

OMX
Nordic Stock Exchange Copenhagen
Nikolaj Plads 6
1067 Copenhagen K

Dato: 17th April 2008
Vor ref.: jpl

Stock Exchange Announcement no. 15/2008

Quarterly Report for First Quarter of 2008

- Profit of DKK 15.3 million before writedowns, value adjustments and tax against DKK 14.4 million
- Turbulent securities market results in capital losses and decreasing trading income
- Declining growth, but the business volume has nevertheless increased by DKK 0.9 billion to DKK 12 billion
- Good start for new branch in Hellerup
- Profit before tax amounts to DKK 11 million
- The projected profit for the year of DKK 80-90 million before value adjustments, writedowns and tax is maintained

Venlig hilsen

Carsten Thygesen
Chairman of the board
of directions

Per Munck
Director

Please contact Director Per Munck in case of questions
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Financial summary

Amounts in DKK 1000	1.1-31.03 2008	1.1-31.03 2007	1.1-31.03 2006	1.1-31.03 2005	1.1-31.03 2004	1.1-31.12 2007
Profit and loss account						
Net income from interest	36.556	32.168	29.023	22.367	21.770	135.246
Div. on shares and other holdgs.	500	401	406	627	490	3.909
Charges and commissions (net)	12.311	12.173	12.388	9.375	8.682	51.541
Net inc. from int. & charges	49.367	44.742	41.817	32.369	30.942	190.696
Value adjustments	-1.126	12.785	14.062	9.246	7.232	7.920
Other ordinary income	498	193	183	178	452	1.216
Staff costs and administrative expenses	32.979	27.111	28.286	19.441	18.119	129.356
Depreciation of intangible and tangible assets	1.320	3.265	1.389	1.276	930	153
Write-downs on loans etc. (net)	3.763	-961	-2.839	1.127	1.944	19.439
Profit on holdings in associated and affiliated companies	295	-146	105	13	26	1.687
Operating profit	10.972	28.159	29.331	19.962	17.659	52.571
Taxes	2.743	7.210	8.213	5.985	5.298	9.320
Profit for the period	8.229	20.949	21.118	13.977	12.361	43.251
Balance sheet as per						
	31.03 2007	31.03 2007	31.03 2006	31.03 2005	31.03 2004	31.12 2006
summary						
Total assets	5.360.537	4.467.484	3.338.850	2.440.867	2.093.569	5.358.137
Loans and other debtors	3.857.185	3.331.809	2.416.388	1.809.928	1.520.163	3.919.134
Guarantees etc.	1.758.128	1.423.014	1.347.735	1.212.996	989.798	1.718.261
Bonds	251.349	243.735	147.260	100.156	79.544	253.271
Shares etc.	210.789	218.519	164.720	96.891	95.434	213.388
Deposits	2.620.683	2.299.782	1.945.291	1.791.613	1.527.689	2.677.096
Subordinated cap. investments	220.000	120.000	75.000	50.000	50.000	220.000
Capital funds	526.719	513.651	391.436	312.079	268.296	536.276
Dividends						5.640
Capital Base	684.801	546.155	392.977	338.220	291.023	686.180
Total weighted items	5.322.628	4.679.216	3.604.628	2.649.096	2.188.324	5.090.524

FINANCIAL RATIOS (1st quarter)	2008	2007	2006	2005
(figures in pct.)				
Solvency ratio	12,9	11,7	10,9	12,8
Core capital ratio	10,6	12,0	10,0	10,9
Return on own funds before tax	2,1	6,7	7,6	6,3
Return on own funds after tax	1,6	5,0	5,5	4,4
Earning/expense ratio in DKK	1,29	1,96	2,09	1,91
Interest rate risk	1,0	0,8	1,4	0,0
Foreign currency position	12,9	22,5	59,9	5,1
Foreign currency risk	0,1	0,1	0,2	0,0
Advances against deposits	150,5	147,9	127,7	105,9
Statutory liquidity surplus	92,5	63,1	73,1	50,0
Total large commitments	99,2	147,7	130,0	90,5
Accumulated impairment ratio	1,5	1,5	1,6	2,3
Impairment ratio for the period	0,1	0,0	-0,1	0,1
Increase in loans etc. for the period	-1,6	5,8	24,1	2,7
Ratio between loans etc. and capital funds	7,3	6,5	6,2	5,6
(value pr share 100 DKK)				
Earnings per share (result period)	38,4	111,4	112,3	72,8
Book value pr share	2.335	2.277	2.082	1.712
Market value/earning per share	64,7	39,5	32,5	35,1
Market value/book value	0,94	1,93	1,75	1,49

Good Development in Primary Activities

Summary

Despite a certain cyclical slowdown in the development in the bank's business volume, the bank has still achieved a continued positive development in its primary activities before value adjustments and writedowns, with an increase of 10 % to DKK 15.9 million, in the first quarter of 2008. This means that there is still a sound growth rate in the bank's business activities.

After seven years of constant positive value adjustments, however, the bank has had to ascertain total negative value adjustments of DKK 1.1 million in the first quarter of 2008. The reason for this is that we have chosen to maintain a relatively significant exposure in Danish liquid shares, which, based on the current situation, has had a quite significant effect on the profit for the first quarter. This means that the profit amounts to DKK 11.0 million before tax against the record profit of DKK 28.2 million last year.

It should also be stressed that the profit for the first quarter of 2008 has been negatively affected by the incurrence of extraordinary costs in connection with the opening of the bank's new branch in Hellerup. On this basis, Skjern Bank is maintaining the previously announced projected profit of DKK 80-90 million for 2008 before value adjustments, writedowns and tax.

The ongoing efficiency enhancement and rationalisation process in the bank is expected to have a positive effect on the development in profit in the second half of the year, and this has also been factored into the above profit projection.

Management Report

The bank's business volume, stated as the sum total of loans and advances, deposits and guarantees, amounted to DKK 8.2 billion as at the end of the first quarter of the year. This corresponds to an increase of 17 % compared with the same period last year. Seen in relation to the situation as at the year-end, the business volume is unchanged, and it must be ascertained that the current decline in the Danish economy is resulting in a slowdown in the development in business volume.

There has, in particular, been a decline in the growth rate for loans and advances. Where the bank realised percentage increases of 43-50 % in loans and advances in the previous years, the increase in loans and advances has been 16 % in the past year, and the bank's loans and advances totalled DKK 3.9 billion as at the end of the first quarter of the year.

Even though the total loans and advances have not increased since the year-end, the activity level in the bank's lending business remains good. With the increasing level of interest rates, the bank's lending activities have generated an increase in income from interest of DKK 36.3 % to DKK 81.4 million.

Excess solvency and liquidity cover comes at a price

However, interest charges paid have also increased significantly. In particular, the bank can now clearly feel that the price of liquid funds for financing the bank's liquidity cover has increased significantly since the financial market turbulence commenced in the summer of 2007. Added to this is that Skjern Bank raised new subordinated loan capital of DKK 100 million in the autumn of 2007 in order to strengthen the bank's capital base, which has also contributed to increased interest charges paid.

Skjern Bank's Board of Directors has, however, made a strategic decision always to be well covered in terms of both excess solvency and liquidity cover even though this currently comes at quite a high price.

The interest charges paid have also been driven upwards by the sharp competition for deposits in the first quarter of the year.

This means that Skjern Bank's net income from interest has increased by 13.6 % to DKK 36.6 million.

Stable increase in earnings

The bank's income from fees, charges and commissions has overall been maintained at an unchanged level of DKK 13.2 million, which further emphasises that the banking business is still prospering. This result has been achieved despite the fact that there has been a heavy decrease in the bank's customers' securities trading in the first quarter of the year. Transaction-based income from such securities trading has been reduced by DKK 1.7 million to DKK 5.0 million.

Skjern Bank's net income from fees, charges and commissions totalled DKK 49.4 million in the first quarter of the year, which corresponds to an increase of 10.3 % compared with the same period last year.

Seen over a longer time span, the development in the bank's net income from interest, fees, charges and commissions has been characterised by a fairly stable rate of growth year on year.

New branch results in an increase in costs

Staff costs, administrative expenses and depreciation have increased by 12.9 % to DKK 34.3 million.

The increase is primarily a result of the bank's strategic decision to strengthen the organisation of its staff functions in order to be equipped to handle the future development and the many new administrative tasks that will be imposed on the financial sector. This improvement of the bank's organisation has now been fully implemented, which has been a highly significant contributing factor in the increase in the bank's total staff from 133 to 152 persons, translated into full-time employees. This makes the bank extremely well equipped in all banking areas.

The increase in costs should also be seen in the light of the opening of the bank's new branch in Hellerup, which, seen in isolation, has resulted in an increase in costs of approximately DKK 2 million in the accounts. However, the new Hellerup branch, which was inaugurated in February 2008, still looks set to become an excellent asset for the bank.

Optimisation process

The very extensive investments in the future made by the bank in recent years have, however, also had their price in the form of significant increases in costs. As a result hereof, the bank is now working on goal-oriented rationalisation and efficiency enhancement of its operations in order to utilise the bank's good platform for a further development of its activities.

This objective is partly to be met by even more optimal utilisation of the business potential of the bank's existing branches. In addition, the bank's management will focus intensely on optimising the income-cost ratio.

These measures are expected to make themselves felt on the bank's profit performance in the second half of the year.

Writedowns

After several years of positive writedowns as a result of reversals of previous provisions for bad debts, Skjern Bank is now experiencing a return to a more normal writedown situation, although writedowns still remain relatively modest. In the first quarter of 2008, the bank has thus made writedowns amounting to DKK 3.8 million, which corresponds to less than 1 per mille of the bank's total loans, advances and guarantees.

Capital loss for the first time in many years

However, the value adjustments on the bank's holdings of securities show a negative value, i.e. a loss of DKK 1.1 million, for the first time in this Millennium. This item includes a capital gain of DKK 11.8 million as a result of an adjustment of Nykredit's purchase price for Totalkredit, but this capital gain is overshadowed by primary capital losses on Skjern Bank's portfolio of shares as a result of the continued turbulence on the stock market in the first quarter of 2008. However, the bank has chosen to maintain its relatively significant exposure in shares based on the expectation that the decline on the stock market will not last. However, the development on the stock market after 1 April has had a certain positive effect on the total value adjustments.

Profit before tax: DKK 11.0 million

The total profit before tax for the first quarter of 2008 can subsequently be stated at DKK 11.0 million against DKK 28.2 million for the previous year. After deduction of tax, computed at DKK 2.7 million, the net profit for the period is DKK 8.2 million against DKK 20.9 million last year.

After carryforward of the profit for the period, Skjern Bank had an equity capital of DKK 526.7 million as at 31.3.2008 against DKK 513.7 million as at 31.3.2007. Following the addition of subordinated capital contributions totalling DKK 220 million and deductions, the bank's capital base amounts to DKK 685 million. This corresponds to a solvency ratio of 12.9 % against a solvency ratio of 11.7 % one year ago. The core capital ratio amounts to 10.6 %.

Both the solvency ratio and the core capital ratio are not immediately comparable with the figures for the 2004, 2005, 2006 accounting years and for the first quarter of 2007, as the new Basle II rules, and consequently the Danish Financial Supervisory Authority's Executive Order on Capital Adequacy, were amended with effect as from the second quarter of 2007.

The current profit for the year, which has been included in the capital base in pursuance of Section 129 (1), no. 5, of the Danish Financial Business Act, has been confirmed by the bank's external auditors.

Tax

A provision for the computed tax has been made based on the current tax rate of 25%.

New co-operation model with Totalkredit/Nykredit increases the bank's solvency

As announced in the Stock Exchange Announcement of 6 March 2008, the banks behind Totalkredit have been offered a new and wider co-operation agreement, which extends the agreement from 2003 that was entered into when Nykredit acquired Totalkredit. As previously mentioned, the new contractual basis results in a capital gain of DKK 11.8 million for the bank. But the new agreement also means that, with effect from 1 April 2008, Skjern Bank will switch from the current loss guarantee model to a set-off model. In the future, any loss on Totalkredit loans arranged by Skjern Bank will be set off

against the current commissions that the bank receives from Totalkredit for its work and servicing of the borrowers until the full ascertained loss has been covered.

For Skjern Bank, the switch to the set-off model means that loss guarantees of approximately DKK 530 million vis-à-vis Totalkredit will lapse. This will reduce the risk-weighted items, which, other things being equal, will result in an increase in the bank's solvency ratio of approximately 0.4 percentage points as from the second quarter of 2008.

Total business volume of just over DKK 12 billion

As at 31.3.2008, Skjern Bank's total loans and advances amounted to DKK 3.9 billion, corresponding to an increase of 15.8 %. Deposits amounted to DKK 2.6 billion, which is an increase of 14.0 %. Finally, guarantees have increased by 23.6 % to DKK 1.8 billion. The volume of securities custody accounts – excl. the bank's own holdings – amounts to approximately DKK 4 billion.

General Meeting and annual meetings

In connection with the annual General Meeting and the following five annual meetings held throughout the bank's market area, we have been in contact with approximately 2,500 customers and shareholders this year. It is very pleasing that so many people have shown a special interest in the bank.

Transactions with connected parties

There have not been any significant transactions between Skjern Bank and the bank's connected parties during the first quarter of 2008.

Accounting policies applied

The accounting policies applied are unchanged compared with the Annual Report for 2007.

Financial calendar

14 August Interim Report for the First half of 2008
23 October Quarterly Report for the Third Quarter of 2008

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

	2008	2007
	1000 DKK	1000 DKK
Interest receivable	81.370	59.693
Interest payable	44.814	27.525
Net income from interest	36.556	32.168
Dividend on shares and other holdings	500	401
Charges and commissions receivable	13.181	13.480
Charges and commissions payable	870	1.307
Net income from interest and charges	49.367	44.742
Value adjustments	-1.126	12.785
Other ordinary income	498	193
Staff costs and administrative expenses	32.979	27.111
Depreciation of intangible and tangible assets	1.320	3.265
Credit loss expenses (net)	3.763	-961
Profit on holdings in associated and affiliated companies	295	-146
Profit on ordinary activities before tax	10.972	28.159
Tax	2.743	7.210
Profit for the financial year	8.229	20.949

Balance by 31st March

	2008	2007
	1000 DKK	1000 DKK
Assets		
Cash in hand and claims at call on central banks	101.366	85.820
Claims on credit institutions and central banks	778.998	468.163
Loans and advances at amortized cost price	3.857.185	3.331.809
Bonds at market value	251.349	243.735
Shares etc.	210.789	218.519
Holdings in associated enterprises	2.856	2.383
Holdings in affiliated enterprises	0	1.864
Land and buildings (total)	82.271	56.629
Investment properties	7.586	8.140
Domicile properties	74.685	48.489
Other tangible assets	9.010	3.633
Actual tax assets	16.930	18.823
Assets temporarily acquired	239	239
Other assets	49.544	35.492
Prepayments and accrued income	0	375
Total assets	5.360.537	4.467.484

Balance by 31st March, continued

	2008 1000 DKK	2007 1000 DKK
Liabilities		
Debt		
Debt to credit institutions and central banks	1.876.547	1.449.538
Deposits and other debts	2.620.683	2.299.782
Bonds issued at amortised cost	3.445	1.797
Actual tax liabilities	0	0
Other liabilities	109.855	68.771
Accruals and deferred income	649	631
Total debt	4.611.179	3.820.519
Provisions for commitments		
Provisions for deferred tax	1.639	8.314
Provisions for loss on guarantees	1.000	5.000
Total provisions for commitments	2.639	13.314
Subordinated capital investments	220.000	120.000
Capital funds		
Share capital	22.560	22.560
Aggregate revaluation reserves	2.293	2.293
<i>Revaluation reserves</i>	<i>2.293</i>	<i>2.293</i>
Other reserves	480	89.721
<i>Statutory reserves</i>	<i>480</i>	<i>481</i>
<i>Other reserves</i>	<i>0</i>	<i>89.240</i>
Retained earnings	501.386	399.077
Total capital funds	526.719	513.651
Total liabilities	5.360.537	4.467.484

Off-balance-sheet items		
Guarantees		
Finance guarantees	339.126	235.918
Guarantees against losses on mortgage credit loans	532.563	498.945
Registration and conversion guarantees	701.313	536.188
Other guarantees	185.126	151.963
Total guarantees	1.758.128	1.423.014
Other contingent liabilities		
Irrevocable credit-undertakings	76.335	0
Other liabilities	17.653	17.220
Total other contingent liabilities	93.988	17.220

Notes as per 31st March

	2008	2007
	DKK 1.000	DKK 1.000
Interest receivable		
Claims on credit institutions and central banks	7.124	3.111
Loans and other debtors etc.	71.313	54.766
Bonds	2.234	1.702
Total other financial instruments	699	114
of which		
Foreign exchange contracts	639	58
Interest-rate contracts	60	56
Total interest receivable	81.370	59.693
Of which income from genuine purchase and resale transactions included	0	0
Interest payable		
Credit institutions and central banks	19.614	11.564
Deposits	21.873	14.204
Bonds, issued	42	25
Subordinated capital investments	3.285	1.732
Total interest payable	44.814	27.525
Of which income from genuine sale and repurchase transactions included	0	0
Charges and commissions receivable		
Securities trading and custodies	5.053	6.740
Payment management	1.158	1.165
Charges from loan applications	1.349	839
Commissions on guarantees	3.921	3.146
Other charges and commissions	1.700	1.590
Total charges and commissions receivable	13.181	13.480
Value adjustments		
Bonds	-1.007	1.300
Shares	888	11.421
Foreign currency	-644	119
Other financial instruments	-363	-55
Total value adjustments	-1.126	12.785
Staff costs and administrative expenses		
Salaries and remuneration of board of dir., managers etc.		
Board of managers	559	450
Board of directors	135	132
Board of representatives	0	2
Total salaries and remunerations of board etc.	694	584
Staff costs		
Wages and salaries	14.860	12.130
Pensions	1.651	1.306
Social security costs and payroll tax	1.421	1.390
Total staff costs	17.932	14.826
Other administrative expenses	14.353	11.701
Total staff costs and administrative expenses	32.979	27.111

Notes, continued

	2.008 DKK 1.000	2.007 DKK 1.000
Number of employees		
Average number of employees during the year until now converted into full-time employees	152	133
Individual write-downs on loans etc.		
Write-downs as per beginning of the year	82.632	65.348
Write-downs during the period (net)	2.643	-108
Reverse entry - write-downs made in previous years	-2.168	-225
Individual write-downs on loans etc. at 31.03.2008	83.107	65.015
Group write-downs on loans etc.		
Write-downs as per beginning of the year	828	0
Write-downs during the period (net)	2.113	0
Reversal during the year	0	0
Group write-downs on loans etc. at 31.03.2008	2.941	0
Group-provisions on guarantees		
Group-provisions beginning of the year	1.000	5.000
Group-provisions during the year	0	0
Reversal during the year	0	0
Group-provisions on guarantees at 31.03.2008	1.000	5.000
Loans etc. with suspended calc. of interest		
Total Loans etc. with suspended calc. of interest	16.091	18.120
Profit on holdings in associated and affiliated companies		
Profit on holdings in affiliated companies	295	-146
Total Profit on holdings in associated and affiliated companies	295	-146
Profit brought forward		
Profit brought forward beginning of the year	510.943	402.518
Distribution of dividend (net)	5.288	4.635
Trade with own shares during the year (net)	-12.498	-19.755
Profit for the period	8.229	20.949
Profit carried forward by 31st March	501.386	399.077
Share Capital		
Number of Shares at DKK 20 each	1.128.000	1.128.000
Share Capital	22.560	22.560
Own capital shares		
Number of shares (pcs)	71.688	19.846
Nominal value hereof	1.434	397
Market value hereof	30.862	17.464
Own shares proportion of share capital (per cent)	6,4%	1,8%

We have, this date, presented the interim report for the first quarter of 2008 for Skjern Bank A/S. The report has been presented in accordance with the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. as well as Københavns Fondsbørs A/S's rules for listing on the Copenhagen Stock Exchange. We regard the accounting policies applied as proper, and we find that the estimates made are sound and that the quarterly report consequently gives a true and fair view of the bank's assets, liabilities and financial position as at 31st March 2008 as well as of the bank's activities in the first quarter of 2008.

Accounting policies applied

The accounting policies applied are unchanged compared with the annual report for 2007.

The interim report for the first quarter of the year has not been audited, and no review has been performed.

Skjern, the 16th April 2008

Executed Board of
Skjern Bank A/S
Per Munck

Skjern, the 16th April 2008

The Board of Skjern Bank A/S

Carsten Thygesen
Chairman

Jens Christian Ostensen
Vice-Chairman

Børge Lund Hansen

Holger Larsen

Lars Andresen

Metha Thomsen