 million in the same period in 2018.

With regard to the organic growth and handling the increased regulation in the sector, the number of employees increased and staff costs increased by DKK 7.7 million compared to 30 September 2018. This also includes increased payroll tax of DKK 1.4 million as well as collective agreement wage increases.

Administration costs increased by DKK 4.7 million, distributed between IT expenses, marketing and other administrative costs.

It is the management's expectation that regular expenditures for the full year of 2019 will increase in the range of 5-6 % compared to expenses of approximately DKK 180 million, adjusted for one-time expenses of DKK 12 million in 2018 for IT.

IMPAIRMENT

Net impairment for the period of DKK 11.2 million compared with DKK

13.9 million in 2018.

There is increased impairment of DKK 96.9 million, and reversals of previous impairment of DKK 80.5 million. Recorded losses for the period amounted to DKK 21 million, of which only DKK 3.0 million had not been previously written down. Interest relating to the impaired portion of lending constitutes DKK 7.3 million.

Devaluations on loans, etc. for the period correspond to 0.2% of the total loans and guarantees.

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

PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 134.1 million compared with DKK 159.8 million as of 30 September 2018. After taxes, the period's net profit amounted to DKK 109.2 million.

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

Core earnings were realised at a continued historically high level of DKK 112.0 million, which is DKK 7.7 million higher than 30 September 2018. The profit is very satisfactory considering the increased costs for strategic activity expansions.

CAPITAL

Equity amounted to DKK 1,002 million compared to DKK 926.7 million at the end of the previous year. A hybrid core capital of DKK 59.9 million was recognised in the Bank's equity on 30 September 2019.

After addition of subordinated capital contributions of DKK 100 million and adjustments for reduction in weighting and other deductions, the Bank's capital base as of 30 September 2019 amounted to DKK 975.8 million. The realised profit after tax for Q3 2019 of DKK 46.1 million is not included in the Bank's capital base for 30 September 2019.

In the first 3 quarters of the year, the Bank's risk-weighted items increased by DKK 174 million to DKK 5,484 million. The capital ratio was estimated at 17.8 % without recognition of profit after tax for Q3, which is an increase of 0.2 % points since 31 December 2018.

The necessary capital of 13.425 % is comprised of the individual solvency requirement of 9.3 %

plus the capital conservation buffer of 2.5 %, cyclical buffer of 1.0 % and phased-in NEP supplement of 0.625 %. At the end of 2018, the necessary capital was 11.275 %, consisting of an individual solvency requirement of 9.4% and a capital reservation buffer of 1.875 %

The Bank thus still has foundation capital with a coverage of 4.375 % points, corresponding to a surplus of 132.6 % relative to the necessary capital. The surplus adds up to DKK 239.9 million. If the results were reviewed by the Bank's external auditor, and this did not give rise to changes to the estimated profit, the surplus relative to the necessary capital could be calculated at 5.275 percentage points, corresponding to a solvency coverage of 139.3 % of DKK 289.3 million.

MAJOR SHAREHOLDERS

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

1,000 DKK	30/9 2019	30/9 2018	1.1-31.12 2018
Net income from interest	138,574	138,609	185,242
Net charges and commission	105,889	88,028	119,515
Dividend on shares and other holdings	5,787	3,397	3,476
Foreign currency value adjustments*	3,505	3,398	4,649
Other ordinary income	1,352	989	1,503
Core income	255,107	234,421	314,385
Staff costs and administrative expenses	140,705	127,793	191,626
Depreciation and write-downs on intangible and tangible assets	2,295	2,295	3,004
Other operating expenses	112	52	127
Costs	143,112	130,140	194,757
Core earnings	111,995	104,281	119,628
Write-downs	-11,202	-13,939	-19,729
Value adjustments*	33,288	69,187	64,740
Result before tax	134,081	159,529	164,639
Tax	24,878	20,438	22,126
Net-result for the financial year	109,203	139,091	142,513

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



LIQUIDITY

Customer deposits amount to DKK 5,773 million, of which DKK 4,475 million is covered by the Danish Deposit Guarantee Scheme. The deposits are considered stable, since most of them come from core customer relationships.

The liquidity coverage ratio shows how the Bank is able to meet its payment obligations for an upcoming 30-day period without access to market funding. All institutions must have a coverage of at least 100%.

The Bank fulfils this requirement and as of 30 September 2019 has an LCR financial ratio of 282 %.

SKJERN BANK SHARES

As of 30 September 2019, the Bank was owned by 16,031 shareholders.

The Bank's share price was 59.8 on 30 September 2019, compared with 61.0 at the beginning of the year.

The market price thus amounts to DKK 576.5 million as of 30 September 2019, corresponding to an intrinsic value of 0.61.

EXPECTATIONS

The Bank expects core earnings in 2019 in the range of DKK 130-145 million and a profit before tax in the range of DKK 150-160 million.

"THE SUPERVISORY DIAMOND"

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

The Bank's status for each indicator as of 30 September 2019 is calculated in the figure below, where the indicators established by the Danish Financial Supervisory Authority are also shown.

Skjern Bank complies with all limit values as of 30 September 2019 and has not exceeded any of the limit values at any time during the Supervisory Diamond's existence.

Liquidity reserve (minimum 100%):

Skjern Bank's liquidity reserve is reduced, but still sufficient and amounts to 281 % as of 30

September 2019 compared to 246 % as of 31 December 2018.

Funding ratio (maximum 100 per cent):

The current funding situation leaves room for significantly more lending, as the Bank's lending compared to deposits, equity and debt securities is only 62 %. As of 31 December 2018, the funding ratio amounted to 67 %.

Property exposure (maximum 25 per cent):

Skjern Bank has an attractive industry spread; compared to the real estate sector the exposure is 13.6 %. As of 31 December 2018, the exposure was 13.9 %.

Large exposures (maximum of 175 per cent):

Large exposures are defined as the total of the Bank's 20 largest exposures compared to the actual core capital and the financial ratio was 137.0 % as of 30 September 2019, compared to 144.1 % as of 31 December 2018.

Property exposure (maximum 20 per cent):

The Bank has realised an increase in lending of 1.0 % as of 30 September 2019 compared with an increase in lending of 11.1 % as of 31 December 2018.

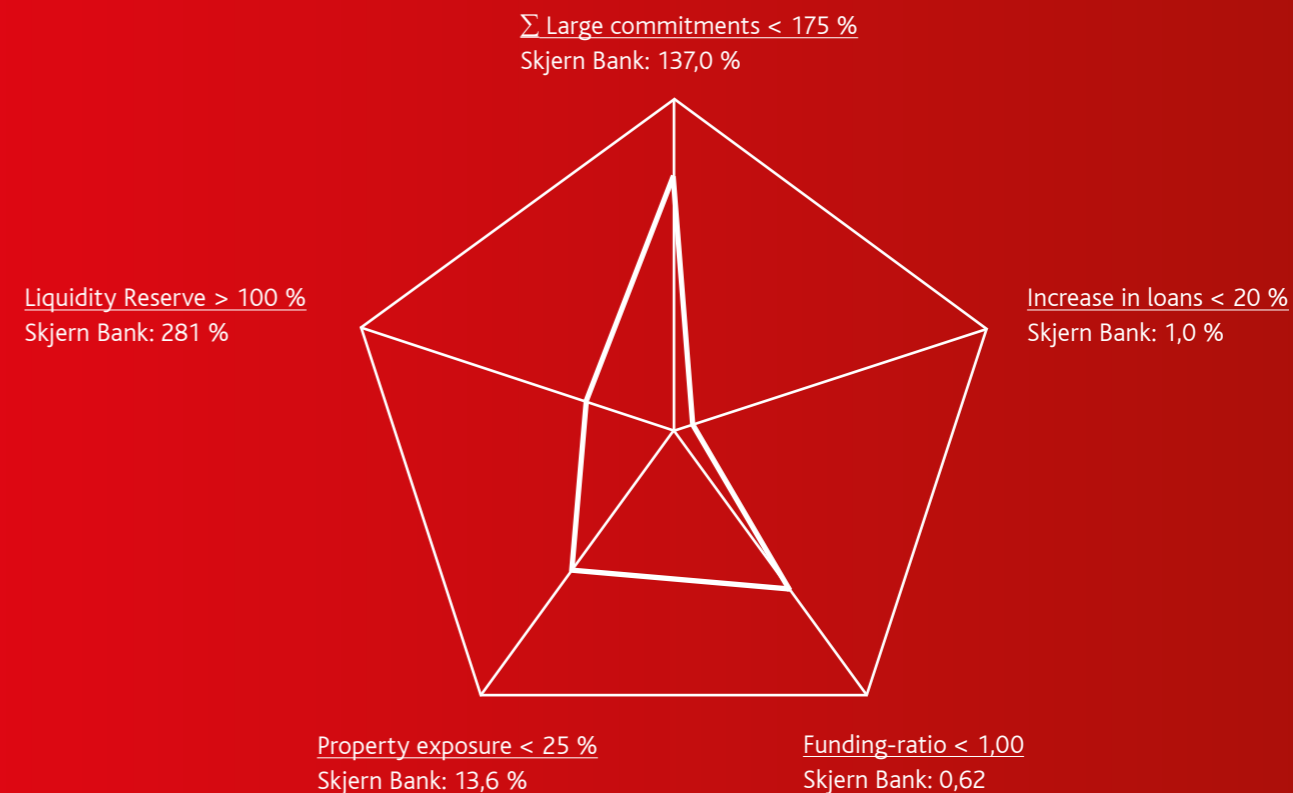
TRANSACTIONS WITH RELATED PARTIES

As of 30 September 2019, there have not been major transactions between Skjern Bank and the Bank's related parties.

CONTRIBUTION TO THE SETTLEMENT FUND/DANISH DEPOSIT GUARANTEE SCHEME

The Bank's annual contribution to the Settlement Fund of DKK 112 thousand was paid during Q2 2019.

The Supervisory Diamond



ACCOUNTING PRACTICES USED

The quarterly report was prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on financial reports for credit institutions and investment companies, etc. and additional Danish disclosure requirement for interim reports for listed companies.

The accounting practice used is unchanged compared to the annual report for 2018.

EVENTS AFTER 30 SEPTEMBER 2019

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

LITIGATION

The Bank is involved in disputes and litigation as part of its normal operations. The Bank's risk in these cases is regularly assessed by the Bank's lawyers and management. Provisions are made based on an assessment of risk of loss.

Kind regards
Skjern Bank

Hans Ladekjær Jeppesen
Chairman of the board of directors

Per Munck
Director

Statement by the board of directors and executive board

We have on today's date discussed and approved the quarterly report for the period of 1 January - 30 September 2019 for Skjern Bank A/S.

The quarterly report was prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for credit institutions and investment companies etc. and additional Danish disclosure requirements for interim reports for listed financial institutions.

We consider the accounting policies chosen to be appropriate such that the accounts provide a true and fair view of the Bank's assets and liabilities, financial position and profit.

We consider the management's review to contain a true and fair view of the development in the Bank's activities and economic conditions and a description of the significant risks and uncertainty factors by which the Bank may be affected.

The quarterly report has not been audited or reviewed, and there has been no recognition of the third quarter's earnings in core capital.

Skjern, 31 October 2019

Per Munck
Director

THE BOARD OF DIRECTORS

Hans Ladekjær Jeppesen
Board chairman

Bjørn Jepsen
Board vice-chairman

Søren Dalum Tinggaard

Niels Christian Poulsen

Niels Erik Kjærgaard

Profit and loss account and Statement of comprehensive income

January 1st - September 30th

1,000 DKK	2019	2018	1.1-31.12 2018
Interest receivable	150,519	151,888	202,618
Interest payable	11,945	13,279	17,376
Net income from interest	138,574	138,609	185,242
Dividend on shares and other holdings	5,787	3,397	3,476
Charges and commission receivable	108,915	90,818	123,024
Charges and commission payable	3,026	2,790	3,509
Net income from interest and charges	250,250	230,034	308,233
Value adjustments	36,793	72,585	69,389
Other ordinary income	1,352	989	1,503
Staff costs and administrative expenses	140,705	127,793	191,626
Depreciation and write-downs on intangible and tangible assets	2,295	2,295	3,004
Other operating expenses	112	52	127
Contribution to the Guarantee Fund for deposits	112	52	52
Guarantee commission first guarantee scheme	0	0	75
Write-downs	11,202	13,939	19,729
Result before tax	134,081	159,529	164,639
Tax	24,878	20,438	22,126
Net-result for the financial year	109,203	139,091	142,513
Of which are holders of shares of hybrid core capital instruments etc.	4,707	4,707	6,626
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	109,203	139,091	142,513
Other comprehensive income after tax	0	0	0
Total comprehensive income	109,203	139,091	142,513



Balance by September 30

1,000 DKK	2019	2018	1.1-31.12 2018
ASSETS			
Cash in hand and demand deposits with central banks	312,938	174,060	184,106
Receivables at credit institutions and central banks	1,356,975	773,142	795,467
Loans and other receivables at amortised cost	4,289,001	4,245,526	4,359,561
Bonds at fair value	1,043,597	1,034,147	1,016,994
Shares etc.	209,928	250,872	220,498
Land and buildings (total)	47,417	48,716	48,488
Investment properties	2,961	2,961	2,961
Owner-occupied properties	44,456	45,755	45,527
Other tangible assets	3,102	4,617	4,094
Current tax assets	11,395	5,036	11,865
Deferred tax assets	1,922	3,664	1,922
Other assets	54,418	53,345	58,815
Prepayments	1,965	3,025	1,763
Total assets	7,332,658	6,596,150	6,703,573

1,000 DKK	2019	2018	1.1-31.12 2018
LIABILITIES			
DEBT			
Debt to credit institutions and central banks	377,398	224,999	160,750
Deposits and other debts	5,772,673	5,293,337	5,457,413
Other liabilities	69,296	43,215	48,832
Prepayments	620	1,101	442
Total debt	6,219,987	5,562,652	5,667,437
PROVISIONS			
Provisions for loss on guarantees	13,340	8,431	9,420
Total provisions	13,340	8,431	9,420
SUBORDINATED DEBT			
Subordinated loan capital	99,209	99,917	99,976
Total subordinated debt	99,209	99,917	99,976
EQUITY			
Share capital	192,800	192,800	192,800
Revaluation reserves	417	417	417
Retained earnings	748,962	672,341	644,923
Dividend	0	0	28,920
Capital owners share of equity	942,179	865,558	867,060
Holders of hybrid capital	59,943	59,592	59,680
Total equity	1,002,122	925,150	926,740
Total liabilities	7,334,658	6,596,150	6,703,573





Off-balance-sheet items by September 30

1,000 DKK	2019	2018	1.1-31.12 2018
CONTINGENT LIABILITIES			
Contingent liabilities			
Finance guarantees	493,435	39,644	327,288
Guarantees against losses on mortgage credit loans	628,707	536,946	555,950
Registration and conversion guarantees	156,083	263,002	126,853
Other contingent liabilities	983,822	495,859	533,233
Total	2,262,047	1,335,451	1,543,324
Other binding engagements			
Irrevocable credit-undertakings	140,441	195,165	185,344
Total	140,441	195,165	185,344

Information on changes in equity September 30

1,000 DKK	2019	2018	1.1-31.12 2018
Share capital beginning-of-year	192,800	192,800	192,800
Share capital end-of-year	192,800	192,800	192,800
Revaluation reserves beginning-of-year	417	417	417
Additions related to reassessed value	0	0	0
Other movements	0	0	0
Revaluation reserves end-of-year	417	417	417
Retained earnings beginning-of-year	673,843	561,785	561,785
Changed accounting policy for impairment charges	-	-23,823	-23,823
Profit or loss for the financial year	104,496	134,384	106,967
Dividends	-28,890	0	-
Sale of own funds	177,030	19,517	21,436
Purchase of own funds	-177,517	-19,522	-21,442
Retained earnings end-of-year	748,962	672,341	644,923
Dividends	-	-	28,920
Holders of hybrid capital beginning-of-year	59,680	59,330	59,330
Net profit or loss for the year (interest hybrid capital)	4,707	4,707	6,626
Paid interest	-4,444	-4,444	-6,276
Holders of hybrid capital end-of-year	59,943	59,593	59,680
Total equity	1,002,122	925,151	926,740

Notes per September 30

1,000 DKK	2019	2018	1.1-31.12 2018
INTEREST INCOME			
Loans and other receivables	144,057	144,600	193,170
Bonds	5,092	6,508	8,454
Other derivative financial instruments, total	1,370	780	994
of which			
Currency contracts	-174	109	839
Interest-rate contracts	1,544	671	155
Other interest income	0	0	0
Total	150,519	151,888	202,618
INTEREST EXPENSES			
Credit institutions and central banks	4,611	3,164	4,310
Deposits	2,472	5,249	6,330
Subordinated debt	4,862	4,857	6,560
Other interest expenses	0	9	176
Total	11,945	13,279	17,376
FEES AND COMMISSION INCOME			
Securities trading and custody accounts	9,894	9,212	15,489
Payment services	9,494	8,876	11,704
Loan fees	51,152	39,830	53,674
Guarantee commission	12,272	9,943	13,376
Other fees and commission	26,103	22,957	28,781
Total	108,915	90,818	123,024
VALUE ADJUSTMENTS			
Bonds	-1,714	-3,678	-3,615
Total shares	34,647	72,896	68,361
Shares in sectorcompanies etc.	27,162	10,016	10,413
Other shares	7,485	62,880	57,948
Foreign currency	3,505	3,398	4,649
Other financial instruments	355	-31	-6
Total	36,793	72,585	69,389

1,000 DKK	2019	2018	1.1-31.12 2018
STAFF COSTS AND ADMINISTRATIVE EXPENSES			
SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.			
Board of managers	2,432	1,988	3,013
Fixed fees	2,432	1,958	2,978
Pension contributions	0	30	35
Management board	863	868	1,163
Audit Committee	0	0	58
Committee of representatives	0	0	180
Total salaries and remuneration of board etc.	3,295	2,856	4,414
STAFF COSTS			
Wages and salaries	64,037	58,327	79,875
Pensions	6,795	6,461	8,698
Social security costs	928	683	919
Payroll tax	11,289	9,843	13,683
Total staff costs	83,049	75,314	103,175
OTHER ADMINISTRATIVE EXPENSES	54,361	49,623	84,037
Total staff costs and administrative expenses	140,705	127,793	191,626
EMPLOYEES			
Average number of employees converted into full-time employees	149	149	147
WRITE-DOWNS ON LOANS AND RECEIVABLES			
Write-downs and provisions during the year	96,913	55,375	84,486
Reversal of write-downs made in previous years	-80,526	-33,775	-55,706
Finally lost, not previously written down	2,994	1,275	2,146
Interest on the written-down portion of loans	-7,352	-7,320	-9,288
Recoveries of previously written off debt	-827	-1,616	-1,909
Total	11,202	13,939	19,729

Notes per September 30 (continued)

1,000 DKK	2019	2018	1.1-31.12 2018
DEVELOPMENT IN WRITE-DOWNS AND PROVISIONS RELATING TO FINANCIAL ASSETS AT AMORTIZED COST AND OTHER CREDIT RISKS, ASSETS INCLUDED IN IFRS9			
STAGE 1 IMPAIRMENT CHARGES			
Stage 1 impairment charges at the end of the previous financial year	16,768	0	0
Changed accounting policy for impairment charges	0	14,750	14,750
Stage 1 impairment charges / value adjustment during the period*	7,065	2,008	10,134
-hereby new facilities in the period: 4,467 TDKK			
Stage 1 impairment reversed during the period	-7,706	0	-8,116
Cummulative stage 1 impairment total	16,127	16,758	16,768
STAGE 2 IMPAIRMENT CHARGES			
Stage 2 impairment charges at the end of the previous financial year	48,650	0	0
Changed accounting policy for impairment charges	0	25,020	44,112
Stage 2 impairment charges / value adjustment during the period	23,531	0	24,510
Stage 2 impairment reversed during the period*	-20,502	2,818	-19,972
Cummulative stage 2 impairment total	51,679	27,838	48,650
STAGE 3 IMPAIRMENT CHARGES**			
Stage 3 impairment charges at the end of the previous financial year	286,140	306,943	306,943
Changed accounting policy for impairment charges	0	17,137	-1,955
Stage 3 and impairment charges / value adjustment during the period	59,048	50,548	69,360
Reversal of stage 3 impairment charges during the period	-48,968	-33,073	-47,228
Recognised as a loss, covered by stage 3 impairment charges	-18,049	-38,274	-40,980
Cummulative stage 3 impairment total	278,171	303,281	286,140
Total cumulative impairment charges IFRS9	345,977	347,877	351,558
GUARANTEES			
Provisions beginning of the year	9,420	2,578	2,578
Changed accounting policy for provisions for losses on guarantees	0	6,556	6,556
Loss on guarantees	7,037	4,119	5,384
Transferred to liabilities	-3,118	-4,821	-5,098
Guarantees end of year	13,339	8,432	9,420
Total cumulative impairment charges IFRS9 and guarantees	359,316	356,309	360,978

*) The amount 30.09.2018 er net (expensed deduction of deductible)

**) There are per 31.12.2018 transferred TDKK 21,833 from stage 3 to stage 2 in accordance with item 18 of the Appendix 10 of the Executive Order.

1,000 DKK	2019	2018	1.1-31.12 2018
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The development can be explained by the following development in the distribution in stages of the maximum credit risk and development in the weighted average of the rating:

	Stage 1	Stage 2 (due to migration)	Stage 2 (due to overdraft)	Stage 2 (weak)	Stage 3	Total
Beginning						
Impairment	16.768	26.816	1	21.833	286.140	351.558
- in % of total impairment	5%	8%	0%	6%	81%	100%
Maximum credit risk	6.118.782	813.150	211	164.961	679.984	7.777.088
- in % of maximum credit risk	79%	10%	0%	2%	9%	100%
Rating, weighted average	3,3	5,6	1,4	10,0	10,0	4,3
End						
Impairment	16.127	32.207	2	19.470	278.171	345.977
- in % of total impairment	5%	9%	0%	6%	80%	100%
Maximum credit risk	6.415.651	850.497	451	174.448	612.472	8.053.519
- in % of maximum credit risk	80%	11%	0%	2%	8%	100%
Rating, weighted average	3,3	5,8	2,0	10,0	10,0	4,2

The development in stages 1 and 2 is calculated at the facility level, while the development in stage 2 (weak) and stage 3 is calculated at the corporate group level. This is because individual impairment is calculated at the corporate group level.

Impairments that were impaired at initial recognition are thus calculated proportionally based on the facility's maximum credit risk at the end.

In addition to this, new parameters for impairment have been calculated in stages 1 and 2, including macro factors that have increased somewhat for several industries under other industries.

LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST	110,936	92,174	120,839
SHARE CAPITAL			
Number of shares at 20 DKK each	9,640,800	9,640,000	9,640,000
Share capital	192,800	192,800	192,800
OWN CAPITAL SHARES			
Number of shares (pcs)	16,957	10,000	10,000
Nominal value hereof	339	200	200
Market value hereof	1,014	654	735
Own shares proportion of share capital (pct.)	0.2%	0.10%	0.10%

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