



Annual Report 2015

(Extract)



Satisfactory profit and renewed solid capital coverage

- Profit before tax of DKK 51.0 million compared to DKK -56.7 million in 2014
- Return on equity before tax of 8.9%
- Capital ratio of 16.3% and individual solvency requirements of 11.4%, corresponding to a 4.9 percentage point coverage
- Solid liquidity reserves of DKK 757 million, corresponding to 174.8%
- Core earnings of DKK 116.1 million, compared with DKK 111.0 million in 2014
- Loan impairment of DKK 63.9 million compared with DKK 154.4 million in 2014
- For 2016, core earnings calculated as profit before tax, exchange rate adjustments and write-downs are expected to be in the range of DKK 100–110 million



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Management's financial report for 2015

Principal activities

Skjern Bank's main activity is offering bank products to private customers, corporate and institutional customers and public companies. The customers are primarily from West and South Jutland and the Hellerup area north of Copenhagen. The bank wishes to offer its customers a full product range combined with professional consultancy services.

2015 in review

A profit before tax of DKK 51.0 is considered a very satisfactory result. The profit was positively affected by the improvement in the bank's net interest and fee income, while the impairment level remains high.

The bank's net interest income increased by DKK 2.3 million. The bank has noticed the fierce competition in the market and has seen a decline in interest income of DKK 26.2. However the bank's interest expenses were further reduced, which is primarily due to significantly reduced interest on deposits of DKK 21.1 million and interest on subordinated debt, which was reduced by DKK 6.5 million.

The bank's net interest and fee income increased by DKK 7.2 million, which is satisfactory. This is mainly due to increased loan fees in the first six months of 2015 as a result of a lot of refinancing from the bank's customers. The developments in interest rates made it attractive to convert to fixed-rate mortgage loans, which many of the bank's customers chose to do.

The bank's objective has been to increase fee earnings relative to interest income, primarily through increased earnings in the securities, pension and insurance areas. The fee percentage in relation to the bank's total income has gone from 27% in 2013 to 33% in 2014 and was largely maintained in 2015 with 32%, which is considered a very satisfactory development.

Profit before tax was negatively affected by an increased level of impairment of DKK 63.9 million, corresponding to 1.4%. However, the level was significantly reduced compared to 2014, when impairment amounted to DKK 154.4 million.

The continued increase in impairment was largely due to write-downs in agriculture, as the crisis in agriculture has strongly reduced tariffs, particularly on pork and milk. The bank has made write-downs on the industry based on the new guidelines from the Danish Financial Supervisory Authority. The crisis in agriculture is unfortunately expected to continue in 2016, which has resulted in further write-downs as a consequence of the assessment of "early events".

The write-downs were reduced by DKK 90.5 million to DKK 63.9, where the 2014 level was extremely unsatisfactory and this makes comparison difficult. The management also considers the level in 2015 to be a high level.

The impairment need is strongly affected by the agricultural situation, as write-downs for the industry amount to DKK 45.7 million, out of the total write-downs of DKK 63.9 million. There is a lot of talk about write-downs on agricultural exposures, which are still in operation and under skilled management. However, the crisis in the sector means that significant sums must be reserved for this.

At the beginning of 2015, the bank expected core earnings in the range of DKK 115–125 million, which is realised as DKK 116.1 million, compared with DKK 111 million in 2014. Included in the realised core earnings is an expense for an option premium of DKK 7.5 million as a result of the bank's sale of shares in DLR Kredit A/S in the first quarter of 2015. On this basis, it is considered satisfactory to realise core earnings within the reported range.

In 2015, the bank has focused on increasing capital base, as the capital coverage in early 2015 was a modest 0.1% points. The bank has succeeded in bringing the coverage up to a satisfactory 4.9% points, primarily by raising the capital ratio by 4.3% points, but also by reducing the solvency need from 11.9% to 11.4%. In addition to the recognition of calculated profit, the capital ratio was primarily strengthened via sales of shares in DLR Kredit A/S of a nominal DKK 75 million, which in itself improves the capital ratio by about 1.77% points. Also in 2015 hybrid core capital of a nominal DKK 60 million was included, which improves the capital base by about 1.25% points.

With regard to the bank's capital position in general, refer to note 30 on page 34.

A solid liquidity based on stable customer deposits was maintained throughout 2015. This is why it is very satisfying to report that at the end of the year, there was a significant deposit surplus. Deposits from customers remained at the same level in 2015 as at the end of 2014, which contributes positively to the current liquidity reserve of DKK 1.033 billion, corresponding to 174.8%. The Bank is thus thoroughly provisioned in terms of liquidity.

In 2015, there was a solid increase in core earnings of DKK 116.1 million, compared with DKK 111.0 million in 2014 and DKK 99.1 million in 2013. The bank's profitability is positively affected by increasing net interest and fee income and increasing dividends on the bank's shareholding.

Compared with 2014, the bank's net interest and fee income increased by DKK 7.3 million, while the cost level increased by DKK 1.2 million.

The Supervisory Diamond, which is the Danish Financial Supervisory Authority's benchmark for the status of the health of financial institutions, was calculated on 31 December 2015 and still shows that the bank is fully in compliance with the established limit values in all five areas.

Expectations for 2016

The bank's expectations for 2015 have been realised in most areas, and on this basis the bank has an optimistic outlook for 2016 and expects to maintain the earnings level realised in 2015, based on the increasing number of customers, continued declining interest expenses and the strongly improved core earnings.

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

Goals have been established for 2016 based on cautious growth in the bank's current departments and business areas. The focus is on strengthening the bank's earnings and capital provisioning in order to secure the position as the independent and local West and South Jutland bank, which will make a difference in the local areas as well in the long term.

We are still experiencing that private customers in the West and South Jutland areas have a very robust economy, which is supported by relatively low and stable housing prices and general economic caution. The bank does not expect significant challenges in lending to private customers in 2016, nor has this been the case in recent years.

The bank has and has always had close ties to the agricultural industry, which represents a significant customer group. Over time, credit lending to the agricultural industry has been relatively unproblematic and has only led to limited losses for the bank.

The ongoing crisis in Danish agriculture is expected to continue, at least in the first half of 2016 and possibly longer. In addition, a significant part of Danish agriculture is likely to have problem with achieving profitability in 2016 and here the bank will continue — in loyalty and respect — and in close cooperation with individual farmers, to try to find the best possible solutions. The extremely difficult framework conditions in the industry place high demands on individual farmers, and we still assess that the bank's agricultural portfolio very much has the skills that are a prerequisite for being part of the future agricultural industry.

Loans to agriculture constitute 15.1% of total lending. As with any other business, the bank has made a careful review of the commitments and the management is confident about these commitments.

In recent years, financing of alternative energy has brought in many new customer relationships. The share of loans so far is also expected to be a significant business area for the bank in 2016.

The bank's other business segments are generally considered to be in good development and are distributed amongst many small and medium businesses in the market area.

The focus will be on maintaining a satisfactory liquidity reserve, primarily via a balanced relationship between the total deposit and lending volumes, since in the future the bank also wants to base lending on deposits from customers and only to a lesser extent on loans from other institutes, etc.

The satisfactory capital coverage of 4.9% points is expected to continue in 2016, to ensure the capital margins for the development of the bank.

Overall, 2016 is expected to lead to a relatively modest increase in the bank's business volume and increased activity in securities and the foreign sector. Interest expense was reduced as a result of lower prices on the bank's deposits and particularly on high-interest deposits. A very significant factor in recent years — write-downs on trade receivables — is still expected to be high, though less than in 2015, such that a satisfactory result and return on the bank's equity is expected.

In 2016, the bank expects core earnings in the range of DKK 100–110 million.

Audit

The Danish version of the Annual Report for 2015 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 2015 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 additional Danish requirements regarding information in annual reports for financial companies listed on the Stock Exchange.

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 2015 and of the result of the bank's activities for the accounting year 1 January – 31 December 2015.

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 3rd February 2016
Executed Board of
Skjern Bank A/S

Per Munck

/

Thomas Baun
Chief Financial Officer

Skjern, the 3rd February 2016

The Board of Skjern Bank A/S

Hans L. Jeppesen
Chairman

Jens Okholm
Vice-Chairman

Bjørn Jepsen

Finn Erik Kristiansen

Søren Dalum Tinggard

Lars Skov Hansen

Lars Lerke

Carsten Jensen

Profit and loss account

2015
2014

Note:

(DKK 1,000)

(DKK1,000)

2	Interest receivable.....	218,537	244,721
3	Interest payable	56,309	84,795
	Net income from interest.....	162,228	159,926
	Dividend on shares and other holdings	11,692	6,491
4	Charges and commission receivable	93,459	86,183
	Charges and commission payable.....	12,143	4,575
	Net income from interest and charges	255,236	248,025
5	Value adjustments	11,536	10,770
	Other ordinary income	1,610	1,195
6	Staff costs and administrative expenses	139,680	138,473
	Depreciation and write-downs on intangible and tangible assets.....	3,924	14,118
	Other operating expenses total	9,066	9,254
	Contribution to the Guarantee Fund for deposits	8,926	9,018
	Other operating expenses	140	236
9	Write-downs	63,908	154,386
10	Profit on equity investments in non-affiliated and affiliated companies	-760	-507
	Result before tax	51,044	-56,748
11	Tax	10,929	-712
	Net-result for the financial year	40,115	-56,036
	Of which are holders of shares of hybrid core capital instruments etc.....	1,831	0

Proposal for distribution of profit

Dividends	0	0
Holders of hybrid core capital instruments	1,831	0
Transferred to/from retained earnings	38,284	-56,036
Total distribution of the amount available	40,115	-56,036

Statement of comprehensive income

Profit for the financial year	40,115	-56,036
Other comprehensive income after tax	0	0
Total comprehensive income	40,115	-56,036

Balance Sheet

2015

2014

Note:

(DKK 1,000)

(DKK 1,000)

Assets

	Cash in hand and demand deposits with central banks	277,630	460,515
12	Receivables at credit institutions and central banks	605,809	28,482
13	Loans and other receivables at amortised cost	3,511,175	3,643,989
14	Bonds at fair value	707,428	830,645
15	Shares etc.	179,233	245,966
16	Holdings in associated enterprises	0	0
16	Holdings in group enterprises	0	3,026
17	Land and buildings (total)	51,141	55,341
	Investment properties	2,961	6,974
	Owner-occupied properties	48,180	48,367
18	Other tangible assets	5,176	5,897
	Current tax assets	2,536	717
19	Deferred tax assets	28,455	36,002
	Other assets	47,787	65,010
	Prepayments	8,369	8,530
	Total assets	5,424,739	5,384,120

Liabilities

	Debt		
20	Debt to credit institutions and central banks	85,561	99,848
21	Deposits and other debts	4,483,104	4,485,996
22	Bonds issued at amortised cost	0	1,351
	Other liabilities	66,536	104,444
	Prepayments	612	690
	Total debt	4,635,813	4,692,329
	Provisions		
13	Provisions for loss on guarantees	62	0
	Total provisions	62	0
23	Subordinated debt		
	Subordinated loan capital	99,439	99,260
	Hybrid core capital	70,000	70,000
	Total subordinated debt	169,439	169,260
	Equity		
24	Share capital	192,800	192,800
	Revaluation reserves	417	417
	Retained earnings	367,579	329,314
	Proposed dividend	0	0
25	Holders of hybrid capital	58,629	0
	Total equity	619,425	522,531
	Total liabilities	5,424,739	5,384,120

Information on changes in equity

2015

2014

Note:

(DKK 1,000)

(DKK 1,000)

24	Share capital beginning-of-year	192,800	192,800
	Share issue	0	0
24	Share capital end-of-year	192,800	192,800
	Revaluation reserves beginning-of-year	417	417
	Additions related to reassessed value	0	0
	Other movements	0	0
	Revaluation reserves end-of-year	417	417
	Retained earnings beginning-of-year	329,314	385,379
	Profit or loss for the financial year	38,284	-56,036
26	Sale of own funds	17,512	14,969
26	Purchase of own funds	-17,530	-14,725
	Retained earnings end-of-year	367,579	329,314
	Holders of hybrid capital beginning-of-year	0	0
	Net profit or loss for the year (interest hybrid capital)	1,831	0
	Paid interest	-1,569	0
	Issue of hybrid core capital, net	58,367	0
	Holders of hybrid capital end-of-year	58,629	0
	Total equity	619,425	522,531



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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.

The accounting practice used is unchanged compared to the previous year.

General notes 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, intangible and 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. However, value increases in owner-occupied properties are recognised directly in equity.

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 and 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 include impairment of loans and receivables, determination of fair value of unlisted financial instruments, tangible fixed assets, deferred tax assets and provisions.

Foreign currencies

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.

Income statement

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.

Received interest on loans on which a write down has occurred are passed to the written-down part of the loan in question under the item "Impairment of loans and receivables" and are thus offset in net write-downs.

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 administrative expenses

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

Pension plans

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 statement of financial position 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.

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.

The bank is jointly taxed with all Danish companies in which it exercises a controlling interest. The current Danish corporation tax is allocated between jointly taxed Danish companies in proportion to their taxable income (full allocation with tax relief for losses).

Balance sheet

Receivables from credit institutions and central banks

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 incurred but not yet realised.

Loans, etc. are written down either individually or on a group basis when there are objective indications of poor credit quality which result in a reduction in the expected future series of payments based on an assessment of the most probable outcome.

For loans and receivables which are not individually written down, a group assessment is made of whether there are objective indications of impairment in the group.

The collective assessment is made for groups of loans and receivables which have similar characteristics in terms of credit risk.

The bank operates with 11 groups: a group of public authorities, a group of private customers and 9 groups of commercial customers, where the commercial customers are divided by industry.

The collective assessment is based on a segmentation model developed by the association Lokale Pengeinstitutter, which is responsible for ongoing maintenance and development. The segmentation model establishes the relationship in each group between recognised loss and a number of significant explanatory macroeconomic variables via a linear regression analysis. The explanatory macroeconomic variables

include unemployment, housing prices, interest rates, number of bankruptcies/foreclosures, etc.

The macroeconomic segmentation model is initially calculated based on loss data for the entire banking sector.

The bank has therefore assessed that the model estimates reflect the credit risk for the bank's own lending portfolio.

For each group of loans and receivables, an estimate is made which reflects the percentage of impairment related to a specific group of loans and receivables on the balance date. By comparing the individual loan's current risk of loss with the loan's original risk of loss and the loan's risk of loss at the beginning of the current accounting period, the individual loan's contribution to the group impairment is shown. Impairment is calculated as the difference between the carrying value and the discounted value of expected future payments.

Changes in write-downs made 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. The Executive Board takes an active approach to the calculation of fair value.

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."

Investments in subsidiaries and associates

Equity investments in associated and group enterprises are recognised and measured according to the book value method, which means that the equity investments are measured at the proportionate share of the companies' book value at the end of the year.

The bank's share of the companies' profit after tax is recognised in the statement of profit or loss and other comprehensive income.

Land and buildings

Land and buildings include

- "Occupied properties", which consists of the properties from which the bank conducts banking activities, and
- "Investment property", which consists of all other properties owned by the bank.

Occupied properties are measured at revalued amounts, which is the fair value measured by the return method on 5.25 - 7 %, less accumulated depreciation and any impairment losses. Depreciation is recognised in the income statement. Reassessments are made so frequently that there are no significant deviations from 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 and other comprehensive income in a previous year, the increase is recognised in the statement of profit or loss and other comprehensive income.

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. 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.

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. Linear depreciation is carried out over 3-5 years, based on the cost. Depreciation and loss of impairment are recognised in the statement of profit or loss and other comprehensive income.

Other assets

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

Assets in temporary possession

Assets in temporary possession include assets which the bank possess and has for sale for a short period. The assets are measured at fair value.

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.

Payables to credit institutions and central banks/deposits and other debt/issued bonds/subordinated capital contributions

The items are measured at amortised cost.

Other liabilities

Other liabilities include interest payable and provisions and negative market value of derivative financial instruments.

Provisions

Commitments, 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 a drain on the Bank's financial resources and the liability can be measured reliably. The liability is calculated at the present value of the costs required to settle the liability.

However, guarantees are not measured lower than the provision which is received for the guarantee, accrued over the guarantee period.

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 and other comprehensive income under "Impairment of loans and receivables, etc."

Financial highlights

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

Note

		2015 (DKK 1,000)	2014 (DKK 1,000)
2	Interest income		
	Receivables at credit institutions and central banks	-1,766	32
	Loans and other receivables	222,217	238,463
	Loans (interest conc. the written-down part of loans)	-12,900	-9,600
	Bonds	10,915	15,455
	Other derivative financial instruments, total	59	371
	of which		
	Interest-rate contracts	416	-840
	Currency contracts	-357	1,211
	Other interest income	12	0
	Total	218,537	244,721
3	Interest expenses		
	Credit institutions and central banks	35	773
	Deposits	45,338	66,430
	Bonds, issued	0	61
	Subordinated debt	10,923	17,427
	Other interest expenses	13	104
	Total	56,309	84,795
	No income or expenses are entered from genuine purchase or repurchase contracts in notes 2 and 3.		
4	Fees and commission income		
	Securities trading and custody accounts	27,820	25,309
	Payment services	7,586	7,176
	Loan fees	35,999	30,460
	Guarantee commission	6,355	7,881
	Other fees and commission	15,699	15,357
	Total	93,459	86,183
5	Value adjustments		
	Bonds	-13,148	-7,689
	Total shares	21,892	14,597
	- Shares in sector companies etc.	9,422	9,919
	- Other shares	12,470	4,678
	Foreign currency	2,884	3,896
	Other financial instruments	-92	-34
	Total	11,536	10,770
	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.		
6	Staff costs and administrative expenses		
	Salaries and remuneration of board of directors, audit committee, managers etc.		
	Board of managers (1 person)*	2,830	2,830
	Fixed fees	2,790	2,790
	Pension contributions	40	40
	Management board	996	869
	Audit Committee	50	50
	Committee of representatives	165	172
	Total salaries and remuneration of board etc.	4,041	3,921
	*The Board of manager has a company car		
	Board of Directors' remuneration		
	Hans Ladekjær Jeppesen	255	233
	Jens Okholm	183	172
	Bjørn Jespsen	101	100
	Finn Erik Kristiansen	112	109
	Søren Dalum Tinggaard	101	98
	Lars Skov Hansen	112	109
	Lars Lerke	101	98
	Carsten Jensen	81	0
	Total	1,046	921

Note

	2015 (DKK 1,000)	2014 (DKK 1,000)
6 Staff costs and administrative expenses (continued)		
Staff costs		
Wages and salaries	64,503	62,829
Pensions	7,106	6,922
Social security costs	852	942
Payroll tax	9,042	8,357
Total staff costs	81,503	79,050
Salary to special risk takers (11 persons in 2015, 10 persons in 2014)	7,723	7,122
Pensions to special risk takers (11 persons in 2015, 10 persons in 2014)	836	770
Other administrative expenses		
IT expenses	25,624	24,436
Rent, electricity, heating etc.	4,749	4,550
Postage, telephony etc.	852	972
Other administrative expenses	22,911	25,544
Total other administrative expenses	54,136	55,502
Total staff costs and administrative expenses	139,680	138,473

Pension and severance terms for the executive board

The management receives 11% of salary grade 31 in annual pension, which is contribution-based through a pension company. Therefore, Skjern Bank has no pension obligations to the management, since there is regular payment to a pension company as indicated. 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% of their respective salary grades in annual pension, which is contribution-based through a pension company in which the payments are expensed continually.

Average number of employees during the financial year converted into full-time employees

Employed in credit institution business	128	125
Employed in other business	0	0
Total	128	125

7 Incentive and bonus schemes

The bank does not have any incentive or bonus schemes.

8 Audit fee

Total fee to the firm of accountants, elected by the annual meeting,

that perform the statutory audit	1,026	679
Honorariums for statutory audits of financial statements	657	563
Honorariums for tax services	29	20
Honorariums for assurance services	22	40
Honorariums for other services	319	56

Note

		2015 (DKK 1,000)	2014 (DKK 1,000)
9	Write-downs on loans and receivables		
	Write-downs and provisions during the year	119,545	180,308
	Reversal of write-downs made in previous years	-45,262	-20,369
	Finally lost, not previously written down	4,516	6,269
	Interest on the written-down portion of loans	-12,900	-9,600
	Recoveries of previously written off debt	-1,991	-2,222
	Total	63,908	154,386
10	Profit on equity investments in non-affiliated and affiliated companies		
	Profit on equity investments in non-affiliated companies	0	-361
	Profit on equity investments in affiliated companies	-760	-146
	Total	-760	-507
11	Tax		
	Calculated tax of income of the year	3,227	672
	Adjustment of deferred tax	7,123	-1,384
	Adjustment of tax calculated in previous years	579	0
	Total	10,929	-712
	Tax paid during the year	3,890	735
	Effective tax-rate	(Pct.)	(Pct.)
	Current tax rate	23.50	24.50
	Non-deductible expenses and non-taxable income	-3.37	-2.70
	Adjustment of prior years' taxes	1.18	0.00
	Reduction in future tax rate	0.69	-0.30
	Other adjustments	0.21	-1.20
	Total effective tax rate	22.21	20.30
12	Receivables at credit institutions and central banks		
	Deposits with central banks	555,104	0
	Receivables at credit institutions	50,705	28,482
	Total	605,809	28,482
	Remaining period		
	Demand	605,809	27,913
	Over 1 year and up to 5 years	0	569
	Total	605,809	28,482
	No assets related to genuine purchase and resale transactions included.		
13	Loans and other debtors at amortised cost price		
	Remaining period		
	Claims at call	1,302,164	1,525,278
	Up to 3 months	77,100	95,859
	Over 3 months and up to 1 year	308,845	268,209
	Over 1 year and up to 5 years	827,507	771,026
	Over 5 years	995,559	982,835
	Total loans and other debtors at amortised cost price	3,511,175	3,643,207
	No assets related to genuine purchase and resale transactions included		
	Individual write-downs and provisions		
	Write-downs beginning of the year	337,551	221,447
	Write-downs during the year	115,849	174,192
	Reversal of write-downs made in previous years	-42,829	-15,380
	Write-downs in previous years - now lost	-70,512	-42,708
	Write-downs end of year	340,059	337,551
	Group write-downs and provisions		
	Write-downs - beginning of the year	22,902	21,689
	Write-downs during the year	1,264	1,213
	Group write-downs - end of year	24,166	22,902
	Total write-downs	364,225	360,453

Note

		2015 (DKK 1,000)	2014 (DKK 1,000)
13	Loans and other debtors at amortised cost price (continued)		
	Guarantees		
	Provisions beginning of the year	0	0
	Provisions during the year	62	0
	Loss on guarantees	0	0
	Transferred to liabilities	0	0
	Guarantees end of year	62	0
	Loans etc. with suspended calculation of interest	144,970	186,576
	Loans and other debtors with an objective indication of impairment included in the balance sheet at a book value greater than zero		
	Individual written-down loan		
	Balance for loans and other debtors before write-downs	770,735	703,745
	Write-downs	-340,121	-337,551
	Balance for loans and other debtors after write-downs	430,614	366,194
	Group written-downs loans		
	Balance for loans and other debtors before write-downs	3,104,727	3,299,915
	Write-downs	-24,166	-22,902
	Balance for loans and other debtors after write-downs	3,080,561	3,277,013
	There are no write-downs of receivables from credit institutions, or any other receivables.		
14	Bonds at fair value		
	Mortgage credit bonds	556,213	610,728
	Other bonds	151,214	219,917
	Total bonds at fair value	707,427	830,645
	The bank has no held-to-maturity assets		
15	Shares etc		
	Quoted on Nasdaq OMX Copenhagen A/S	34,049	36,924
	Quoted on other stock exchanges	15,969	14,217
	Sectorshares recorded at fair value	129,215	194,828
	Total shares etc	179,233	245,966
16	Equity investments in associated and affiliated companies	2015	2015
		Associated companies	Affiliated companies
		(DKK 1,000)	(DKK 1,000)
	Total cost price beginning-of-year	505	6,988
	Acquisitions during the year	0	0
	Reduction during the year	0	6,988
	Total cost price end-of-year	505	0
	Total write-ups/downs and depreciations beginning-of-year	-505	-3,962
	Result	0	-760
	Disposals during the year	0	4,723
	Total write-ups/downs and depreciations end-of-year	-505	0
	Book value end-of-year	0	0
	of this credit institutions	0	0
	Book value beginning-of-year	0	3,026
	of this credit institutions	0	0

All agreements and transactions with affiliated undertakings is entered into on market terms.

Note

		2015 (DKK 1,000)	2014 (DKK 1,000)
17	Land and buildings		
	Investment properties		
	Fair value - end of previous financial year	6,974	8,361
	Acquisitions during the year incl. improvements	0	13
	Disposals during the year	-2,750	0
	Adjustment of fair value for the year	-1,263	-1,400
	Fair value end-of-year	2,961	6,974
	Owner occupied properties		
	Reassessed value - end of previous financial year	48,367	58,528
	Acquisitions during the year incl. improvements	33	357
	Disposals during the year	0	0
	Depreciations	-1,420	-1,420
	Adjustment of fair value for the year	0	-9,098
	Changes in value recognized in income	1,200	0
	Reassessed value end-of-year	48,180	48,367
	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 5.25-7 %.		
18	Other tangible assets		
	Total cost price beginning-of-year	41,770	40,633
	Acquisitions during the year incl. Improvements	2,044	2,242
	Reduction during the year	-2,028	-1,105
	Total cost price beginning-of-year	41,786	41,770
	Total write-ups/downs and depreciations beginning-of-year	35,873	34,116
	Depreciations during the year	2,441	2,199
	Reversal of depreciations	-1,704	-442
	Total write-ups/downs and depreciations end-of-year	36,610	35,873
	Book value end-of-year	5,176	5,897
19	Deferred taxation		
	(Tax amount)		
	Tangible assets	2,177	2,002
	Loans and other receivables	2,144	2,113
	Other	-483	-164
	Other deficits carried forward	24,617	32,051
	Total deferred taxation	28,455	36,002
	The activated deficit is expected to be utilised within the next 3-5 years.		
20	Debt to credit institutions and central banks		
	Debt to credit institutions and central banks		
	Debt to central banks	33,595	31,857
	Debt to credit institutions	51,966	67,991
	Total debt to credit institutions and central banks	85,561	99,848
	Term to maturity		
	Demand	85,561	99,848
	Total debt to credit institutions and central banks	85,561	99,848
	No liabilities related to genuine sale and repurchase transactions included.		

Note

		2015 (DKK 1,000)	2014 (DKK 1,000)
21	Deposits and other debts		
	Demand.....	3,802,610	3,684,779
	At notice	20,879	17,841
	Time deposits.....	70,997	183,424
	Special types of deposits	588,618	599,952
	Total deposits and other debts	4,483,104	4,485,996
	Term to maturity		
	Demand.....	3,823,813	3,701,757
	Deposits redeemable at notice:		
	Up to 3 months	95,205	118,295
	Over 3 months and up to 1 year.....	62,547	130,061
	Over 1 year and up to 5 years	75,112	89,805
	Over 5 years.....	426,427	446,078
	Total deposits and other debts	4,483,104	4,485,996
	No liabilities related to genuine sale and repurchase transactions included.		
22	Bonds issued at fair value		
	Term to maturity		
	Up to 3 months	0	1,351
	Total bonds issued at amortised cost.....	0	1,351
23	Subordinated debt		
	Supplementary capital DKK 100 mio.....	99,439	99,260
	Rate	6.595%	6.595%
	Due date	21.05.2024	21.05.2014
	The loan may be paid early with the Danish Financial Supervisory Authority's approval starting on 19 May 2019 and then on each interest payment date.		
	The interest rate is determined as the 5-year swap rate plus a premium of 5.5 percentage points, valid for 5 years from date of issue. Then the interest rate will be Cibur 3 months with a premium of 5.5 percentage points.		
	Hybrid core capital DKK 70 mio.....	70,000	70,000
	Rate	6.09%	6.09%
	Due date	No due date	No due date
	The loan can be repaid prematurely by the bank on the 1st May 2016.		
	On May 1 2016, the interest rate is changed to a quarterly variable coupon rate equal to the CIBOR rate published by Nasdaq OMX for a maturity of three months plus 2.73% pa.		
	Subordinated debt total.....	169,439	169,260
	Subordinated debt that may be included in the capital base	148,439	155,260
	Costs related to admission	0	852
	Interest on subordinated liabilities recognised in income.....	10,923	17,427
24	Share capital.....	192,800	192,800
	Number of shares is 9,640,000 at DKK 20 each		
	The bank has pr. 31. December 2015 16,403 registered shareholders. 98.53 % of the share capital are registered on name.		
25	Holders of hybrid capital		
	Hybrid core capital.....	58,629	0
	Rate	10.4593%	
	Due date	No due date	
	The loan can be repaid prematurely by the bank on the 15th September 2020		
	On September 15 2020, the interest rate is changed to a halfyearly variable coupon rate equal to the CIBOR rate published by Nasdaq OMX for a maturity of six months plus 9.75% pa.		

Note

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Own capital shares

Purchase and sales of own shares

Holdings beginning of the year

	2015 (DKK 1,000)	2014 (DKK 1,000)
Number of own shares.....	8,979	8,850
Nominal value of holding of own shares (DKK 1,000)	180	177
Own shares proportion of share capital	0.09	0.09

Addition

Number of own shares.....	524,660	340,119
Nominal value of holding of own shares (DKK 1,000)	10,493	6,802
Own shares proportion of share capital	5.44	3.53
Purchase price (DKK 1,000).....	17,530	14,726

Disposal

Number of own shares.....	523,660	339,990
Nominal value of holding of own shares (DKK 1,000)	10,473	6,800
Own shares proportion of share capital	5.43	3.53
Sale price (DKK 1,000)	17,512	14,696

Holdings end of the year

Number of own shares.....	9,979	8,979
Nominal value of holding of own shares (DKK 1,000)	200	180
Own shares proportion of share capital	0.10	0.09

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 2015 are a consequence of this.

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Contingent liabilities

Contingent liabilities

Finance guarantees.....	29,136	41,157
Guarantees against losses on mortgage credit loans.....	287,347	192,268
Registration and conversion guarantees.....	108,124	45,411
Other contingent liabilities.....	367,440	274,475
Total.....	792,047	553,311

Other binding engagements

Irrevocable credit-undertakings.....	67,050	108,958
Total.....	67,050	108,958

Assets pledged as collateral

From the security portfolio, the bank has pr. 31. December 2015 put as collateral for clearing with Danmarks Nationalbank, securities with a total market value of DKK 0 million. In addition, there is pledged bonds for a total of DKK 10 million.

Contract Legal obligations

As a member of Bankdata, the bank is due to a possible resignation required to pay a withdrawal benefit.

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 0.423 %.

In 2015, Skjern Bank paid DKK 52,000 to Afviklingsformuen (Settlement Assets).

The Bank is a tenant in two leases, which can be terminated with 6 months' notice, the yearly lease is 860 TDKK. The third lease is irrevocable until 31 December 2021, and the yearly lease is 1,9 mio. DKK.

Note

2015
(DKK 1,000)

2014
(DKK 1,000)

28 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 solicitors and management on an ongoing basis, and provisions are made on the basis of an evaluation of the risk of loss.

29 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 committee and committee of representatives 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:

Loans	10	30
Bid Bond	0	0
Rate of interest	6.75%	6.00 - 6.75%

Board of directors:

Loans	3,421	3,029
Bid Bond	2,330	2,240
Rate of interest/interest range	1.48-8.00%	2.2511-8.00%

Holding of shares in Skjern Bank:

The board of managers		
Per Munck	28,545	28,545
The board of directors		
Hans Ladekjær Jeppesen	11,115	11,115
Jens Okholm	13,022	13,022
Bjørn Jepsen	4,536	4,536
Finn Erik Kristiansen	2,748	2,748
Søren Dalum Tinggaard	3,234	3,234
Lars Sov Hansen	710	710
Lars Lerke	9,882	9,882
Carsten Jensen	1,976	1,976

Note

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Capital requirement

	2015 (DKK 1,000)	2014 (DKK 1,000)
Equity	561,058	522,531
Deferred tax assets	-28,455	-36,002
Deduction for the sum of equity investments etc. above 10 %	-29,616	36,377
CVA deduction	-751	0
Deduction of trading framework for own sharers	-865	-916
Core tier 1 capital (excl. hybrid core capital)	500,692	449,236
Hybrid core capital	107,367	56,000
Deduction for equity investments etc. above 10 %	0	0
Deduction for the sum of equity investments etc. above 10 %	-22,211	-56,000
Tier 1 capital	585,848	449,236
Subordinated loan capital	99,439	99,260
Deduction for the sum of equity investments etc. above 10 %	-22,211	-61,584
Capital base	663,076	486,912
Weighted items		
Credit risk	3,260,404	3,318,100
Market risk	330,563	276,513
Operational risk	484,450	457,193
Weighted items total	4,075,417	4,051,806
Core tier 1 capital ratio (excl. hybrid core capital)	12.3	11.1
Tier 1 capital ratio	14.4	11.1
Solvency ratio - Tier 2	16.3	12.0

31

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 to 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.

Note

31 Current value of financial instruments (*continued*)

	31. december 2015		31. december 2014	
	Book value (DKK 1,000)	Fair value (DKK 1,000)	Book value (DKK 1,000)	Fair value (DKK 1,000)
Financial assets				
Cash in hand+claims at call on central banks	277,630	277,630	460,515	460,515
Claims on credit institutes and central banks 1)	605,809	605,809	28,482	28,482
Loans and other debtors at amort. costprice 1)	3,517,751	3,533,634	3,651,327	3,669,918
Bonds at current value 1)	709,974	709,974	834,535	834,535
Shares etc.	179,233	179,233	245,966	245,966
Capital shares in associated companies	0	0	0	0
Capital shares in group companies	0	0	3,026	3,026
Derivative financial instruments	20,640	20,640	36,526	36,526
Total financial assets	5,311,037	5,326,920	5,260,377	5,278,968
Financial liabilities				
Debt to credit institutions and central banks 1)	85,567	85,567	99,857	99,857
Deposits and other debts	4,501,200	4,644,717	4,524,677	4,590,526
Issued bonds at amortised cost price 1) 2)	0	0	1,402	1,402
Derivative financial instruments	5,346	5,346	9,838	9,839
Subordinated debt 1) 2)	235,078	235,078	176,205	176,205
Total financial liabilities	4,827,191	4,970,708	4,811,980	4,877,829

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

32 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 120 TDKK - 135 TDKK. In the real-estate sector is used return requirement in the range 5.25% - 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

33	Credit risks	2015 (Pct)	2014 (Pct)
	Loans and guarantees distributed on sectors		
	Public authorities.....	0.0	1.6
	Business:		
	Agriculture, hunting, forestry & fishing		
	- Plant production.....	1.5	1.5
	- Cattle farming.....	8.4	7.4
	- Pig farming.....	2.2	2.5
	- Mink production.....	1.5	0.9
	- Other agriculture.....	1.5	0.7
	Industry and mining.....	2.5	3.8
	Energy.....	6.8	6.6
	Building and constructions.....	6.1	5.6
	Wholesale.....	9.0	8.2
	Transport, hotels and restaurants.....	1.4	1.8
	Information and communication.....	0.3	0.3
	Financial and insurance business.....	6.5	7.4
	Real-estate.....	12.7	14.1
	Other business.....	6.1	7.3
	Total business.....	66.5	68.1
	Private persons.....	33.5	30.3
	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. From the above sectoral distribution represents alternative energy 6.3 % in 2015 and 8.1 % in 2014.

Maximum credit exposure classified by loan, guarantees and credit-undertakings

	2015 (DKK 1,000)	2015 (DKK 1,000)	2015 (DKK 1,000)
	Loans	Guarantees	Credit-undertakings
Public authorities.....	0	0	0
Business - agriculture.....	818,376	50,242	0
Business - other.....	2,597,912	412,492	67,050
Private persons.....	1,611,222	329,313	0
	5,027,510	792,047	67,050
Which recognized in the balance after deduction of depreciation.....	3,511,175		
	2014 (DKK 1,000)	2014 (DKK 1,000)	2014 (DKK 1,000)
	Loans	Guarantees	Credit-undertakings
Public authorities.....	0	16,436	0
Business - agriculture.....	692,354	12,601	0
Business - other.....	2,841,276	380,157	108,958
Private persons.....	1,590,686	144,117	0
	5,124,316	553,311	108,958
Which recognized in the balance after deduction of depreciation ...	3,643,989		

Note

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Credit risks (continued)

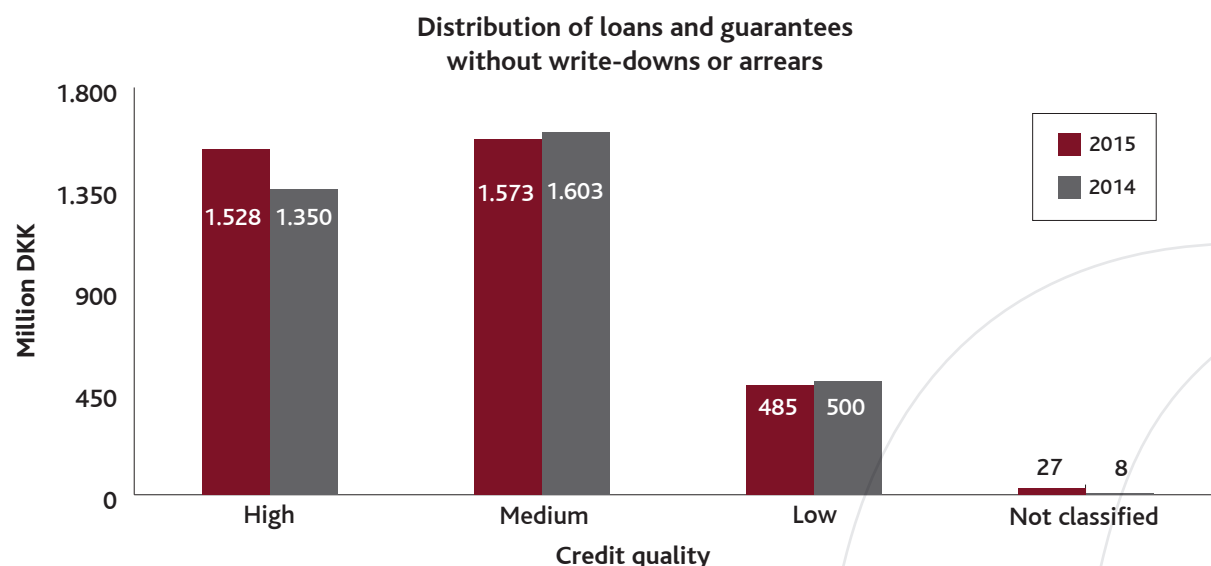
Description of collateral

Security distributed by type	2015 (1,000 kr.) Public authorities	2015 (1,000 kr.) Business, agriculture	2015 (1,000 kr.) Business, other	2015 (1,000 kr.) Private
Securities	0	32,501	184,112	64,735
Real property	0	440,431	701,506	432,457
Chattels, vehicles and rolling stock.....	0	56,737	346,154	172,598
Guarantees	0	29,996	27,664	14,191
Other forms of security	0	38,990	419,561	160,449
	0	598,655	1,678,997	844,430

Security distributed by type	2014 (1,000 kr.) Public authorities	2014 (1,000 kr.) Business, agriculture	2014 (1,000 kr.) Business, other	2014 (1,000 kr.) Private
Securities	4,411	16,489	161,914	58,461
Real property	20,265	350,587	760,764	336,924
Chattels, vehicles and rolling stock.....	5,099	40,719	328,295	166,873
Guarantees	371	30,665	44,751	20,443
Other forms of security	14,279	33,640	331,852	151,277
	44,425	472,100	1,627,576	733,978

As a general rule, the bank is secured through financed assets. It is also secured in the form of sureties and mortgages on equity and shares. The above listings reflect the collateral value which can be attributed to individual commitments. The bank wants to reduce the estimated credit in blank of the entire customer portfolio. In 2015, this led to a reduction of estimated credit in blank of DKK 106 million.

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.

Note

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Credit risks (continued)

Reasons for individual write-downs and provisions

	2015 Exposure before write-down	2015 Write-downs	2015 Securities
Significant financial difficulties	515,877	219,454	249,338
Breach of contract	23,320	17,095	3,668
Reductions in terms	64,758	16,966	30,555
Probability of bankruptcy	226,589	86,544	135,887
Total	830,544	340,059	419,448

	2014 Exposure before write-down	2014 Write-downs	2014 Securities
Significant financial difficulties	428,000	178,518	177,599
Breach of contract	38,309	25,621	25,621
Reductions in terms	74,010	17,098	17,098
Probability of bankruptcy	286,187	116,314	116,314
Total	826,506	337,551	398,819

According to the bank's credit policy, all commitments, particularly including commitments which are subject to individual impairment, must be covered by collateral to the greatest extent possible. When determining impairment need, the value of the pledged collateral is compared to the expected net realisable value.

Also refer to the relevant section on the bank's credit risk in the Management's Review, page 10.

	2015 (DKK 1,000)	2014 (DKK 1,000)
Arrears amount for loans, which have not been written down		
0-90 days	8,945	11,974
>90 days	44	66
Total	8,989	12,040
Loans and arrears amount for loans, which have not been written down		
0-90 days	97,939	84,862
>90 days	33	751
Total	97,972	85,613

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Market risks and sensitivity information

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

Interest rate risk

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

Interest rate risk on debt instruments etc - total	-4,869	-9,648
Interest rate risk in pct of core capital after deductions	-0.8	-2.0

Note

	2015 (DKK 1,000)	2014 (DKK 1,000)
34 Market risks and sensitivity information (continued)		
Interest rate risk split in currencies with highest risk:		
DKK	-5,756	-10,890
CHF	1,031	1,402
EUR	-139	-158
JPY	-2	-2
USD	-2	2
Others	-1	-2
Total	-4,869	-9,648
Foreign currency risk		
Total assets in foreign currency	410,193	599,114
Total liabilities in foreign currency	34,492	43,975
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	2,295	11,197
Currency indicator 1 in pct of core capital after deductions	0.4	2.5
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	4	42
Currency indicator 2 in pct of core capital after deductions	0.0	0.0
<p>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.</p> <p>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.</p>		
Equity Risk		
If stock prices change by 10 percentage points, equity is affected as shown below.		
Quoted on Nasdaq OMX Copenhagen A/S	3,405	3,692
Quoted on other stock exchanges	1,597	1,422
Unquoted shares recorded at fair value	12,921	19,482
Total shares etc.	17,923	24,596

Note

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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.

	2015 Nominal value	2015 Net market- value	2015 Market- value positive	2015 Market- value negative	2014 Nominal value	2014 Net market- value	2014 Market- value positive	2014 Market- value negative
Currency-contracts								
Up to 3 months	545,471	15,252	17,629	2,377	854,386	25,542	29,767	4,225
Over 3 months and up to 1 year	16,517	-24	384	6408	13,133	1,503	1,570	67
Over 1 year and up to 5 years	3,328	4	74	70				
Over 5 years								
Average market value			20,429	3,953			29,234	2,228
Interest-rate contracts								
Up to 3 months								
Over 3 months and up to 1 year	29,850		639	639	80,363	7	1,508	1,501
Over 1 year and up to 5 years	21,941		874	874	51,993		2,630	2,630
Over 5 years	5,166		811	811	5,443	-1	926	926
Average market value			3,521	3,495			7,533	7,542

	2015 (DKK 1,000)	2014 (DKK 1,000)
Credit risk on derivative financial instruments		
Positive market value, counterparty with risk weighting of 0 %	0	0
Positive market value, counterparty with risk weighting of 20%	2,930	4,270
Positive market value, counterparty with risk weighting of 100%	17,710	32,257
Total	20,640	36,526

Unsettled spot transactions

DKK 1,000

	Nominal value	Market- value Positive	Market- value Negative	Net market- value
Foreign-exchange transactions, purchase	359	-	-	-
Foreign-exchange transactions, sale	725	1	-	1
Interest-rate transactions, purchase	20,474	15	11	4
Interest-rate transactions, sale	7,774	18	1	17
Share transactions, purchase	2,152	55	25	30
Share transactions, sale	2,157	25	56	-31
Total 2015	33,641	114	93	21
Total 2014	45,640	120	482	-362

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Cooperative agreements

Skjern Bank cooperates with, receives commission relating to payment transfers from, and is co-owner of some of the following companies:

Totalkredit A/S, Nykredit, DLR 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, Garanti Invest A/S, Investeringsforeningen Egns-Invest, HP Fondsbørsmæglerselskab A/S, Investeringsforeningen Danske Invest, Investeringsforeningen Maj Invest, Codan, Dankort A/S, Nets A/S, Bluegarden A/S & Visa International

Note

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5 years in summary (DKK 1,000)

Profit and loss account

	2015	2014	2013	2012	2011
Net income from interest	162,228	159,926	160,505	153,006	161,046
Dividend on shares	11,692	6,491	8,231	5,414	3,287
Charges and commission, net	81,316	81,608	61,861	55,296	49,725
Income from core business	255,236	248,025	230,597	213,716	214,048
Value adjustments	11,536	10,770	16,236	8,096	94
Other ordinary income	1,610	1,195	1,745	1,131	1,683
Staff cost and admin. expenses	139,680	138,473	131,117	132,557	134,124
Depreciation of intangible and tangible assets.....	3,924	14,118	4,047	3,709	3,578
Other operating expenses	9,066	9,254	9,834	5,292	1,052
- Contribution to the Guarantee Fund for deposits	8,926	9,018	9,127	4,843	1,052
- Other operating expenses	140	236	707	449	0
Write-downs on loans etc. (net)	63,908	154,386	67,073	69,204	52,181
Profit on equity investments in non-affiliated and affiliated companies	-760	-507	-332	91	-14,208
Operating result	51,044	-56,748	36,175	12,272	10,692
Taxes	10,929	-712	11,720	2,433	5,838
Profit for the year	40,115	-56,036	24,455	9,839	4,854
Of which are holders of shares of hybrid core capital instruments etc.	1,831	0	0	0	0

Balance as per 31st December

summary

Total assets	5,424,729	5,384,120	5,322,821	6,009,319	5,253,979
Loans and other receivables	3,511,175	3,643,989	3,647,129	3,498,499	3,526,544
Guarantees etc.....	792,047	553,311	584,713	482,156	484,656
Bonds.....	707,428	830,645	824,171	1,270,360	887,607
Shares etc.	179,233	245,966	211,354	203,258	167,857
Deposits and other debts.	4,483,104	4,485,996	3,956,740	4,499,426	3,509,897
Subordinated debt	169,439	169,260	269,201	358,475	357,521
Total equity	619,425	522,531	578,596	551,825	385,556
- of which proposed dividend	0	0	0	0	0
Capital Base	663,076	486,912	670,207	747,407	610,283

Note

	2015	2014	2013	2012	2011
38 Financial ratio (figures in pct.)					
Solvency ratio	16.3	12.0	16.9	19.6	15.8
Core capital ratio	14.4	11.1	14.2	15.7	11.1
Return on equity before tax	8.9	-10.3	6.5	2.7	2.8
Return on equity after tax	7.0	-10.2	4.4	2.1	1.3
Return on assets	0.7	-1.0	0.5	0.2	0.1
Earning/expense ratio in DKK	1.23	0.82	1.17	1.06	1.06
Interest rate risk	-0.8	-2.1	-1.3	-2.8	0.0
Foreign currency position	0.4	2.5	0.2	0.9	2.6
Foreign currency risk	0.0	0.0	0.0	0.0	0.0
Loans etc. against deposits	86.4	89.3	98.3	83.0	108.7
Statutory liquidity surplus	174.8	131.0	144.6	265.6	159.8
Total large commitments	23.4	38.4	23.2	13.1	34.8
Loans and debtors at reduced interest	3.1	4.1	4.2	4.5	4.7
Accumulated impairment ratio	7.8	7.9	5.4	5.8	6.8
Impairment ratio for the year	1.4	3.4	1.5	1.6	1.2
Increase in loans etc. for the year	-3.8	-0.1	4.1	-0.8	-1.8
Ratio between loans etc. and capital funds	6.3	7.0	6.4	6.4	9.4
(value per share 100 DKK)					
Earnings per share	19.9	-29.1	12.7	5.1	21.5
Book value per share	291	271	298	286	1,847
Rate on Copenhagen Stock Exchange	168	190	220	120	403
Dividend per share	0	0	0	0	0
Market value/net income per share	8.4	-6.5	17.3	23.5	18.7
Market value/book value	0.58	0.70	0.74	0.42	0.22



Financial Calendar 2016

25th January:	Deadline for submission of items for the agenda for the Annual General Meeting
3rd February:	Announcement of Annual Report 2015
7th March:	General Meeting – Skjern Kulturcenter
28th April:	Announcement of quarterly report 1st quarter 2016
18th August:	Announcement of half-yearly report 2016
27th October:	Announcement of quarterly report 3rd quarter 2016



Committee of representatives

Hans Ladekjær Jeppesen, Skjern, lawyer, board chairman
 Ole Strandbygaard, Ringkøbing, printer, vice-head of the committee of representatives
 Jørgen Søndergaard Axelsen, Skjern, real estate agent
 Ole Bladt-Hansen, Ribe, city manager
 Jens Bruun, Viby J, Manager
 Kaj Eriksen, Vemb, police officer
 Jens Chr. Fjord, Skjern, former bicycle dealer
 Poul Frandsen, Herning sales manager
 Børge Lund Hansen, Skjern, manager
 Orla Varridsbøl Hansen, Tarm, manufacturer
 Tom Jacobsen, Tarm, manager
 Mike Jensen, Skjern, bookseller
 Niels Erik Kjærgaard, Skjern, city manager
 Dorte H. Knudsen, Hviding, Ribe, hospital nurse
 Tommy Noer, Esbjerg, technical teacher
 Torben Ohlsen, Tjæreborg, manager
 Jens Christian Ostensen, Stauning, farmer
 Jens Kirkegaard Pedersen, Hemmet self-employee
 Niels Chr. Poulsen, No, Ringkøbing, mink farmer
 Jesper Ramskov, Esbjerg, manager
 Birte Bruun Thomsen, Esbjerg, manager
 Bente Tang, Hanning, Skjern, farmer
 Poul Thomsen, Skjern, trader in men's clothing
 Carsten Thygesen, Skjern, manager
 Jesper Ørnskov, Århus, manager

Audit Committee

Jens Okholm, Ribe, adviser
 Finn Erik Kristiansen, Varde, bookseller
 Lars Skov Hansen, Esbjerg, advisor, employee-selected

Board of directors *)

Hans Ladekjær Jeppesen, 51 years old, Skjern, lawyer, board chairman.
 Elected in the board of directors in 2011, re-elected in 2013 and 2015, up for election in 2017.

Jens Okholm, 67 years old, Ribe, adviser, board vice-chairman.

Elected in the board of directors in 2010, re-elected in 2012 and 2014, up for election in 2016.

Bjørn Jepsen, 52 years old, Borris, farmer.

Elected in the board of directors in 2012, re-elected in 2014, up for election in 2016.

Finn Erik Kristiansen, 46 years old, Varde, bookseller.

Elected in the board of directors in 2010, re-elected in 2012 and 2014, up for election in 2016.

Søren Dalum Tinggaard, 46 years old, Randers, vice manager. Elected in the board of directors in 2013, re-elected in 2015, up for election in 2017.

Lars Skov Hansen, 42 years old, Esbjerg, advisor, employee-selected. Elected in the board of directors in 2011, re-elected in 2015, up for election in 2019.

Lars Lerke, 39 years old, Skjern, head of finance, employee-selected. Elected in the board of directors in 2012, re-elected in 2015, up for election in 2019.

Carsten Jensen, 35 years old, Skjern, adviser, employee-selected. Elected in the board of directors in 2015, up for election in 2019.

Management

Per Munck, 61 years old, banking executive.
 Employed 1st November 1999

*) Shareholder-selected board of directors are a part of the Committee of representatives.



List of board members' managerial offices in companies as per December 31, 2015

Lawyer Hans Ladekjær Jeppesen:
 Manager of ODJ Holding ApS
 Board chairman of Actona Company A/S
 Board chairman of Spizy A/S
 Board chairman of Dahlholm Holding ApS
 Board chairman of PE Trading A/S
 Board chairman of Grønbjerg Grundinvest A/S
 Board chairman of Byggefirmaet Ivan V. Mortensen A/S
 Board chairman of LHI Invest A/S
 Board chairman of Grey Holding 1 A/S
 Board chairman of Grey Holding 2 A/S
 Board chairman of Krogsgaard Kompagni A/S
 Board chairman of Specialfabrikken Vinderup A/S
 Board chairman of Nyt hjem A/S
 Board chairman of Roslev Trælsthhandel A/S
 Board chairman of Skovdalholm A/S
 Board member of Skjern Håndbold A/S
 Board member of Gråkjær A/S
 Board member of BS Invest af 1992 A/S
 Board member of Carl C A/S
 Board member of Carl C Ejendomme ApS
 Board member of Grønbjerg Ejendomsselskab A/S
 Board member of AA Properties A/S
 Board member of AA Ejendomme 1 A/S
 Board member of Advokatpartnerselskabet Kirk Larsen & Ascanius
 Board member of Kastrup A/S
 Board member of Kastrup Ejendomme ApS
 Board member of Kastrup Vinduet Holding ApS
 Board member of Spray Away A/S

Consultant Jens Okholm:

Board chairman of Global Reach Aviation A/S
 Board chairman of Hansen & Bay Byg A/S
 Board member of BackBone A/S
 Board member of it-craft A/S

Bookseller Finn Erik Kristiansen:

Manager of ProVarde S/I
 Manager and board member of Kristiansen Ejendomme A/S
 Manager of Bordin Holding ApS
 Board chairman of Kristiansen Bog & Idé A/S
 Board chairman of Flensborg A/S

Farmer Bjørn Jepsen

Board member of Arla Foods AmbA
 Board member of Kvægafgiftsfonden
 Board member of Kvægbrugets Forsøgscenter
 Board member of SEGES - kvæg

Vice manager Søren Dalum Tinggaard
 Board member of AP Pension A/S


Banking executive Per Munck,


Board member of BankData
 Board member of Value Invest Luxembourg S.A.
 Board member of Forvaltningsinstituttet for Lokale Pengeinstitutter





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