

OMX
Copenhagen Stock Exchange
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Totalkredit/Nykredit offer Skjern Bank A/S an amended cooperation agreement

As advised by Totalkredit/Nykredit on 6 March 2008, the banks behind Totalkredit are being offered a new and broader cooperation agreement which extends the scope of the 2003 agreement entered into when Nykredit purchased Totalkredit. The offer is, however, conditional upon acceptance by an adequate number of banks.

Skjern Bank has decided to support the new agreement.

On the assumption that the amended agreement will be approved, Skjern Bank's profit and loss account and solvency will already be affected this financial year as explained below.

Acceptance of the offered additional payment will mean a capital gain for Skjern Bank

The original purchase agreement of 2003 contained an adjustment to Nykredit's purchase price for Totalkredit which depended on Totalkredit's market share as of 1 April 2010. The diversification will, however, make a precise calculation of Totalkredit's market share in 2010 difficult. Nykredit is therefore now offering the banks a market share fixed at 35% as of 1 April 2010. The result will be an additional payment to the banks totalling DKK 1,460 million after tax. The actual payment will be made as originally agreed on 1 October 2012 and distributed among the banks in accordance with their equity interests in Totalkredit when the company was sold in 2003.

Although the additional payment will not be due until 2012, the banks - if the offer is accepted - must include the current value of the future additional payment in their profit and loss accounts as a capital gain now. For Skjern Bank, the additional payment will result in a capital gain of approximately DKK 11,8 million, which will increase the result after tax for the first quarter of 2008 by about DKK 8,8 million.

Transfer to new cooperation model increases Skjern Bank's capital adequacy ratio

Apart from specification of the additional payment, the offer includes a provision to the effect that the banks must transfer from the current loss guarantee model to an offsetting model by 1 April 2008. In future, any losses on Totalkredit loans arranged by the banks will be offset against the ongoing commissions which the banks receive from Totalkredit for their initiatives and servicing of the borrowers until the entire loss in question has been covered.

For Skjern Bank, the transfer to the offsetting model means that loss guarantees to Totalkredit totalling approximately DKK 511 million will lapse. This will reduce the risk-adjusted items which - all else being equal - will mean an increase of about 0.4 of a percentage point in the bank's solvency.

Yours Faithfully,
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