

Company Announcement  
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Executive Board:  
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**Interim financial report**  
**for the period 1 January – 30 September 2008**

Disclaimer:

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

**Interim financial report – in headlines**

**Profit for the period 1 January – 30 September 2008**

- Profit before tax amounts to DKK 17.1m against DKK 44.0m last year, which primarily attributable to a decrease in translation/market value adjustments
- Net interest and fee income increased from DKK 98.5m to DKK 103.5m, corresponding to an increase of 5.1%
- Core earnings before impairment losses on loans and receivables amount to DKK 36.2m against DKK 31.0m for the same period last year
- Translation/market value adjustment of securities amounts to a negative 2.6m against a positive DKK 21.4m for the same period last year
- Staff costs and administrative expenses amount to DKK 71.2m, constituting an increase of 6% on the same period last year
- Impairment losses on loans, advances and receivables, etc amount to DKK 16.5m against DKK 8.4m in the same period last year
- Expected pre-tax profit between DKK 20m and DKK 25m.

## Group financial highlights

### Income statement

DKKm	Q3 2008	Q3 2007	FY 2007
Net interest income	71.5	64.6	87.0
Net fee and commission income, etc	32.0	33.9	43.2
<b>Net interest and fee income</b>	<b>103.5</b>	<b>98.5</b>	<b>130.2</b>
Staff costs and administrative expenses	-71.2	-67.2	-93.2
Other net operating expenses	3.9	-0.3	0.1
<b>Core earnings</b>	<b>36.2</b>	<b>31.0</b>	<b>37.1</b>
Impairment losses on loans, advances and receivables, etc	-16.5	-8.4	-13.0
Translation/market value adjustments	-2.6	21.4	25.7
Profit/loss from investments in associates	0	0	-2.2
<b>Profit before tax</b>	<b>17.1</b>	<b>44.0</b>	<b>47.6</b>
Income tax	-2.3	-9.9	-10.3
<b>Profit for the period</b>	<b>14.8</b>	<b>34.1</b>	<b>37.3</b>

### Balance sheet

Loans, advances and other receivables at amortised cost	1,998	1,798	1,865
Deposits and other payables	1,398	1,424	1,474
Guarantees, etc	1,113	1,550	1,638
Bonds and shares	342	354	385
Equity including profit	297	294	300
Total assets	2,614	2,408	2,549

### Ratios

Capital adequacy ratio	13.3	10.9	12.6
Share price	115	241	246

## Management's review

### Development in activities and finances

The pre-tax profit for the period amounts to DKK 17.1m against DKK 44.0m for the same period last year. The profit is materially affected by impairment losses on loans and capital losses on bonds and shares.

The Group's core earnings before value adjustments and impairment losses on loans amount to DKK 36.2m against DKK 31.0m for the same period last year.

The Group's aggregate business volume – measured by the sum of loans, advances, deposits and guarantees – is down by 5.5% and amounts to DKK 4,509m compared to DKK 4,772m at 30 September 2007. The reason for the decrease is the expiry of guarantees against loss provided towards Totalkredit of approx. 425m.

As previously informed, Skælskør Bank has joined the Danish banking sector's contingency association, "Det Private Beredskab", and at the same time the Bank's Supervisory Board has decided to follow the ban on payment of dividend for the coming two years. At the same time the Bank's Chief Executive Officer has withdrawn from the individual as well as the collective bonus plan for 2008. Bonus plans for all employees will not be renegotiated for the next two years.

### Net interest and fee income

Net interest and fee income amounts to DKK 103.5m against DKK 98.5m for the same period of 2007.

Net interest income amounts to DKK 71.5m compared to DKK 64.6m last year.

Net fee and commission income, etc has decreased from DKK 33.9m to DKK 32.0m. The decrease is attributable to lack of income from securities trading and custody accounts.

### Translation/market value adjustments

Translation/market value adjustments amount to a negative 2.6m against a positive DKK 21.4m in 2007. The significant negative deviation is attributable to a total capital loss of DKK 13.2m on the Bank's portfolio of shares, a total capital loss of DKK 8.2m on bonds and a capital gain of DKK 18.8m on other instruments, of which DKK 9.8m relates to the Bank's sale of shares in Totalkredit.

### Staff costs and administrative expenses

Staff costs and administrative expenses total DKK 71.2m against DKK 67.2m in 2007. Staff costs and administrative expenses are DKK 1.3m above budget, of which DKK 0.5m relates to payroll refunding.

The number of employees converted into full-time employees has increased from 109.8 since 1 January 2008 to 112.6 – an increase of 3%.

### Impairment losses on loans, advances and receivables, etc

The Bank's impairment losses on loans, advances and receivables, etc amount to DKK 16.5m against DKK 8.4m in 2007. The increase is due to several commitments where events resulting in an impairment loss have occurred. Also the group-based impairment losses have increased.

In connection with the great attention paid to banks' exposures within the building and construction sector as well as the property financing sector, the Bank has decided to publish these sectors by their sector groups. The below table shows the sector groups included in the two sectors. The table is specified by the number of customers and commitments including guarantees.

<b>Building and construction as well as property financing (DKKm)</b>	Number of customers	Commitment including guarantees
Site preparation, building and construction	74	299
Bricklaying	9	22
Installation of electrical wiring and fittings	17	16
Plumbing	24	29
Carpentry and joinery activities	65	70
Painting and glazing	25	10
Other building and construction activities	28	31
Real estate agencies	32	111
Rental of dwellings	36	105
Rental of commercial property	72	137
Rental, except real property	20	20
Data processing, except software supply	13	3
Software supply, software consultancy	23	32
Research and development	1	1
Legal activities	5	57
Auditing and bookkeeping activities	25	12
Consulting engineering, architectural activities, etc	32	27
Advertising and marketing	20	6
Cleaning	38	11
Other business services	82	105
<b>Total</b>	<b>641</b>	<b>1,104</b>

### Balance sheet

Loans and advances have increased by 11% from DKK 1,798m to DKK 1,998m. Deposits have decreased by 2% from DKK 1,424m to DKK 1,398m. Guarantees have decreased by 28% from DKK 1,550m to DKK 1,113m.

The Bank's equity is up from DKK 294m to DKK 297m.

### Cash flows

The international financial crisis has been high on the agenda over the last few weeks. National rescue packages have been launched, and in Denmark a frozen money market and deposit guarantees have been two topics dominating media headlines.

An overall objective of the establishment of the Danish banking sector's contingency association, "Det Private Beredskab", is to ensure the financial stability and contribute to banks' again being willing to lend cash to each other.

Concurrently, the Danish National Bank has launched a number of new loan facilities to remedy the banks' cash problems.

The difficulties with getting liquidity under the financial crisis have now been improved, while the price on the liquidity is still considerably higher than before the crisis.

The Bank has excess cover in relation to the statutory requirement of liquidity of 60,7%.

Since the end of the financial period, no events have occurred which would influence the Bank's financial position and its financial performance in the period under review.

### Outlook for all of 2008

In the annual report for 2007 the outlook for all of 2008 was that the profit would be in the range of DKK 43–48m, but based on the profit for the first three quarters and a conservative estimate of the last quarter of the year, the pre-tax profit for all of 2008 is expected to be between DKK 20m and DKK 25m. This result can be considerably influenced by translation/market value adjustments and customer losses.

### Statement by Management on the interim financial report

The Supervisory and Executive Boards have today approved the interim financial report of Skælskør Bank A/S for the period 1 January – 30 September 2008.

We consider the applied accounting policies appropriate and the estimates made reasonable for the interim financial report to provide a true and fair view of the Group's financial position at 30 September 2008 as well as of the Bank's activities for the period 1 January to 30 September 2008.

The interim financial report has not been audited or reviewed by the Bank's auditors.

Please note that this interim financial report does not follow the CSE rules on publication of interim financial reports.

Skælskør, 27 October 2008

Carsten Roth  
Chief Executive Officer

Peter Melchior  
Chairman of the  
Supervisory Board

Peter Nielsen  
Vice-chairman

Christian Boye

Henning Skovlund

Freddy Hansen

Per Vesterholm

**Income statement for the period 1 January – 30 September 2008**

Group	Note	Q3	Q3	FY
		2008	2007	2007
		DKK'000	DKK'000	DKK'000
Interest income	1	139,293	107,810	150,031
Interest expenses	2	-67,793	-43,206	-63,024
<b>Net interest income</b>		<b>71,500</b>	<b>64,604</b>	<b>87,007</b>
Dividends on shares, etc		1,542	1,482	1,510
Fees and commission income	3	33,321	35,593	46,314
Ceded fees and commission expenses		-2,837	-3,209	-4,634
<b>Net interest and fee income</b>		<b>103,526</b>	<b>98,470</b>	<b>130,197</b>
Translation/market value adjustments	4	-2,647	21,399	25,706
Other operating income		7,663	2,547	3,127
Staff costs and administrative expenses	5	-71,208	-67,231	-93,167
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment		-3,754	-2,806	-3,016
Impairment losses on loans, advances and receivables, etc		-16,458	-8,411	-12,965
Profit/loss from investments in group enterprises and associates		0	0	-2,256
<b>Profit before tax</b>		<b>17,122</b>	<b>43,968</b>	<b>47,626</b>
Tax on profit for the period		-2,320	-9,834	-10,333
<b>Profit for the period</b>		<b>14,802</b>	<b>34,134</b>	<b>37,293</b>

**Balance sheet at 30 September 2008**

<b>Group</b>	<b>Note</b>	<b>30.09. 2008 DKK '000</b>	<b>30.09. 2007 DKK '000</b>	<b>31.12. 2007 DKK '000</b>
Cash and demand deposits with central banks		11,815	60,368	125,535
Receivables from credit institutions and central banks		138,663	106,327	64,227
Loans, advances and other receivables at amortised cost		1,998,541	1,797,591	1,865,243
Bonds at fair value		205,017	186,956	244,831
Shares, etc		136,608	166,840	140,047
Intangible assets		5,146	0	5,146
Total land and buildings		58,100	55,567	62,922
Investment property		24,036	22,203	25,121
Owner-occupied property		34,064	33,364	37,801
Other property, plant and equipment		11,566	11,795	12,530
Current tax assets		5,425	0	1,946
Deferred tax assets		3,219	1,527	3,261
Other assets		38,192	20,696	23,188
Prepayments		1,413	313	378
<b>Total assets</b>		<b>2,613,705</b>	<b>2,407,980</b>	<b>2,549,254</b>



**Balance sheet at 30 September 2008**

<b>Group</b>	<b>Note</b>	<b>30.09. 2008 DKK '000</b>	<b>30.09. 2007 DKK '000</b>	<b>31.12. 2007 DKK '000</b>
Debt to credit institutions and central banks		652,831	485,624	536,745
Deposits and other payables		1,397,845	1,423,953	1,474,450
Current tax payable		0	7,186	0
Other liabilities		60,783	44,744	34,495
Deferred income		2,886	627	1,215
<b>Total payables</b>		<b>2,114,345</b>	<b>1,962,134</b>	<b>2,046,905</b>
<b>Provisions</b>				
Provisions for pensions and similar liabilities		1,427	1,427	1,427
Provisions for deferred tax		0	0	0
Provisions for loss on guarantees		161	333	161
Other provisions		1,396	713	1,205
<b>Total provisions</b>		<b>2,984</b>	<b>2,473</b>	<b>2,793</b>
<b>Subordinated debt</b>				
Subordinated debt		199,611	149,544	199,566
<b>Total subordinated debt</b>		<b>199,611</b>	<b>149,544</b>	<b>199,566</b>
<b>Equity</b>				
Share capital		36,000	37,000	37,000
Revaluation reserve		3,826	1,471	3,826
Retained earnings		256,940	255,358	259,164
<b>Total equity</b>		<b>296,766</b>	<b>293,829</b>	<b>299,990</b>
<b>Total equity and liabilities</b>		<b>2,613,705</b>	<b>2,407,980</b>	<b>2,549,254</b>

**Notes – Group**

	Q3 2008 DKK '000	Q3 2007 DKK '000	FY 2007 DKK '000
<b>1. Interest income</b>			
Receivables from credit institutions and central banks	1,945	3,059	5,298
Loans, advances and other receivables	127,448	97,142	134,243
Bonds	8,346	6,374	9,010
Total derivative financial instruments	1,166	-3	241
Of this			
Foreign exchange contracts	689	-3	144
Interest rate contracts	477	0	97
Other interest income	388	1,238	1,239
<b>Total interest income</b>	<b>139,293</b>	<b>107,810</b>	<b>150,031</b>
The Group has no income from genuine purchase and sell-back transactions.			
<b>2. Interest expenses</b>			
Credit institutions and central banks	18,898	9,254	14,767
Deposits and other payables	39,508	28,739	40,185
Subordinated debt	9,353	5,166	7,632
Other interest expenses	34	47	440
<b>Total interest expenses</b>	<b>67,793</b>	<b>43,206</b>	<b>63,024</b>
The Group has no expenses for genuine purchase and sell-back transactions.			
<b>3. Fees and commission income</b>			
Securities trading and custody accounts	9,431	13,703	17,600
Payment management	1,917	1,728	2,495
Loan application fees	2,329	2,478	3,411
Guarantee commission	8,644	8,856	11,151
Other fees and commission income	11,000	8,828	11,657
<b>Total fees and commission income</b>	<b>33,321</b>	<b>35,593</b>	<b>46,314</b>

**Notes – Group**

	Q3 2008 DKK '000	Q3 2007 DKK '000	FY 2007 DKK '000
<b>4. Translation/market value adjustments</b>			
Bonds	-8,244	-2,378	-2,776
Shares	-13,237	22,078	26,824
Investment property	7,500	0	0
Total currency, interest, etc	1,111	1,193	1,537
Derivative financial instruments	233	543	316
Other assets	9,990	-37	-195
<b>Total translation/market value adjustments</b>	<b>-2,647</b>	<b>21,399</b>	<b>25,706</b>
Skælskør Bank has no collective pension pool schemes.			
<b>5. Staff costs and administrative expenses</b>			
Salaries and remuneration to the Supervisory and Executive Boards as well as the Committee of Representatives:			
- Executive Board	1,321	1,086	1,602
- Pension, etc to the Executive Board	388	305	428
- Supervisory Board	413	431	595
- Committee of Representatives	0	0	125
Staff costs			
- Wages and salaries	34,430	31,262	43,246
- Pensions	4,131	3,848	5,187
- Social security costs	3,814	3,329	4,513
Other administrative expenses	26,711	26,970	37,471
<b>Total staff costs and administrative expenses</b>	<b>71,208</b>	<b>67,231</b>	<b>93,167</b>

**Notes – Group**

	Q3 2008 DKK '000	Q3 2007 DKK '000	FY 2007 DKK '000
<b>6. Contingent assets and liabilities</b>			
Financing guarantees	1,026,719	1,087,563	1,165,294
Other guarantees	86,609	461,940	472,862
<b>Total guarantees, etc</b>	<b>1,113,328</b>	<b>1,549,503</b>	<b>1,638,156</b>
<b>Other contingent liabilities</b>			
Irrevocable credit guarantees	0	0	11,063
Other obligations	1,422	46,505	1,505
<b>Total other liabilities</b>	<b>1,442</b>	<b>46,505</b>	<b>12,568</b>