

OMX  
Copenhagen Stock Exchange  
Nikolaj Plads 6  
DL-1007 Copenhagen K.

**Dato:** 19th April 2007  
**Vor ref.:**

Stock Exchange Announcement no 17/2007

## **Quarterly report for 1st quarter 2007**

- An improved profit before market value adjustments and write-downs of 16%.
- A marked improvement in all business areas compared to a year ago, but a slightly lower rate of growth compared to the end of 2006.
- Falling costs, surprisingly high capital gains, and continued positive write-downs.
- A profit before tax of DKK 28.2 million – at a level with the record in 2006.
- Business volume increased to DKK 7.1 billion (+24%) and DKK 11.1 billion, including custody volume.
- A return on equity of 26.7% before tax.
- A fully paid-up capital increase in March 2007 improved capital resources with a solvency ratio of 11.7%.
- Welcome to shareholder no. 12,000.
- Inauguration of new head office and new building for Varde branch.
- Plans for new branches in Århus and Copenhagen.

Yours faithfully,

Carsten Thygesen  
Chairman of the Board of Directors

Per Munck  
Director

Questions regarding the matter above should be addressed to Per Munck.

## Financial summary

Amounts in DKK 1000	1.1-31.03 2007	1.1-31.03 2006	1.1-31.03 2005	1.1-31.03 2004	1.1-31.03 2003	1.1-31.12 2006
<b>Profit and loss account</b>						
Net income from interest	32.168	29.023	22.367	21.770	21.161	124.374
Div. on shares and other holdgs.	401	406	627	490	203	3.567
Charges and commissions (net)	12.173	12.388	9.375	8.682	7.413	47.790
<b>Net inc. from int. &amp; charges</b>	<b>44.742</b>	<b>41.817</b>	<b>32.369</b>	<b>30.942</b>	<b>28.777</b>	<b>175.731</b>
Value adjustments	12.785	14.062	9.246	7.232	1.936	54.867
Other ordinary income	193	183	178	452	1.148	911
Staff costs and administrative expenses	27.111	28.286	19.441	18.119	16.868	115.679
Depreciation of intangible and tangible assets	3.265	1.389	1.276	930	935	21.106
Write-downs on loans etc. (net)	-961	-2.839	1.127	1.944	2.312	3.077
Profit on holdings in associated and affiliated companies	-146	105	13	26	34	387
<b>Operating profit</b>	<b>28.159</b>	<b>29.331</b>	<b>19.962</b>	<b>17.659</b>	<b>11.780</b>	<b>92.034</b>
Taxes	7.210	8.213	5.985	5.298	3.534	24.627
<b>Profit for the period</b>	<b>20.949</b>	<b>21.118</b>	<b>13.977</b>	<b>12.361</b>	<b>8.246</b>	<b>67.407</b>
<b>Balance sheet as per summary</b>						
<b>Balance sheet as per</b>	<b>31.03 2007</b>	<b>31.03 2006</b>	<b>31.03 2005</b>	<b>31.03 2004</b>	<b>31.03 2003</b>	<b>31.12 2006</b>
Total assets	4.467.484	3.338.850	2.440.867	2.093.569	1.904.104	4.148.826
Loans and other debtors	3.331.809	2.416.388	1.809.928	1.520.163	1.400.750	3.149.009
Guarantees etc.	1.423.014	1.347.735	1.212.996	989.798	979.592	1.526.399
Bonds	243.735	147.260	100.156	79.544	94.182	234.939
Shares etc.	218.519	164.720	96.891	95.434	82.248	197.996
Deposits	2.299.782	1.945.291	1.791.613	1.527.689	1.429.949	1.942.334
Subordinated cap. investments	120.000	75.000	50.000	50.000	50.000	120.000
<b>Capital funds</b>	<b>513.651</b>	<b>391.436</b>	<b>312.079</b>	<b>268.296</b>	<b>232.759</b>	424.092
<b>Capital Base</b>	<b>546.155</b>	<b>392.977</b>	<b>338.220</b>	<b>291.023</b>	<b>240.964</b>	<b>490.953</b>
Total weighed items	4.679.216	3.604.628	2.649.096	2.188.324	2.054.019	4.389.842

<b>FINANCIAL RATIOS (1st quarter)</b>	2007	2006	2005
(figures in pct.)			
Solvency ratio	11,7	10,9	12,8
Core capital ratio	12,0	10,0	10,9
Return on own funds before tax	6,7	7,6	6,3
Return on own funds after tax	5,0	5,5	4,4
Earning/expense ratio in DKK	1,96	2,09	1,91
Interest rate risk	0,8	1,4	0,0
Foreign currency position	22,5	59,9	5,1
Foreign currency risk	0,1	0,2	0,0
Advances against deposits	147,9	127,7	105,9
Statutory liquidity surplus	63,1	73,1	50,0
Total large commitments	147,7	130,0	90,5
Accumulated impairment ratio	1,5	1,6	2,3
Impairment ratio for the period	0,0	-0,1	0,1
Increase in loans etc. for the period	5,8	24,1	2,7
Ratio between loans etc. and capital funds	6,5	6,2	5,6
(value pr share 100 DKK)			
Earnings per share (result period)	111,4	112,3	72,8
Book value pr share	2.277	2.082	1.712
Market value/earning per share	39,5	32,5	35,1
Market value/book value	1,93	1,75	1,49

## Skjern Bank maintains record-high earnings

Side 3 af 12

Skjern Bank maintained the record high development in earnings and profit that characterised 2006 as a whole during the first quarter of 2007. Income from operations before market price adjustments and write-downs grew by 16% to DKK 14.4 million. Market price adjustments were also held at a very high level, and the high quality of the loan volume continues to result in positive write-downs. Viewed as a whole, the profit for the period before tax therefore comprises DKK 28.2 million, which is broadly speaking unchanged by comparison with the record-high profit for the same period last year.

In general, the profit for the first quarter is absolutely satisfactory, but developments also indicate that we are moving towards a more normal state of affairs and cannot expect the same extremely high growth rate that characterised the previous two years.

### **Business volume grew to more than DKK 7 billion**

The total business volume calculated as the sum of loans, deposits, and guarantees at the end of the first quarter comprised DKK 7.1 billion, corresponding to a growth of 23.6%. Compared to the end of 2006 the improvement in business volume was just under 7%.

The major growth in loans slowed slightly during the quarter, but still showed an increase of 38% compared to the same period in 2006 and of approximately 6% compared to the end of 2006 at DKK 3.3 billion.

Compared to the increase in the interest-rate level during 2006, the growth in loans was evidenced by an increase in Skjern Bank's interest income of 52% to DKK 59.7 million during the quarter.

Total deposits increased by 18% to DKK 2.3 billion. However, the increase in the interest-rate level in addition to fierce competition on deposits means that interest expenses on deposits has almost doubled. To this must be added interest expenses for the bank's other funding, and the fact that the bank also strengthened its capital base during 2006 with new subordinated loan capital, which in total increased interest expenses to DKK 27.5 million.

After which, the increase in the bank's net interest income comprised 11% at DKK 32.2 million.

### **Continued high willingness to invest**

Fee and commission income were in overall terms maintained at the high level that prevailed throughout 2006. This is particularly because, that income from customers' securities trading was above the quarterly average for 2006, which indicates that the uncertainty on the stock market at the beginning of 2007 did not basically have a negative influence on the willingness to invest, whereas the revenues from new loans and remortgaging has been at a reduced level.

In total, Skjern Bank's net interest and fee income during the first quarter comprised DKK 44.7 million, corresponding to an increase of 7%, which harmonises well with the growth in business volume during the quarter.

### **Costs well under control**

Expenses for staff and administration fell by 4.2% during the first quarter to DKK 27.1 million in spite of the increase in the average number of staff from 118 to 133 converted to full-time staff. The primary explanation for this was that 2006 was characterised by the considerable costs of celebrating Skjern Bank's 100th anniversary.

Rebuilding the head office continues to influence on the depreciation account as a considerable percentage of the costs of building must be written down in accordance with the Danish Financial Supervisory Authority's valuation method. This explains the

increase in depreciations write-downs from DKK 1.4 million in the first quarter of 2006 to DKK 3.3 million this year.

#### **Continued positive write-downs**

Thanks to the favourable financial conditions for private individuals and companies, Skjern Bank's realised loss on loans during the first quarter was very small. At the same time, this quarter was also characterised by the reversal of prior write-downs so that there is a plus on the write-downs account once again.

#### **Continued significant gain on shares**

Over and above this, the bank's market price adjustments once again realised a significant gain of DKK 12.8 million. Of this, DKK 4.7 million came from shares in sector-related companies. In addition to this the bank's own investment department did well once again where the bank's investments in listed shares were concerned.

#### **Profit at the same high level as last year**

The overall profit during the first quarter of 2007 before tax can hereafter be stated as DKK 28.2 million as against DKK 29.3 million for the previous year. After tax, which was calculated as DKK 7.2 million, the net profit for the period was DKK 20.9 million as against DKK 21.1 for the previous year.

#### **Tax**

Effective tax was calculated at 25.6%, whereas corporate tax is 28%. This is due to the fact that the calculation of tax takes into account the price adjustment of equity investments and write-down in connection with rebuilding the head office.

The bank's management regards the result as absolutely satisfactory.

#### **Equity increased by 30% to more than half a billion**

In order to strengthen the bank's capital resources, ensure opportunities for continued growth and also to reserve funds to fulfil the new capital adequacy requirement, Skjern Bank increased share capital in March 2007 by a nominal DKK 3,760,000 at a price of 500. The emission gave the bank net proceeds of DKK 93 million which, together with the profit for the period increased the bank's equity to DKK 513.7 million at the end of the first quarter. This corresponds to an increase in excess of 30% compared to the same period last year.

After the addition of the subordinated capital contribution of DKK 120 million, the bank's capital base now comprises DKK 546.2 million. This corresponds to a solvency ratio of 11.7% as against 10.9 % for the same period for the previous year. Core-capital ratio comprises 12.0%.

In case the result for the 1st quarter was included in the capital base, the solvency ratio would be 12,0 and the core-capital ratio 12,5.

Solvency and core-capital ratio were calculated in accordance with the former executive order on capital adequacy requirement as the new executive order on capital adequacy requirement, which came into effect on 1 January 2007, has not yet been fully implemented and will only be applied in connection with the interim report as of 30 June 2007.

The profit for the period gives a return on equity of 26.7% before tax.

#### **Total business volume of DKK 11.1 billion**

As previously mentioned, total business volume calculated as the sum of loans, deposits, and guarantees comprised DKK 7.1 billion at the end of the first quarter. If the value of custody accounts is added to this, business volume comprised DKK 11.1 billion.

Compared to the same period last year, loans increased by 38% to DKK 3.3 billion. Deposits increased by 18% to DKK 2.3 billion, and guarantees increased by slightly less than 6% to DKK 1.4 billion, while custody volume increased by as much as 29% to DKK 4.1 billion.

### **Welcome to shareholder no. 12,000**

During the first quarter Skjern Bank bid welcome to shareholder no. 12,000. This means that the number of shareholders grew by almost 20% in a single year.

Kaj Wulff Paustian, Monaco, reported on 30 March 2007 that he owns more than 5% of share capital.

We had the pleasure of coming into direct contact with almost 2,400 of the bank's shareholders in connection with the ordinary general meeting and the five subsequent annual meetings in the bank's market area. This is twice as many as last year and corresponds to approximately one in five shareholders demonstrating particular interest in the bank, which the board of directors, management and staff noted with pleasure and satisfaction.

### **Inauguration of the new head office and new branches in the pipeline**

After the completion of rebuilding, we can now move into the new head office at Banktorvet in Skjern during the last weekend in April. Over and above the fact that all members of staff are looking forward to being "reunited" in the new building, this will also have an effect on costs as the bank's temporary rental of premises at Nygade will be terminated, and the reunification will have a certain rationalisation potential and improve efficiency.

Building will begin on a new branch in Varde at Bøgevej 2 in the spring of 2007. This will be a two-storey building with a bank on the ground floor and rental flats on the first floor. It is expected that the new branch can be commissioned in December 2007.

Furthermore, after a great deal of consideration, Skjern Bank has now decided to establish branches in Århus and Copenhagen. The bank in Århus will be located in a previously acquired property on Kystvejen. We are looking at several potential locations in central Copenhagen.

Where Copenhagen is concerned, the bank hopes that operations can begin during the first six months of this year as the branch director has been appointed and the rest of the staff are being recruited. On the other hand it may take longer to establish the Århus branch as the premises acquired must be renovated and staff appointed.

Over and above this, Skjern Bank gained many customers in the Faroes during 2006 and at the beginning of 2007 – not least in the investment area. This led to the bank appointing an employee in the Faroes on a consultancy basis as of 1 April 2007.

This document is an unauthorised translation of the Danish original.  
In the event of any inconsistencies the Danish version shall apply.

## Profit and loss account 01.01 - 31.03

	<b>2007</b>	<b>2006</b>
	1000 DKK	1000 DKK
Interest receivable	59.693	39.279
Interest payable	27.525	10.256
<b>Net income from interest</b>	<b>32.168</b>	<b>29.023</b>
Dividend on shares and other holdings	401	406
Charges and commissions receivable	13.480	13.375
Charges and commissions payable	1.307	987
<b>Net income from interest and charges</b>	<b>44.742</b>	<b>41.817</b>
Value adjustments	12.785	14.062
Other ordinary income	193	183
Staff costs and administrative expenses	27.111	28.286
Depreciation of intangible and tangible assets	3.265	1.389
Credit loss expenses (net)	-961	-2.839
Profit on holdings in associated and affiliated companies	-146	105
<b>Profit on ordinary activities before tax</b>	<b>28.159</b>	<b>29.331</b>
Tax	7.210	8.213
<b>Profit for the financial year</b>	<b>20.949</b>	<b>21.118</b>

## Balance by 31st March

	<b>2007</b>	<b>2006</b>
	1000 DKK	1000 DKK
<b>Assets</b>		
Cash in hand and claims at call on central banks	85.820	286.394
Claims on credit institutions and central banks	468.163	248.766
Loans and advances at amortized cost price	3.331.809	2.416.388
Bonds at market value	243.735	147.260
Shares etc.	218.519	164.720
Holdings in associated enterprises	2.383	323
Holdings in affiliated enterprises	1.864	1.914
Land and buildings (total)	56.629	55.973
Investment properties	8.140	10.034
Domicile properties	48.489	45.939
Other tangible assets	3.633	4.083
Actual tax assets	18.823	0
Temporary acquired assets	239	239
Other assets	35.492	12.790
Prepayments and accrued income	375	0
<b>Total assets</b>	<b>4.467.484</b>	<b>3.338.850</b>



## Balance by 31st March, continued

	<b>2007</b>	<b>2006</b>
	1000 DKK	1000 DKK
<b>Liabilities</b>		
<b>Debt</b>		
Debt to credit institutions and central banks	1.449.538	824.998
Deposits and other debts	2.299.782	1.945.291
Bonds issued at amortised cost	1.797	0
Actual tax liabilities	0	5.085
Other liabilities	68.771	80.565
Accruals and deferred income	631	550
<b>Total debt</b>	<b>3.820.519</b>	<b>2.856.489</b>
<b>Provisions for commitments</b>		
Provisions for deferred tax	8.314	10.892
Provisions for loss on guarantees	5.000	5.033
<b>Total provisions for commitments</b>	<b>13.314</b>	<b>15.925</b>
<b>Subordinated capital investments</b>	<b>120.000</b>	<b>75.000</b>
<b>Capital funds</b>		
Share capital	22.560	18.800
Aggregate revaluation reserves	2.293	9.578
<i>Revaluation reserves</i>	2.293	9.578
Other reserves	89.721	208
<i>Statutory reserves</i>	481	208
<i>Other reserves</i>	89.240	0
Retained earnings	399.077	362.850
<b>Total capital funds</b>	<b>513.651</b>	<b>391.436</b>
<b>Total liabilities</b>	<b>4.467.484</b>	<b>3.338.850</b>

<b>Off-balance-sheet items</b>		
<b>Guarantees</b>		
Finance guarantees	235.918	182.055
Guarantees against losses on mortgage credit loans	498.945	431.662
Registration and conversion guarantees	536.188	633.889
Other guarantees	151.963	100.129
<b>Total guarantees</b>	<b>1.423.014</b>	<b>1.347.735</b>
<b>Other contingent liabilities</b>		
Other liabilities	17.220	14.781
<b>Total other contingent liabilities</b>	<b>17.220</b>	<b>14.781</b>

## Notes as per 31st March

	<b>2007</b>	<b>2006</b>
	DKK 1.000	DKK 1.000
<b>Interest receivable</b>		
Claims on credit institutions and central banks	3.111	1.354
Loans and other debtors etc.	54.766	36.811
Bonds	1.702	1.031
Total other financial instruments	114	83
of which		
Foreign exchange contracts	58	26
Interest-rate contracts	56	57
<b>Total interest receivable</b>	<b>59.693</b>	<b>39.279</b>
Of which income from genuine purchase and resale transactions included	0	0
<b>Interest payable</b>		
Credit institutions and central banks	11.564	1.614
Deposits	14.204	7.811
Bonds, issued	25	0
Subordinated capital investments	1.732	831
<b>Total interest payable</b>	<b>27.525</b>	<b>10.256</b>
Of which income from genuine sale and repurchase transactions included	0	0
<b>Charges and commissions receivable</b>		
Securities trading and custodies	6.740	7.004
Payment management	1.165	1.129
Charges from loan applications	839	1.180
Commissions on guarantees	3.146	2.583
Other charges and commissions	1.590	1.479
<b>Total charges and commissions receivable</b>	<b>13.480</b>	<b>13.375</b>
<b>Value adjustments</b>		
Bonds	1.300	2.439
Shares	11.421	12.045
Foreign currency	119	495
Other financial instruments	-55	-917
<b>Total value adjustments</b>	<b>12.785</b>	<b>14.062</b>

**Notes, continued**

	<b>2.007</b> DKK 1.000	<b>2.006</b> DKK 1.000
<b>Staff costs and administrative expenses</b>		
<b>Salaries and remuneration of board of dir., managers etc.</b>		
Board of managers	450	439
Board of directors	132	128
Board of representatives	2	0
<b>Total salaries and remunerations of board etc.</b>	<b>584</b>	567
<b>Staff costs</b>		
Wages and salaries	12.130	11.633
Pensions	1.306	1.134
Social security costs and payroll tax	1.390	1.450
<b>Total staff costs</b>	<b>14.826</b>	<b>14.217</b>
Other administrative expenses	11.701	13.502
<b>Total staff costs and administrative expenses</b>	<b>27.111</b>	<b>28.286</b>
<b>Number of employees</b>		
Average number of employees during the year until now converted into full-time employees	133	118
<b>Write-downs on loans and other debtors</b>		
Acc. write-downs as per beginning of the year	70.348	66.247
Write-downs during the period (net)	-108	-2.268
Reverse entry - write-downs made in previous years	-225	-869
<b>Accumulated write-downs</b>	<b>70.015</b>	<b>63.110</b>
Accumulated individual write-downs	65.015	58.077
Accumulated group write-downs	5.000	5.033
<b>Accumulated write-downs</b>	<b>70.015</b>	<b>63.110</b>
<b>Loans etc. with suspended calc. of interest</b>		
Total Loans etc. with suspended calc. of interest	18.120	19.857
<b>Profit on holdings in associated and affiliated companies</b>		
Profit on holdings i affiliated companies	-146	105
<b>Total Profit on holdings in associated and affiliated companies</b>	<b>-146</b>	<b>105</b>
<b>Profit brought forward</b>		
Profit brought forward beginning of the year	402.518	350.883
Distrution of dividend (net)	4.635	9.349
Trade with own shares during the year (net)	-19.755	367
Profit for the period	20.949	20.949
<b>Profit carried forward by 31st March</b>	<b>399.077</b>	<b>362.850</b>
<b>Share Capital</b>		
Number of Shares at DKK 20 each	1.128.000	940.000
<b>Share Capital</b>	<b>22.560</b>	<b>18.800</b>
<b>Own capital shares</b>		
Number of shares (pcs)	19.846	5.576
Nominal value hereof	397	112
Market value hereof	17.464	4.070
Own shares proportion of share capital (per cent)	1,8%	0,6%

## **Endorsement of the Quarterly Report by the Management**

The Board of Directors and the Management Board have, this date, discussed and approved the report for the 1<sup>st</sup> quarter of 2007 for Aktieselskabet Skjern Bank. The report for the 1<sup>st</sup> quarter has been prepared in accordance with the provisions of the Danish Financial Business Act as well as further Danish disclosure requirements for quarterly reports for listed companies. In our opinion, the accounting policies applied are proper and the estimates made are sound, and the quarterly report consequently gives a true and fair view of the bank's assets, liabilities and financial position as at 31st March 2007 as well as of the result of the bank's activities during the first quarter of 2007.

### **Accounting policies**

The quarterly report is presented in accordance with the Danish Financial Business Act, including the executive order on financial reports for credit institutions and investment companies. The quarterly report is also presented in accordance with other Danish disclosure requirements for quarterly reports from financial businesses listed on the stock exchange by Copenhagen Stock Exchange. The accounting policy used is unchanged as related to the annual report for 2006.

The quarterly report has not been audited, and no review has been made.

Skjern, the 11<sup>th</sup> April 2007.

Executed Board of  
Aktieselskabet Skjern Bank  
Per Munck

/  
Jens Peder Larsen  
Chief Accounting Executive

Skjern, the 19<sup>th</sup> April 2007.

The Board of Aktieselskabet Skjern Bank  
Carsten Thygesen      Jens Chr. Ostersen  
Chairman                  Vice-Chairman

Børge Lund Hansen      Holger Larsen      Metha Thomsen      Allan Vad

## **Financial calendar**

16 August      Interim report for first half-year

11 October      Quarterly report after third quarter