

# Interim report 2018

*Wadden sea landscape*

 **SKJERN BANK**

## Table of contents

Stock Exchange ann. ....	5
5 years in summary .....	6
Financial Ratios .....	7
Management's review .....	8
Management's statement .....	19
Profit and loss and Statement of comprehensive income .....	20
Core earning .....	21
Balance sheet .....	22
Contingent liabilities .....	24
Information on changes in equity.....	25
Notes .....	26



## Satisfactory half-year



### HALFYEAR 2018

Profit before taxes rose to DKK 129 million, of which around DKK 60 million were extraordinary capital gains



### EQUITY

Opening equity is at around 22% p.a. before taxes



### CORE EARNINGS

Core earnings are calculated to be DKK 72 million



### NET INTEREST AND FEE INCOME

Net interest and fee income rose marginally to DKK 155 million



### IMPAIRMENT

Unchanged level of impairment of DKK 10 million.



### LENDING

Lending has increased by 12.8% to DKK 4155 million since 30/6/2017. As of 31/12/2017, the increase has been 5.9%.



### CAPITAL

The capital ratio is 19.1% after recognition of profits. The solvency requirement is calculated at 9.6%.



### CORE EARNINGS EXPECTATIONS

For the full year 2018, core earnings are in the range of DKK 135 - 145 million

## 5 years in summary

1,000 DKK	HALF YEAR 2018	HALF YEAR 2017	HALF YEAR 2016	HALF YEAR 2015	HALF YEAR 2014	YEAR 2017
<b>PROFIT AND LOSS ACCOUNT</b>						
Net income from interest	91,479	89,136	80,297	81,005	81,806	171,972
Div. on shares and other holdings	2,910	9,744	11,753	11,317	5,307	10,020
Charges and commissions (net)	60,613	58,929	45,960	41,366	38,524	114,620
<b>Net inc. from int. &amp; charges</b>	<b>155,002</b>	<b>154,809</b>	<b>138,010</b>	<b>133,688</b>	<b>125,637</b>	<b>296,612</b>
Value adjustments	69,368	20,629	6,534	7,383	18,230	31,045
Other ordinary income	503	722	699	1,023	649	1,031
Staff costs and administrative expenses	83,368	74,537	72,233	66,475	66,713	161,052
Depreciation of intangible and tangible assets	1,530	1,530	1,932	2,979	3,116	3,071
Other operating expenses	52	52	52	4,437	5,205	52
Operating expenses	52	52	52	4,437	5,108	52
Guarantee commission first guarantee scheme	0	0	0	0	97	0
Write-downs on loans etc. (net)	10,127	10,819	19,176	25,533	22,043	19,886
Profit on holdings in associated and affiliated companies	0	0	0	-700	-6	0
<b>Operating profit</b>	<b>129,481</b>	<b>89,222</b>	<b>51,850</b>	<b>40,970</b>	<b>47,433</b>	<b>144,627</b>
Taxes	14,172	9,484	10,840	9,863	12,797	20,804
<b>Profit for the period</b>	<b>115,309</b>	<b>79,738</b>	<b>41,010</b>	<b>32,107</b>	<b>34,636</b>	<b>123,823</b>
Of which are holders of shares of hybrid core capital instruments etc.	3,138	3,138	3,138			5,168
<b>BALANCE SHEET AS PER 30TH JUNE</b>						
summary						
Total assets	6,588,065	6,213,070	5,633,036	5,464,455	5,375,117	6,367,636
Loans and other debtors	4,154,581	3,683,454	3,668,106	3,712,516	3,736,819	3,924,509
Guarantees etc.	1,184,971	1,025,876	784,090	645,476	564,211	1,125,541
Bonds	948,333	1,021,759	775,596	782,006	822,324	1,072,833
Shares etc.	249,587	240,981	216,833	172,735	218,047	245,686
Deposits	5,384,055	5,137,815	4,666,404	4,483,568	4,255,959	5,240,913
Subordinated cap. investments	99,877	99,697	99,519	169,340	268,779	99,797
<b>Capital funds</b>	<b>902,849</b>	<b>772,038</b>	<b>657,473</b>	<b>554,581</b>	<b>608,223</b>	<b>814,332</b>
Dividends						0
<b>Capital Base</b>	<b>930,212</b>	<b>772,816</b>	<b>654,297</b>	<b>599,282</b>	<b>712,551</b>	<b>819,582</b>
Total weighted items	4,868,055	4,333,555	4,224,968	4,163,140	4,191,164	4,605,145
<b>CORE EARNINGS</b>						
Core income	157,634	157,371	140,709	143,402	127,789	301,505
Total costs etc.	-85,265	-76,119	-74,217	-75,691	-68,429	-164,175
<b>Core earnings</b>	<b>72,369</b>	<b>81,252</b>	<b>66,492</b>	<b>67,711</b>	<b>59,360</b>	<b>137,330</b>

## Financial ratios - 30th June

Figures in pct.	2018	2017	2016	2015	2014
Solvency ratio	19.1	17.8	15.5	14.4	17.0
Core capital ratio	17.1	15.7	13.5	12.5	14.1
Return on own funds before tax*	15.8	12.5	8.7	7.8	8.0
Return on own funds after tax*	14.0	11.2	6.9	6.0	5.9
Earning/expense ratio in DKK	2.36	1.99	1.52	1.42	1.49
Interest rate risk	2.3	1.2	0.5	-1.3	-1.7
Foreign currency position	0.5	0.3	0.2	0.7	0.5
Foreign currency risk	0.0	0.0	0.0	0.0	0.0
Advances against deposits	82.8	78.3	86.3	91.1	93.5
Statutory liquidity surplus	177.0	211.4	164.1	136.4	127.8
LCR	277	302	286	251	-
Total large commitments	133.2	16.0	34.5	42.2	10.3
Accumulated impairment ratio	5.5	6.7	7.5	7.9	5.4
Impairment ratio for the period	0.3	0.2	0.4	0.5	0.5
Increase in loans etc. for the period	5.9	-0.1	4.3	1.9	2.5
Ratio between loans etc. and capital funds	4.6	5.2	6.1	6.7	6.1
(value pr share 100 DKK)					
Earnings per share (result period)*	58.1	39.7	19.6	16.7	18.0
Book value pr share*	438	369	311	288	316
Market value/earning per share	1.2	1.7	1.5	1.9	2.2
Market value/book value*	0.77	0.90	0.46	0.56	0.64
(value pr share 20 DKK)					
Earnings per share (result period)*	11.6	7.9	3.9	3.3	3.6
Book value pr share*	88	74	62	58	63
Market value	67.8	66.5	28.9	32.2	40.2

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

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



## Management's report

The half-year has been satisfactory, with strong growth in net interest and fee income, exchange rate gains in the sale of the Bank's ownership interest of Value Invest Asset Management S.A. of about DKK 60 million, and a maintained satisfactory level of impairment.

Profit before tax increased by DKK 40.3 million to a very satisfactory profit of DKK 129.5 million.

Profit before tax amounted to DKK 69.5 million excluding capital gains on the sale of ownership interest in Value Invest Asset Management S.A. In the first half of 2017, profit was DKK 89.2 million. This reduction is primarily due to lower dividends due to the sale of Value Invest Asset Management S.A, where the Bank realised a dividend of DKK 8 million in the second quarter of 2017, as well as the falling value adjustments, which are outside of the Bank's core earnings. The core earnings show DKK 72.4 million, which is satisfactory when the loss of dividends of DKK 8 million is taken into account.

Impairments amount to DKK 10.1 million, corresponding to an impairment rate of 0.2% in the half-year. The level of impairment is unchanged, despite the agricultural industry again experiencing decreasing settlement prices, with terms of trade thereby decreasing as a result. The Bank's other segments are progressing very satisfactorily, and we can point to continued significant reversals of previously impaired exposures.

Demand for loans in the Bank's market area is increasing and the Bank also has a very satisfactory and solid customer intake, which altogether increased lending by DKK 230 million or 5.9% within the first half-year. This is compared to the lending as at 30/6/2017, when a lending growth of DKK 471.1 million was realised, corresponding to about 12.8%.

The proportion of lending and guarantees to private customers increased to 37.9% and the Bank's unchanged goal is to increase this further.

The liquidity coverage ratio after LCR amounts to 277%, which is satisfactory. However, the coverage increased by 78% points last quarter, partially due to the strongly increasing deposit volume. The Bank's unchanged strategy is to maintain a solid excess liquidity based on stable customer deposits.

The Bank's capital ratio increased this half-year from 17.8% to 19.1%, while the core capital ratio rose from 15.8% to 17.1%. This solid increase is due to the recognition of profit after of DKK 115.3 million for the half-year, and should be assessed in light of significant capital-consuming growth in risk-weighted assets and full recognition of IFRS 9, which has charged equity at the beginning of

of the year at DKK 23.8 million.

The individual solvency requirement is calculated at 9.6%, corresponding to a solvency coverage of 199.0%. Compared with the actual capital base of DKK 930 million, there was a surplus of DKK 462 million at the end of the first six months of 2018. In relation to the necessary capital, which is expressed as the Bank's calculated solvency requirements plus the phased-in capital conservation buffer of 1.875%, the coverage can be calculated at 7.625% points, corresponding to a solvency coverage of 166%, or DKK 372 million.

The strength of the Bank's capital resources could also be viewed in light of the fact that the actual core capital constitutes 15.8%, compared with the individual solvency requirement of 9.6%, which adds a capital requirement buffer of 1.875% to give a total capital requirement of 11.475%.

### FINANCIAL SUPERVISORY AUTHORITY

The Financial Supervisory Authority has done a regular inspection of the Bank in March and April, and the Bank notes with satisfaction that the Financial Supervisory Authority found it unnecessary to change both impairment and solvency requirements.

#### LOANS AND GUARANTEES DISTRIBUTED ON SECTORS

	30.06.2018	31.12.2017	30.06.2017
Public authorities	0.0 %	0.0 %	0.0 %
Agriculture, hunting, forestry & fishing	12.4 %	13.9 %	14.3 %
Plant production	1.6 %	1.5 %	1.8 %
Cattle farming	6.8 %	7.9 %	8.3 %
Pig farming	1.6 %	1.6 %	1.7 %
Mink production	1.2 %	1.7 %	1.4 %
Other agriculture	1.2 %	1.2 %	1.1 %
Industry and mining	3.0 %	3.0 %	3.0 %
Energy	6.1 %	7.1 %	5.8 %
Building and constructions	7.0 %	6.6 %	6.8 %
Wholesale	6.7 %	6.9 %	8.2 %
Transport, hotels and restaurants	1.5 %	1.7 %	1.6 %
Information and communication	0.4 %	0.4 %	0.5 %
Financial and insurance business	6.5 %	5.8 %	5.9 %
Real-estate	13.2 %	12.6 %	11.9 %
Other business	5.3 %	5.6 %	5.4 %
Private	37.9 %	36.4 %	36.6 %

From the above sectoral distribution represents alternative energy 4.6 %

To the above segment distribution, it is noted that the agricultural exposure, which in the six months has decreased from 13.9% to 12.4%, remains unchanged at approx. 700 million. The percentage decline is due to the growth in other segments, including the very satisfactory development in the private segment.

## NET INTEREST INCOME

Net interest income amounts to DKK 91.5 million as of 30 June 2018. In the first half-year of 2017, net interest income amounted to DKK 86.1 million, and has thus increased by DKK 5.3 million, or 6.2%.

Interest income has risen 2.5% compared to 30 June 2017. The primary reason for this development is that the Bank's interest expense of DKK 1.8 million on placement of surplus liquidity in Denmark's Nationalbanken on 30/6/2018 is added to interest expenses, while in 2017 they were deducted from interest income. The Bank's interest income increased on customer lending by DKK 0.8 million compared with the same period in 2017. This slight improvement is due to the continued low level of interest rates and the competitive nature of the market.

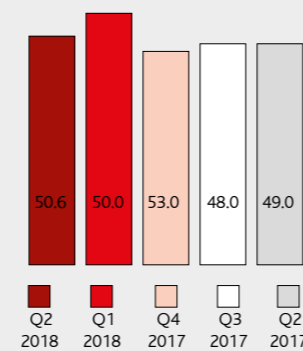
Interest expenses amounted to DKK 9.1 million and, as expected, has been reduced by DKK 2.9 million, or 24.1%. The reduction in interest expenses for customer deposits, which results from low interest rates and the expiry of high interest accounts, amounts to DKK 4.7 million. Interest expenses, on the other hand, on the Bank's deposits in Nationalbanken of DKK 1.8 million which were expensed under interest expenses in 2018, while they were previously included in interest income.

The Bank's interest margin worsened marginally compared to the same period in 2017 due to the reduced average lending rate.

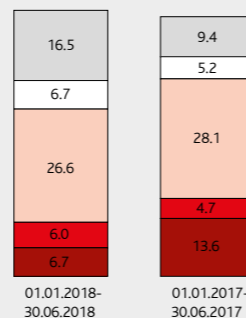
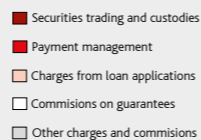
## FEE AND COMMISSION INCOME

Income from fees and commissions amounted to DKK 62.5 million, compared to DKK 61.1 million in 2017, and thus increased by DKK 1.4 million. The increase in the fee income is due to a large intake of customers and generally high activity. Payment services have increased by DKK 1.3 million, while guarantee provisions have also increased by DKK 1.4 million. The amount of other fees and commission income increased by a total of DKK 0.2 million, while borrowing fees fell by DKK 1.5 million. Net interest and fee income amounts to DKK 155.0 million, which is the same level as in 2017.

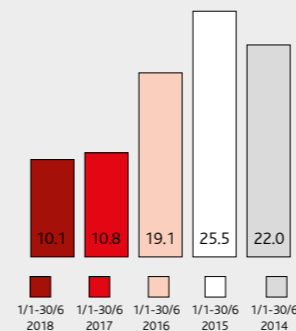
**Interest income**  
Million DKK



**Charges and commissions receivable**  
(Million DKK)



**Write-downs on loans etc.**  
Million DKK



## EXCHANGE RATE ADJUSTMENTS

After a period of large fluctuations in the securities markets, the portfolio of stocks and bonds earned profits totalling DKK 69.4 million, compared with DKK 20.6 million on 30 June 2017.

The capital gains are distributed with DKK -3.1 million from the bond portfolio and DKK 70.3 million from the shareholdings. In addition, exchange rates and derivative financial instruments achieved an income of DKK 2.2 million in the same period.

Out of the total exchange rate gains on shares of DKK 70.3 million, the exchange rate gain on the sale of Value Invest Asset Management S.A. accounts for about DKK 60 million.

## COSTS

Staff and administration expenses etc. increased by 12.3% and amounts to DKK 83.7 million as at 30 June 2018, compared with DKK 74.5 million in the same period in 2017.

In order for organic growth and handling of increased regulations, the number of employees has been strategically increased. This development is in line with expectations, and the Bank is pleased to increase the number of employees as a result of high customer acquisition rates benefiting the Bank's community, at a time when the number of employees in the financial sector is generally being reduced. In light of this, staff costs have increased by DKK 4.7 million compared to 30 June 2017. This also includes increased payroll tax of DKK 0.8 million, and a general collective agreement wage increase.

Administrative expenses increased by DKK 4.4 million. The increased costs are divided between IT operations, marketing and other administrative expenses.

It is the management's expectation that expenses in 2018 will increase in the range of 7-8% for the full year of 2018, compared to expenses of DKK 161 million in 2017, as a result of strategically adopted business expansion.

## IMPAIRMENT

Net impairment for the period of DKK 10.1 million compared with DKK 10.8 million in 2017. There is increased impairment of DKK 43.9 million, and reversals of previous impairment of DKK 27.8 million. Recorded losses for the period amounted to DKK 36.5 million, of which only DKK 0.4 million had not been previously written down.

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

For the full year of 2018, an impairment loss is expected to be in the range of DKK 20 million, corresponding to the needs of 2017.

In addition to the impact on operations of DKK 10.1 million, the Bank has at the beginning of the year, as a result of the implementation of IFRS 9, also written down DKK 23.8 million after tax directly on equity.

## PROFIT FOR THE PERIOD

Profit before tax amounted to DKK 129.5 million compared with DKK 89.2 million as of 30 June 2017. After taxes, the period's net profit amounted to DKK 115.3 million.

The management is pleased to note that both core earnings and profit before tax (adjusted for extraordinary circumstances) are at the highest levels in the Bank's history and the Bank's management expects the business development and profit to be extremely satisfactory.

## CAPITAL

Equity amounted to DKK 902.8 million compared to DKK 814.3 million at the end of the previous year. A hybrid core capital of DKK 59.5 million was recognised in the Bank's equity on 30 June 2018.

After addition of subordinated capital contributions of DKK 99.9 million and adjustments for reduction in weighting and other deductions, the Bank's capital base at the end of the first six months amounted to DKK 930.2 million.

In the first half-year, the Bank has increased the risk-weighted items by DKK 263 million to DKK 4.9 billion. The capital ratio was estimated at 19.1% after recognition of the half-year result, which is an increase of 1.3% points since 31 December 2017. The increase in the capital ratio is, in spite of the extremely satisfactory result of DKK 115.3 million, limited to 1.3% due to capital expenditure to cover the increase in risk-weighted assets, as well as the full phasing in of IFRS 9 with a capital



implication of DKK 23.8 million as at 1 January 2018.

Compared with 30 June 2017, the Bank's capital ratio increased from 17.8% to 19.1%, while the core capital ratio increased from 15.7% to 17.1%.

The necessary capital of 11.475% is comprised of the individual solvency requirement of 9.6% plus the capital conservation buffer of 1.875%. At the end of 2017, the necessary capital was 10.65%, consisting of an individual solvency requirement of 9.4% and a capital reservation buffer of 1.25%.

The bank thus still has foundation capital with a sufficient surplus of 166.4% compared to the necessary capital. The surplus adds up to DKK 372 million.

## SHAREHOLDERS

The Bank has two major shareholders, Lind Value III A/S, Aarhus and Investeringselskabet of 15 May (AP Pension Livsforsikringsaktieselskab, København Ø.), who, at the last stock exchange announcement, owned 24.77% and 20.75% respectively. Both possess 5% of the voting rights.





## LIQUIDITY

Customer deposits amount to DKK 5384 million, of which DKK 4191 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 banks are able to meet their payment obligations for an upcoming 30-day period without access to market funding. As of 1 January 2018, all institutions must have a coverage of at least 100%.

The Bank fulfils this requirement and as of 30 June 2018 has an LCR financial ratio of 277%.

## SKJERN BANK SHARES

On 30 June 2018, the Bank owned 16,727 shares, which is about 230 fewer than on 31 December 2017.

The Bank's share price was 67.8 on 30 June 2018, compared with 73.5 at the beginning of the year.

The market price thus amounts to DKK 653.6 million as of 30 June 2018, corresponding to an intrinsic value of 0.77. Shares were traded actively in the market and there is a satisfactory liquidity in the shares.

## EXPECTATIONS

The Bank expects core earnings in 2018 in the range of DKK 135 - 145 million and a profit before tax in the range of DKK 185 - 195 million, assuming positive exchange rate adjustments in the range of DKK 10 million in addition to capital gains of DKK 60 million from the sale of Value Invest Management S.A. and impairment in the range of DKK 15 - 20 million.

## "THE SUPERVISORY DIAMOND"

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

The Bank's status for each indicator as of 30 June 2018 is calculated in the figure below, where the indicators established by the Danish Financial Supervisory Authority are also shown.

Skjern Bank continues to comply with all limit values as of 30 June 2018 and has not exceeded any of the limit values at any time during the Supervisory Diamond's existence.



Liquidity Reserve (min 50 %):

Skjern Bank's liquidity reserve is reduced, but still sufficient and amounts to 177.0% as of 30 June 2018 compared to 191.6% as of 31 December 2017.

Funding-ratio (max 100 procent):

The current funding situation leaves room for significantly more loans, since the Bank's loans compared to deposits, equity and debt securities are only 65%, which is at the same level as 31 December 2017, when the funding ratio was estimated at 64%.

Property exposure (max 25 procent):

Skjern Bank has an attractive industry spread; compared to the real estate sector the exposure is 14.2%. As of 31 December 2017, the exposure was 13.5%.

Large commitments (max 175 procent):

Large exposures are defined as the total of the Bank's 20 large exposures compared to the actual core capital. Skjern Bank primarily targets small and medium businesses, as well as private customers, and as of 30 June 2018, it had two major customer engagements of a total of 133.2%, compared 146% as of 31 December 2017.

Increase in loans (max 20 procent):

The Bank has realised a lending growth of 5.9% as of 30 June 2018 compared to 6.4% as at 31 December 2017.

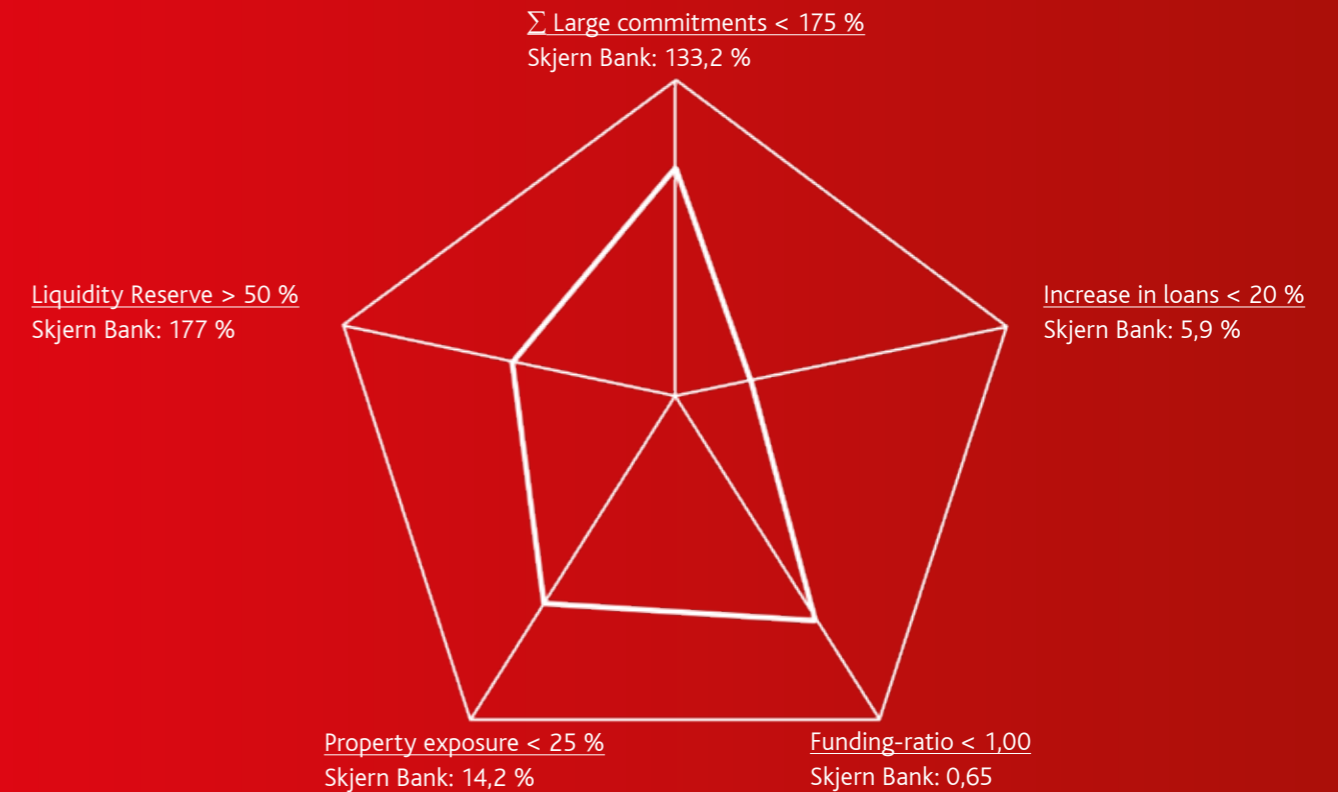
**TRANSACTIONS WITH RELATED PARTIES**

During the first six months of the year, there have not been major transactions between Skjern Bank and the Bank's related parties.

**CONTRIBUTION TO THE SETTLEMENT FUND/DANISH DEPOSIT GUARANTEE SCHEME**

As of 30 June 2018, the Bank has paid the annual contribution to the Settlement Fund of DKK 52 thousand.

## The Supervisory Diamond



## ACCOUNTING PRACTICES USED

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

The accounting practice used is unchanged compared to the annual report for 2017.

The Bank's accounting policies for the calculation of impairments losses on loans have been changed with effect from 1 January 2018. Because it is not feasible to change the comparative figures for 2017 and earlier with regard to the changed part of the accounting policies, no changes have been made to these.

## EVENTS AFTER 30 JUNE 2018

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 interim report for the period of 1 January - 30 June 2018 for Skjern Bank A/S.

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

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

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

No audit or review of the semi-annual report has been conducted, but an external audit has verified that the conditions for ongoing recognition of the period's earnings in core capital are met.

Skjern, 16 August 2018

Per Munck  
Director

## THE BOARD OF DIRECTORS

Hans Ladekjær Jeppesen  
Chairman

Jens Okholm  
Deputy Chairman

Bjørn Jepsen

Finn Erik Kristiansen

Søren Dalum Tinggaard

Troels Bülow-Olsen

Lars Lerke

Carsten Jensen

Lars Skov Hansen

## Profit and loss account and Statement of comprehensive income 1st January - 30th June

1,000 DKK	2018	2017	1.1-31.12 2017
Interest receivable	100,607	98,155	198,977
Interest payable	9,128	12,019	27,005
<b>Net income from interest</b>	<b>91,479</b>	<b>86,136</b>	<b>171,972</b>
Dividend on shares and other holdings	2,910	9,744	10,020
Charges and commission receivable	62,498	61,066	118,547
Charges and commission payable	1,885	2,137	3,927
<b>Net income from interest and charges</b>	<b>155,002</b>	<b>154,809</b>	<b>296,612</b>
Value adjustments	69,368	20,629	31,045
Other ordinary income	503	722	1,031
Staff costs and administrative expenses	83,683	74,537	161,052
Depreciation and write-downs on intangible and tangible assets	1,530	1,530	3,071
Other operating expenses	52	52	52
Contribution to the Guarantee Fund for deposits	52	52	52
Guarantee commission first guarantee scheme	0	0	0
Write-downs	10,127	10,819	19,886
<b>Result before tax</b>	<b>129,481</b>	<b>89,222</b>	<b>144,627</b>
Tax	14,172	9,484	20,804
<b>Net-result for the financial year</b>	<b>115,309</b>	<b>79,738</b>	<b>123,823</b>
Of which are holders of shares of hybrid core capital instruments etc.	3,138	3,138	5,168
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the financial year	115,309	79,738	123,823
Other comprehensive income after tax	0	0	0
<b>Total comprehensive income</b>	<b>115,309</b>	<b>79,738</b>	<b>123,823</b>

## Core earnings 1st January – 30th June

1,000 DKK	2018	2017	1.1-31.12 2017
Net income from interest	91,479	86,136	171,972
Net charges and commission	60,613	58,929	114,620
Dividend on shares and other holdings	2,910	9,744	10,020
Foreign currency value adjustments*	2,129	1,840	3,862
Other ordinary income	503	722	1,031
<b>Core income</b>	<b>157,634</b>	<b>157,371</b>	<b>301,505</b>
Staff costs and administrative expenses	83,683	74,537	161,052
Depreciation and write-downs on intangible and tangible assets	1,530	1,530	3,071
Other operating expenses	52	52	52
<b>Costs</b>	<b>85,265</b>	<b>76,119</b>	<b>164,175</b>
<b>Core earnings</b>	<b>72,369</b>	<b>81,252</b>	<b>137,330</b>
Write-downs	-10,127	-10,819	-19,886
Value adjustments*	67,239	18,789	27,183
<b>Result before tax</b>	<b>129,481</b>	<b>89,222</b>	<b>144,627</b>
Tax	14,172	9,484	20,804
<b>Net-result for the financial year</b>	<b>115,309</b>	<b>79,738</b>	<b>123,823</b>

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



## Balance by 30th June

1,000 DKK	2018	2017	1.1-31.12 2017
<b>ASSETS</b>			
Cash in hand and demand deposits with central banks	154,309	151,747	148,746
Receivables at credit institutions and central banks	956,152	998,494	851,222
Loans and other receivables at amortised cost	4,154,581	3,683,454	3,924,509
Bonds at fair value	948,333	1,021,759	1,072,833
Shares etc.	249,587	240,981	245,686
Land and buildings (total)	49,073	49,501	49,389
Investment properties	2,961	2,961	2,961
Owner-occupied properties	46,112	46,540	46,428
Other tangible assets	4,828	4,028	5,158
Current tax assets	11,301	1,547	1,099
Deferred tax assets	3,664	11,597	5,816
Other assets	53,649	47,859	58,053
Prepayments	2,588	2,103	5,125
<b>Total assets</b>	<b>6,588,065</b>	<b>6,213,070</b>	<b>6,367,636</b>

1,000 DKK	2018	2017	1.1-31.12 2017
<b>LIABILITIES</b>			
<b>DEBT</b>			
Debt to credit institutions and central banks	149,332	155,505	158,466
Deposits and other debts	5,384,055	5,137,815	5,240,913
Other liabilities	40,577	44,289	50,245
Prepayments	1,079	1,091	1,305
<b>Total debt</b>	<b>5,575,043</b>	<b>5,338,700</b>	<b>5,450,929</b>
<b>PROVISIONS</b>			
Provisions for loss on guarantees	10,296	2,635	2,578
<b>Total provisions</b>	<b>10,296</b>	<b>2,635</b>	<b>2,578</b>
<b>SUBORDINATED DEBT</b>			
Subordinated loan capital	99,877	99,697	99,797
<b>Total subordinated debt</b>	<b>99,877</b>	<b>99,697</b>	<b>99,797</b>
<b>EQUITY</b>			
Share capital	192,800	192,800	192,800
Revaluation reserves	417	417	417
Retained earnings	650,127	519,667	561,785
<b>Capital owners share of equity</b>	<b>843,344</b>	<b>712,884</b>	<b>755,002</b>
Holders of hybrid capital	59,505	59,154	59,330
<b>Total equity</b>	<b>902,849</b>	<b>772,038</b>	<b>814,332</b>
<b>Total liabilities</b>	<b>6,588,065</b>	<b>6,213,070</b>	<b>6,367,636</b>



## Off-balance-sheet items by 30th June

1,000 DKK	2018	2017	1.1-31.12 2017
<b>CONTINGENT LIABILITIES</b>			
Contingent liabilities			
Finance guarantees	632	22,467	31,905
Guarantees against losses on mortgage credit loans	518,509	436,127	480,478
Registration and conversion guarantees	160,306	149,605	183,440
Other contingent liabilities	505,524	417,677	429,718
<b>Total</b>	<b>1,184,971</b>	<b>1,025,876</b>	<b>1,125,541</b>
Other binding engagements			
Irrevocable credit-undertakings	418,495	135,802	285,731
<b>Total</b>	<b>418,495</b>	<b>135,802</b>	<b>285,731</b>

## Information on changes in equity 30th June

1,000 DKK	2018	2017	1.1-31.12 2017
Share capital beginning-of-year	192,800	192,800	192,800
<b>Share capital end-of-year</b>	<b>192,800</b>	<b>192,800</b>	<b>192,800</b>
Revaluation reserves beginning-of-year	417	417	417
Additions related to reassessed value	0	0	0
Other movements	0	0	0
<b>Revaluation reserves end-of-year</b>	<b>417</b>	<b>417</b>	<b>417</b>
Retained earnings beginning-of-year	561,785	443,117	443,117
Changed accounting policy for impairment charges	-23,823	0	0
Profit or loss for the financial year	112,171	76,600	117,197
Tax of interest hybrid capital	0	0	1,458
Sale of own funds	16,121	15,293	32,730
Purchase of own funds	-16,127	-15,343	-32,717
<b>Retained earnings end-of-year</b>	<b>650,127</b>	<b>519,667</b>	<b>561,785</b>
Holdings of hybrid capital beginning-of-year	59,330	58,979	58,979
Net profit or loss for the year (interest hybrid capital)	3,138	3,138	6,626
Paid interest	-2,963	-2,963	-6,275
<b>Holdings of hybrid capital end-of-year</b>	<b>59,505</b>	<b>59,154</b>	<b>59,330</b>
<b>Total equity</b>	<b>902,849</b>	<b>772,038</b>	<b>814,332</b>

## Notes per 30th June

1,000 DKK	2018	2017	1.1-31.12 2017
<b>INTEREST INCOME</b>			
Receivables at credit institutions and central banks	0	-1,855	0
Loans and other receivables	95,734	94,920	188,771
Bonds	4,317	4,684	9,484
Other derivative financial instruments, total	556	406	722
of which			
Currency contracts	92	154	448
Interest-rate contracts	464	252	274
Other interest income	0	0	0
<b>Total</b>	<b>100,607</b>	<b>98,155</b>	<b>198,977</b>
<b>INTEREST EXPENSES</b>			
Credit institutions and central banks	1,893	14	4,234
Deposits	4,019	8,773	16,098
Subordinated debt	3,207	3,225	6,613
Other interest expenses	9	7	60
<b>Total</b>	<b>9,128</b>	<b>12,019</b>	<b>27,005</b>
<b>FEES AND COMMISSION INCOME</b>			
Securities trading and custody accounts	6,742	13,623	21,888
Payment services	5,995	4,713	9,828
Loan fees	26,548	28,056	52,865
Guarantee commission	6,671	5,237	11,168
Other fees and commission	16,542	9,437	22,798
<b>Total</b>	<b>62,498</b>	<b>61,066</b>	<b>118,547</b>
<b>VALUE ADJUSTMENTS</b>			
Other loans	0	13	13
Bonds	-3,036	3,499	3,937
Total shares	70,296	15,331	23,114
Shares in sector companies etc.	6,860	5,813	9,178
Other shares	63,436	9,518	13,936
Foreign currency	2,129	1,840	3,862
Other financial instruments	6	-54	119
<b>Total</b>	<b>69,368</b>	<b>20,629</b>	<b>31,045</b>

1,000 DKK	2018	2017	1.1-31.12 2017
<b>STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
<b>SALARIES AND REMUNERATION OF BOARD OF DIRECTORS, MANAGERS ETC.</b>			
Board of managers	1,326	1,326	2,830
Fixed fees	1,305	1,305	2,790
Pension contributions	21	21	40
Management board	572	528	1,053
Audit Committee	0	0	50
Committee of representatives	0	0	177
<b>Total salaries and remuneration of board etc.</b>	<b>1,898</b>	<b>1,854</b>	<b>4,110</b>
<b>STAFF COSTS</b>			
Wages and salaries	38,335	34,833	71,633
Pensions	4,227	3,859	7,843
Social security costs	284	290	982
Payroll tax	6,355	5,550	11,644
<b>Total staff costs</b>	<b>49,201</b>	<b>44,532</b>	<b>92,102</b>
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>32,584</b>	<b>28,151</b>	<b>64,840</b>
<b>Total staff costs and administrative expenses</b>	<b>83,683</b>	<b>74,537</b>	<b>161,052</b>
<b>EMPLOYEES</b>			
Average number of employees converted into full-time employees	149	134	135
<b>WRITE-DOWNS ON LOANS AND RECEIVABLES</b>			
Write-downs and provisions during the year	43,858	40,413	68,360
Reversal of write-downs made in previous years	-27,831	-23,907	-38,149
Finally lost, not previously written down	425	2,139	4,215
Interest on the written-down portion of loans	-4,920	-6,240	-12,480
Recoveries of previously written off debt	-1,405	-1,586	-2,060
<b>Total</b>	<b>10,127</b>	<b>10,819</b>	<b>19,886</b>



## Notes per 30th June (continued)

1,000 DKK	2018	2017	1.1-31.12 2017
<b>INDIVIDUAL WRITE-DOWNS AND PROVISIONS</b>			
Write-downs - beginning of the year	313,345	316,473	316,040
Changed accounting policy for impairment charges	-313,345	0	0
Write-downs during the year	0	38,997	62,025
Reversal of write-downs made in previous years	0	-23,907	-33,933
Write-downs in previous years	0	-19,802	-30,787
<b>Individual write-downs total</b>	<b>0</b>	<b>311,761</b>	<b>313,345</b>
<b>GROUP WRITE-DOWNS AND PROVISIONS</b>			
Write-downs - beginning of the year	26,364	26,391	26,391
Changed accounting policy for impairment charges	-26,364	0	0
Write-downs during the year	0	1,416	0
Group write-downs - end of year	0	0	-27
<b>Group write-downs total</b>	<b>0</b>	<b>27,807</b>	<b>26,364</b>
<b>Write-downs total</b>	<b>0</b>	<b>339,568</b>	<b>339,709</b>
<b>STAGE 1 IMPAIRMENT CHARGES</b>			
Stage 1 impairment charges at the end of the previous financial year	0	-	-
Changed accounting policy for impairment charges	14,750	-	-
Stage 1 impairment charges / value adjustment during the period	3,700	-	-
<b>Cummulative stage 1 impairment total</b>	<b>18,450</b>	-	-
<b>STAGE 2 IMPAIRMENT CHARGES</b>			
Stage 2 impairment charges at the end of the previous financial year	0	-	-
Changed accounting policy for impairment charges	25,020	-	-
Stage 2 impairment charges / value adjustment during the period	-2,934	-	-
<b>Cummulative stage 2 impairment total</b>	<b>22,086</b>	-	-

1,000 DKK	2018	2017	1.1-31.12 2017
<b>STAGE 3 IMPAIRMENT CHARGES</b>			
Stage 3 impairment charges at the end of the previous financial year	306,943	-	-
Changed accounting policy for impairment charges	17,137	-	-
Stage 2 impairment charges / value adjustment during the period	38,996	-	-
Reversal of stage 3 impairment charges during the period	-24,896	-	-
Recognised as a loss, covered by stage 3 impairment charges	-36,106	-	-
<b>Cummulative stage 3 impairment total</b>	<b>302,074</b>	-	-
<b>Total cumulative impairment charges for loans and other receivables on the balance sheet date</b>	<b>342,610</b>	<b>339,568</b>	<b>339,709</b>
<b>GUARANTEES</b>			
Provisions beginning of the year	2,578	433	433
Changed accounting policy for provisions for losses on guarantees	6,556	0	0
Loss on guarantees	1,162	2,202	2,234
Transferred to liabilities	0	0	-89
<b>Guarantees end of year</b>	<b>10,296</b>	<b>2,635</b>	<b>2,578</b>
<b>Total cumulative impairment charges for loans and other receivables and provisions for losses on guarantees and unutilised credit facilities on the balance sheet date</b>	<b>352,906</b>	<b>342,203</b>	<b>342,287</b>
<b>LOANS ETC. WITH SUSPENDED CALCULATION OF INTEREST</b>	<b>93,144</b>	<b>118,996</b>	<b>117,440</b>
<b>SHARE CAPITAL</b>			
Number of shares at 20 DKK each	9,640,000	9,640,000	9,640,000
Share capital	192,800	192,800	192,800
<b>OWN CAPITAL SHARES</b>			
Number of shares (pcs)	10,000	10,740	10,000
Nominal value hereof	200	215	200
Market value hereof	678	714	735
Own shares proportion of share capital (pct.)	0.10%	0.10%	0.10%

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