



Annual report 2007

SkælskørBank

Central Business Registration
No 43 95 51 28

Contents

Financial calendar	2
We've done it again...	3
Management's review	4
Statement by Management on the annual report	11
Auditor's report	12
Accounting policies	13
Income statement	19
Balance sheet	20
Statement of changes in equity, Group	21
Statement of changes in equity, Parent	22
Capital position	23
Cash flow statement	25
Group chart and group companies	26
Notes	27
Bank Management	48
We cooperate with...	49

Financial calendar 2008

Annual General Meeting	8 March 2008
Dividend payment	14 March 2008
Shareholders' meeting	14 March 2008

Expected publication of preliminary announcements of financial statements:

Q1	14 May 2008
H1	6 August 2008
Q1-Q3	29 October 2008
Financial year 2008	11 February 2009
Annual General Meeting	7 March 2009

We've done it again...

Pure and simple. In 2007, we have achieved a result which despite difficult odds turned out very satisfactory. The pre-tax profit amounts to DKK 47.6m. This profit exceeds the budget for 2007 which was between DKK 42 and 46m.

The profit has been achieved in a very difficult market where the interest rate has fluctuated with as much as 1% – with a distinct upwardly trend in the second half of the year. The financial crisis in the US has, furthermore, put a damper on the banking market and pressurised the price of liquidity.

Skælskør Bank's impressive result is primarily attributable to a remarkable effort in the investments segment. Earnings from this area amounted to DKK 25.7m. This includes a capital loss on bonds of DKK 2.8m and a capital gain on shares of DKK 26.8m. In the earnings from the capital gains, the jointly owned companies contribute by DKK 6.5m – including ia DLR-kredit A/S.

Investing in the Bank of the future

The aggregate profit's failure to exceed last year's record profit of DKK 49.7m, is attributable to Skælskør Bank in 2007 having invested considerable sums in the refurbishment of the branches in Slagelse, Korsør and Skælskør. In Korsør and Slagelse we are in the process of removing the cashier's desks to establish so-called lobby banks, where the customers can service themselves almost 24 hours a day.

Investments have also been made in new technological systems which in the coming years will contribute to improving efficiency of the bank. This improvement is a necessity to enable us as a small bank to allocate resources to absorbing the many new statutory requirements and codes of practice imposed on us in these times.

In early 2007, the Danish Competition Council ruled that Skælskør Bank together with six other local banks in certain areas had violated the Competition Act. Skælskør did not agree with the ruling and consequently lodged an appeal with the Competition Appeals Tribunal.

The Competition Appeals Tribunal made its ruling in October 2007, containing ia the following comments: "...that the local banks had not formed a cartel, and had not engaged in market sharing and coordination of prices, and further that the cooperation had no influence on the competition. The ruling only upheld one violation of section 6(1) of the Competition Act, relating to the purpose of the cooperation. This issue has been reported to SØK, the Public Prosecutor for Serious Economic Crime, by the Competition Authority. Skælskør Bank presently awaits the conclusion of the case.



Interesting projects in progress

Despite the large focus on legislative issues, 2007 also left room for many other activities. The construction of Company House A/S in Nordre Ringgade in Slagelse is in progress and is expected to be complete by November 2008. This building will house our Finance Department, Business Centre and Branch Service in what will become our Corporate and Financing Centre.

As to more outwardly activities, Skælskør Bank in 2007 ia sponsored Team Vestsjælland (badminton), the Korsør swimming club and the Slagelse men's handball team. Most recently, we have cooperated with EVV (the business and knowledge centre of West Zealand) to prepare a so-called visual business plan, constituting a work book with practical advice and tips for entrepreneurs.

We look forward to 2008, where we will retain our Kurs 2010 objective (Vision 2010). We also expect to reap the benefits of the many investments we have initiated throughout the last few years. 2008 is, however, expected to be a rather difficult banking year, necessitating that we continue to consolidate our business, make careful investments and increase our efforts in customer care. We budget for a profit between DKK 43-48m

Best regards

A handwritten signature in blue ink, appearing to read 'Carsten Roth', written over the printed name below.

Carsten Roth
Chief Executive Officer

Management's review

■ Group financial highlights

in DKK'000

INCOME STATEMENT	■ 2007	2006	2005	2004	2003
Net interest income	87,007	81,597	69,490	66,251	60,080
Net fee and commission income	43,190	48,089	45,257	34,463	29,039
Net interest and fee income	130,197	129,686	114,747	100,714	89,119
Staff costs and administrative expenses	-93,167	-88,970	-80,054	-70,006	-61,932
Other net operating expenses	111	1,248	-3,497	1,166	-3,145
Impairment losses on loans and advances and receivables	-12,965	-8,770	-285	-9,419	-20,477
Profit from actual banking activities	24,176	33,194	30,911	22,455	3,565
Translation/market value adjustments	25,706	16,459	2,578	10,720	27,988
Profit from investments in associates	-2,256	0	0	0	0
Profit before tax	47,626	49,653	33,489	33,175	31,553
Net income tax	-10,333	-11,223	-7,959	-8,184	-4,448
Profit for the year	37,293	38,430	25,530	24,991	27,105
BALANCE SHEET					
Bonds and shares	384,878	317,719	378,822	328,286	371,780
Total assets	2,549,254	2,110,307	1,772,959	1,397,824	1,314,284
Equity	299,990	277,443	250,300	241,222	219,432
BUSINESS VOLUME					
Loans and advances	1,865,243	1,527,899	1,236,285	899,010	728,785
Deposits	1,474,450	1,374,119	1,190,211	1,046,506	972,231
Guarantees, etc	1,638,156	1,540,641	1,159,453	868,772	687,705

The Bank changed its accounting policies in 2005. Financial highlights for 2003 have not been restated to reflect the new accounting policies. Financial highlights for 2004 have not been restated to reflect the new accounting policies for financial assets and liabilities.

Management's review

■ Group financial ratios

%	■ 2007	2006	2005	2004	2003
Capital adequacy ratio	12.6	11.6	12.8	13.5	14.8
Core capital ratio	7.3	8.6	9.8	13.7	15.2
Return of equity before tax	16.5	18.8	13.6	14.4	16.5
Return on equity after tax	12.9	14.6	10.4	10.9	14.1
Operating income over operating expenses	1.44	1.49	1.40	1.42	1.37
Interest rate risk	1.1	1.7	2.5	1.7	2.2
Currency position	41.1	9.2	10.8	9.6	10.9
Currency risk	0.1	0.0	0.0	0.0	0.0
Loans and advances plus impairment losses thereon relative to deposits	128.7	113.0	105.3	89.0	79.8
Loans and advances in ratio to equity	6.2	5.5	4.9	3.7	3.3
Loan growth for the year	22.1	23.7	37.3	23.4	10.1
Excess liquidity in relation to statutory requirements of liquidity	35.2	13.3	39.0	75.2	155.1
The sum of large commitments	134.0	100.4	64.2	69.2	37.0
Share of receivables with a reduced interest rate	0.4	0.4	0.6	1.2	1.5
Impairment ratio for the year	0.4	0.3	0.0	0.5	1.4
Accumulated impairment ratio	0.9	0.9	0.8	1.9	3.5
Earnings per share for the year	20.9	21.2	13.7	12.9	15.7
Book value per share	168	153	134	125	127
Dividends per share	4	4	3	1	3
Price/earnings per share	11.8	13.6	17.3	13.0	8.1
Price/book value per share	1.5	1.9	1.8	1.3	1.0
Price at year-end	246	287	237	168	127
Number of employees (average)	110	113	107	90	83

The Bank changed its accounting policies in 2005. Financial highlights for 2003 have not been restated to reflect the new accounting policies. Financial highlights for 2004 have not been restated to reflect the new accounting policies for financial assets and liabilities.

■ Shareholdings in Skælskør Bank

Insiders in Skælskør Bank Aktieselskab had the following shareholdings at 31 December 2007:

Supervisory Board, Executive Board and family members: Total shareholding: 16,935. Market price: DKK 4,098,270. Others with access to in-house knowledge: Total shareholding: 6,999. Market price: DKK 1,693,758.

Management's review

Business mission

Skælskør Bank is a local bank with head office in Skælskør. The Bank has 7 branches and a business centre. The branches are located in West Zealand, which is the Bank's natural market area. The Bank was founded on 17 November 1876.

The Bank's primary object is to carry on banking activities as well as other activities permitted under the Danish Financial Business Act.

Vision "Kurs 2010"

The Bank's vision is described in "Kurs 2010", which aims for annual growth of 20% in actual banking activities. All employees of the Bank have contributed to formulating the vision, and it is used as a basis when measuring performance in relation to the bonus scheme implemented for all employees in 2006. For 2007, the bonus scheme has triggered a bonus from shares of DKK 6k per employee.

The Skælskør Bank share

By the end of 2007, the Bank had 7,752 shareholders, which corresponds to approx 47% of the Bank's customers. No shareholder owns more than 5% of the Bank's share capital.

The shares are freely negotiable, implying however that any transfer of shares to an acquirer who at the transfer obtains 10% or more of the Bank's share capital requires the Bank's consent. The price of the Bank's shares has dropped from a price of 287 at year-end 2006 to one of 246 at year-end 2007, a 17% drop.

The Bank's shares are listed at OMX Nordic Exchange Copenhagen. With effect from 1 January 2006, the Bank was admitted to the Small-Cap+ index on the OMX.



Trends in market prices 2005 - 2008

Management and employees

CFO Henning Skovlund was elected to the Supervisory Board at the Annual General Meeting in 2007.

Physiotherapist Henriette H. Hunsballe of Skælskør, Accounting Consultant Methe Bønsvig of Skælskør, Executive Officer Susanne Schiøtz Hansen of Kalundborg, and Executive Officer Søren Hansen were all elected to the Committee of Shareholders.

The number of staff in the Group has in 2007 dropped to 110.

The number of staff is expected to remain at this level in 2008.

Events after the balance sheet date

No events have occurred after the balance sheet date which materially affect the evaluation of the annual report.

Outlook for 2008

The consolidated budget is based on the expectation that the present growth in the Danish economy will be maintained in 2008.

In aggregate, net interest income is expected to increase because of the augmenting loan growth and an anticipation of increasing average interest rates.

Net fee income is expected to increase slightly in 2008 as a result of the Bank's growing activity level.

Staff costs and administrative expenses are expected to increase moderately as the Bank has decided not to employ more staff and to implement strict cost management. As some uncertainty is connected to market value adjustments on shares and bonds etc, the Bank expects a pre-tax profit of DKK 43-48m.

Financial statements and performance

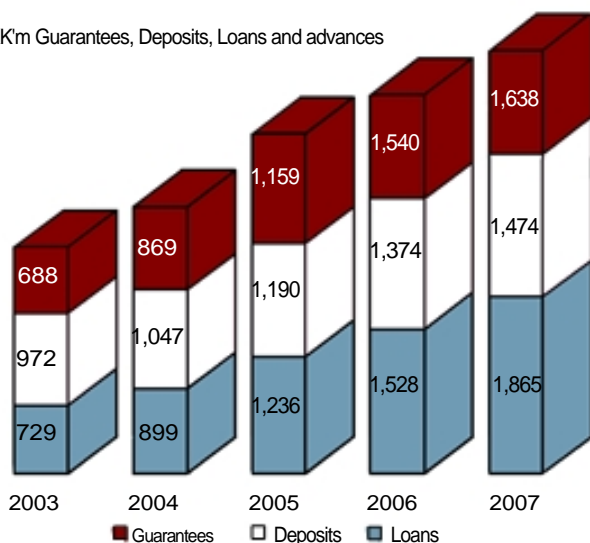
The Skælskør Bank Group's profit for 2007 amounts to DKK 47.6m before tax which is a decline of 4% on 2006. The performance did not fully meet expectations after Q3, but was better than budgeted. The Bank experienced rising interest expenses in Q4, a decrease in translation/market value adjustments as well as larger impairment losses than expected. Profit after tax amounted to DKK 37.3m, which is 3% down on last year. This results in a return on equity of 16.5% before tax.

Management considers this performance very satisfactory.

The results for 2007 are realised on the basis of a high activity level and expanding business volumes throughout the Group as well as positive translation/market value adjustments. Total business volume has gone up by 12% from DKK 4,443m to DKK 4,977m.

Business volume

DKK'm Guarantees, Deposits, Loans and advances



Subsidiaries

By the end of 2007, Skælskør Bank has three subsidiaries: Skælskør Bolig A/S, Nor Fjor Finans A/S and Hovedgaden 50, Dalmose A/S.

At 1 October 2006, Skælskør Bolig A/S sold its real estate activities to plen10 as and has received 49% as ownership in this company as consideration. In 2007, the Company has not had any activities. The plan is to liquidate the company at the beginning of 2008. Claims of DKK 5,350k and DKK 17,000k have been raised against the company in connection with drawing-up purchase agreements concerning trade in property. Management and the company's legal advisors estimate that the claims will not result in losses for the company, and provisions have therefore not been made in this respect in the annual report. For 2007, Skælskør Bolig realised a loss of DKK 2.4m after tax.

During the year, Nor Fjor Finans A/S has developed and sold a share of the plot, Guldagergård. The company is co-owner of a number of investment properties. The properties are currently measured at fair value. For 2007, Nor Fjor Finans realised a profit after tax of DKK 5.5m, which is significantly above the budgeted profit of DKK 2.9m.

The Bank's property company, Hovedgaden 50, Dalmose A/S, owns the properties Hovedgaden 50, Dalmose and Kalundborgvej 4, Holbæk. For 2007, Hovedgaden 50, Dalmose realised a profit after tax of DKK 1.2m after revaluation of properties at fair value.

For further details, we refer to the group chart on page 26.

Interest and fee income

In 2007, net interest and fee income amounts to DKK 130.2m compared with DKK 129.7m in 2006.

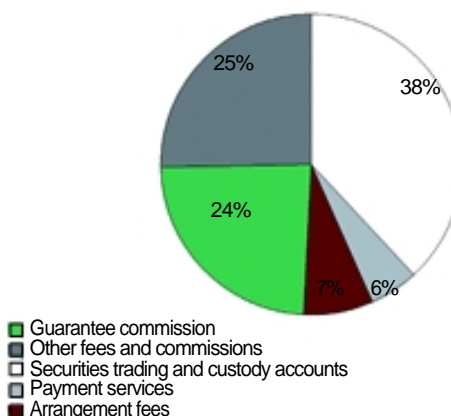
Net interest and fee income		
DKK'000	2007	2006
Net interest income	87,007	81,597
Dividends from shares	1,510	654
Fees and commission income	46,314	50,825
Ceded fees and commission income	(4,634)	(3,390)
Total	130,197	129,686

Net interest income has risen by 7% to DKK 87.0m. The increase should be viewed in the light of continued growth in loans and advances, which is primarily concentrated on secured products for financing homes as well as loans and advances for corporate customers.

The interest rate margin, which is the difference between the average lending rate and the average deposit rate, has in 2007 gone down by 0.37% and totals 4.63% in 2007. The average lending rate and deposit rate are 7.81% and 2.18% in 2007. In 2006, they were 6.95% and 1.95%, respectively.

Net fees and commission income have dropped by 12% to DKK 41.7m, of which commission income from foreign business and investment funds amounts to DKK 16.7m.

Fees and commission income by main group:



Translation/ market value adjustments

Total translation/market value adjustments for the year amount to DKK 25.7m and are attributable primarily to market value adjustments on shares in DLR Kredit and BankInvest as well as listed shares.

Staff costs and administrative expenses

In 2007, staff costs and administrative expenses increased by 5%, one of the results of the Bank's continued expansion. The increase is attributable to a wide range of measures, including additions to staff, taken to ensure improved earnings in future. The Bank's IT expenses have also gone up during the year, one reason being the need to ensure updated systems for customer advisory services.

Staff costs and administrative expenses		
DKK'000	2007	2006
Salaries and remuneration to the Supervisory and Executive Boards as well as the Committee of Shareholders	2,750	2,461
Staff costs	52,946	49,701
IT expenses	11,357	11,266
Marketing expenses	5,385	7,148
Costs, premises	4,292	4,296
Telephone and postage	1,775	1,774
Training	1,813	1,494
Other administrative expenses	12,849	10,830
Total	93,167	88,970

Impairment losses

Impairment losses on loans and advances amount to DKK 13.0m against DKK 8.8m in 2006.

Distribution of profit

Profit before tax amounts to DKK 47.6m against DKK 49.7m in 2006. Estimated tax amounts to DKK 10.3m, after which profit for the year totals DKK 37.3m compared with DKK 38.4m in 2006. The Supervisory Board recommends to the Annual General Meeting to pay dividends of DKK 4 per share, corresponding to DKK 7.4m.

Balance sheet

At year-end 2007, the consolidated balance sheet totalled DKK 2,549.3m compared with DKK 2,110.3m for 2006, which is a rise of 21%.

Loans and advances have increased by 22% to DKK 1,865m, and guarantees have gone up by 6% to DKK 1,638m. The Group's loans and advances to private customers have gone up by 24% since the end of 2006, whereas loans and advances to corporate customers have increased by 21%.^a

Deposits have risen by 7% to DKK 1,474m.

Assets

DKK'000	2007	2006
Receivables from credit institutions	64,227	149,956
Loans and advances	1,865,243	1,527,899
Securities and investments	390,024	317,719
Other assets	229,760	114,733
Total	2,549,254	2,110,307

Liabilities

DKK'000	2007	2006
Payables to credit institutions	536,745	321,659
Deposits	1,474,450	1,374,119
Provisions	2,793	5,812
Subordinate debt	199,566	99,560
Total	2,213,554	1,801,150

Subordinate debt

Tier 2 capital totals DKK 199.6m. A total of DKK 100m in subordinate debt has been raised in 2007. The tier 2 capital has strengthened the Bank's capital base.

Equity

Equity amount to DKK 300m at year-end 2007, an increase of 8% up on 2006.

Return on equity totalled 16.5% before tax compared with 18.8% in 2006. Earnings per share for the period decreased from 20.5 to 19.4, or down by 4%.

Capital adequacy

The capital adequacy ratio was 12.6% at year-end 2007, of which 7.3 percentage points are attributable to the Group's core capital, which totalled DKK 283m at year-end 2007.

During the year, the base capital has increased by DKK 125m to DKK 484m. The increase in the risk-weighted items from DKK 3,073m at year-end 2006 to DKK 3,853m at year-end 2007 is primarily attributable to growth in loans and advances.

The Skælskør Bank Group has in 2007 been subject to the previous capital adequacy regulations. The new capital adequacy regulations, effective from 1 January 2008, introduce new rules for estimating risk-weighted assets and impose requirements on the Bank's internal processes for estimating the future capital requirement.

Also, a number of requirements are set for publication of the Bank's risk profile as well as processes and methods for the Group's management, etc.

The estimated capital requirement should, however, been viewed in relation to the Bank's capital base. Under the new capital adequacy regulations, the Bank will apply the standard method for credit risks, market risks and the base indicator method for operational risks.

Publication in accordance with appendix 20 of the capital adequacy statement can be found on the Bank's website www.sbbank.dk.

Share capital

The Bank's share capital amounts to DKK 37m at year-end 2007. The Bank will recommend to the Annual General Meeting a write-down of the share capital to DKK 36m.

Cash flows

The cash flow statement shows the Group's cash flows for the year as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is presented using the indirect method on the basis of pre-tax profit for the year of DKK 47.6m.

Cash flows from operating activities are calculated as profit for the year adjusted for non-cash operating items and working capital changes. Cash flows from operating activities are negative by DKK 63.8m.

Cash flows from investments comprise acquisition and sale of fixed assets, enterprises and securities and amount to a negative DKK 19.1m.

Cash flows from financing activities comprise paid dividends as well as movements in equity and subordinate debt and amount to DKK 82.2m.

Credit risk

Credit risk is the risk that payment obligations will not be met because of the debtor's inability or willingness to pay at the agreed date.

Payment obligations comprise receivables, loans and advances as well as guarantees. In addition, the credit risk may arise from securities, currency and derivative financial instruments trading.

To manage the Bank's credit risk, a credit policy has been drawn up to ensure that the Bank remains within the framework of Danish law and provides loans and advances on a substantive and reasonable basis in accordance with the Bank's objectives and policies. The credit policy is substantiated by a large number of business processes concerning follow-up on commitments and reportings submitted to the Bank's Supervisory Board.

Diversification by branch/risk diversification

The Bank aims for a reasonable diversification of lending between the private and corporate segments and between the various industry groups. The Bank's loans and advances are characterised by 68.6% being lent to corporate customers and 31.4% to private customers.

Review for impairment

- individual assessment

Receivables from credit institutions and central banks at amortised cost are all assessed individually for objective evidence of impairment. At 31 December 2007, the Bank does not have receivables from credit institutions and central banks showing objective evidence of impairment.

Loans and advances at amortised cost with objective evidence of impairment are written down individually. On the basis of the customer's utilisation of loans and advances as well as guarantees etc, the discounted value of the customer's collateral pledged, if any, is measured and deducted. The residual amount equals the Bank's unsecured risk involved in the present utilisation. The customer's financial information is used to determine a current dividend percentage as a general creditor. The indication of impairment on loans and advances as well as guarantees is based on future payments made and received.

Objective evidence of impairment

- individual assessment

Commitments, for which objective evidence of impairment is considered to exist, are written down for impairment.

Objective evidence of impairment is at least considered to exist if one or more of the following events have occurred:

- The borrower faces serious financial difficulties
- The borrower violates the contract, eg by failing on payment of instalments or interest
- The Bank, for reasons relating to the borrower's financial difficulties, grants the borrower easier terms for the loan than the Bank would not otherwise have granted.
- It is probable that the borrower will go into liquidation or be subjected to other financial restructuring.

- Group-based assessments

Individually assessed loans, which have not been written down for impairment, as well as other loans and advances are divided into groups with uniform distinctive features relating to credit risks, and are subsequently assessed on a portfolio basis.

Guarantees

Guarantees are recognised as provisions when it is probable that the liability will lead to consumption of the Bank's financial resources and the liability can be measured reliably. The liability is measured at the best estimate of the expenses that are necessary to meet the current liability at the balance sheet date and is discounted to the market rate.

The Group's total impairment losses on loans and advances provisions for guarantees amounted to DKK 31.8m at year-end 2007, which corresponds to 0.37% of total loans and advances and guarantees. Loans and credits with interest zeroed rates amounted to DKK 14.2m and account for 0.4% of total loans and advances as well as guarantees.

Market risk

The market risk is the risk that the market value of the Bank's assets and liabilities change as a result of changes in market conditions. The Group's total market risk is calculated as the aggregate of interest, currency, share and cash flow risk.

The market risk is managed by the Bank's Executive Board in accordance with policies and rules defined and adopted by the Bank's Supervisory Board.

The Bank's Management currently receives detailed reporting on market risks.

Interest rate risk

The interest rate risk comprises the Group's total loss risk as a result of interest rate changes on the financial markets.

Most of the interest rate risk is attributable to the Group's convertible Danish mortgage credit bonds and government bonds.

The interest rate risk on listed bonds and derivative financial instruments must if the interest rate changes by one per cent exceed neither 4% of the net position nor 8% of the Bank's equity.

In determining the interest rate risk, the rules in the Danish Financial Supervisory Authority's Executive Order on Financial Reports.

Below, the interest risk at year-end 2007 has been calculated by position.

Interest rate risk by maturity					
DKK'm	0-1 year	1-2 years	2-3.6 years	>3.6 years	Total
2007	0.3	1.8	0.0	1.1	3.2
2006	0.3	0.7	0.0	3.5	4.5

Instrument type			
	Long positions	Short positions	Interest rate risk
DKK'm			
Positions included in the trading portfolio			
Securities recognised in the balance sheet	251,8	0,0	4,0
Interest rate contracts	79,5	79,5	0,0
Total trading portfolio	331,3	79,5	4,0
Positions not included in the trading portfolio			
Items recognised in balance sheet	47,8	466,6	-0,8
Positions with limited or hedged	1.951,6	1.799,9	0,0
Total, not included in the trading portfolio	1.999,4	2.266,5	-0,8
All positions	2.330,7	2.346,0	3,2

A long position is one that generates a gain from an increase in prices/fall in interest rates of the securities/instruments in question. A short position is one that generates a loss from an increase in prices/fall in interest rates for the securities/instruments in question.

Currency risk

Currency risk is the risk of losses on the Group's foreign currency positions when the exchange rates change. The currency risk is retrieved by exchange rate indicator 1 which indicates the highest amount of the below net position calculated as a percentage of the core capital net of deductions. Exchange rate indicator 1 is 41.3% at year-end 2007.

Items exposed to currency risk	
Positions in DKK'm	
Sum of long net positions	152,2
Sum of short net positions	152,2

Page 9

Share price exposure

Share price exposure is the risk of losses as a result of changes in share prices. By the end of 2007, the Group's own portfolio of listed shares is DKK 48.6m compared with DKK 23.5m in 2006.

The risk attaching to the Bank's portfolio at year-end 2007 amounted to DKK 14.0m. The Bank has decided to calculate the risk as 10% of the portfolio's market value at any time. The Bank can acquire shares up to 20% of its capital base.

Share price risks at falls in share prices of 10%		
DKK'm	2007	2006
Listed at the Copenhagen Stock Exchange	4.9	2.3
Unlisted shares	9.6	8.0
Total	14.5	10.3

Liquidity risk

Liquidity risk is the Bank's risk of losses as a result of a disproportionate rise in the Bank's funding costs, the risk that the Bank is cut off from engaging in new business due to insufficient funding, or that the Bank is ultimately unable to meet its obligations due to insufficient funding.

Cash management is based on current monitoring and management of the Bank's liquidity risk. The primary objective of managing the Bank's liquidity risk is to ensure that the Bank has a liquidity buffer available at all times.

Derivative financial instruments

Derivative financial instruments are used to hedge and control the Bank's market risks. Specifications on pages 41-44 show the extent of unsettled transactions by the end of 2006 and 2007. Derivative financial instruments are included in the estimation on the Group's market risk.

The Group's derivative financial instruments are presented in the table below.

Derivative financial instruments		
Nominal amounts - at year-end		
DKK'm	2007	2006
Interest rate contracts:		
Swaps	45.0	45.0
Forwards/Futures	24.8	7.0
Foreign exchange contracts:		
Swaps	176,8	292,6
Forwards/Futures	27.4	8,9

Operational risk

Skælskør Bank has a staff of loyal and skilful employees.

The Bank has a long range of specialists, in investments, pensions and insurance. Even though the Bank has a large number of key personnel, this is not anticipated to have any noticeable impact on the Bank's operations if any of them were to terminate their employment. The Bank has prepared a contingency plan in case of a major IT breakdown. Plans have also been drawn up to secure ongoing operations in case of long power cuts.

The new capital adequacy regulations (Basel II), which came into effect on 1 January 2007, include rules for determining capital requirements for operational risks. In this connection operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes, people, systems or external occurrences.

Page 10

Corporate Governance

In 2007, the Bank's Supervisory Board has again considered the Nørby Committee recommendations on corporate governance. Some of the recommendations have been incorporated in the annual report.

Shareholders' role and interaction with Management

Skælskør Bank's notice convening general meetings at a minimum of 14 days and a maximum of four weeks makes it possible for the shareholders to consider the items on the agenda for the General Meeting. All registered shareholders are invited to the General Meeting via AktionærNyt, and it is also published in the newspapers in accordance with the Bank's Articles of Association. A resolution to change the Articles of Association is only valid if at least 50% of the voting rights of the share capital is represented at the General Meeting.

Skælskør Bank has restrictions on voting rights to the effect that no shareholder can carry more than 8,750 votes. This protective rule has been adopted by the shareholders at the General Meeting and reflects the intention to maintain Skælskør Bank as an independent, strong and local bank for the benefit of all of its stakeholders. The Supervisory Board believes that abolition of this protective rule would imply that Skælskør Bank's shares would to a high degree become short-term speculation objects, which in the opinion of the Supervisory Board is not in the interest of the shareholders, customers, employees and local community. Accordingly, the Supervisory Board has no intention of proposing amendments to the Articles of Association in this respect. On the other hand, the Supervisory Board does not regard it necessary to implement further restrictions.

The General Meeting has authorised the Supervisory Board, until the next General Meeting, to let the Bank acquire own shares by up to 10% of the Bank's share capital.

Stakeholder's role and significance to the Bank.

The Supervisory Board has drawn up a proper policy for Skælskør Bank's relations to its stakeholders, which contains a business concept, fundamental values and objectives in the form of Kurs 2010 (Course for 2010) which is outlined on the Bank's homepage.

The relations to Skælskør Bank's stakeholders are vital for the development of a locally oriented enterprises, and both the Supervisory and the Executive Board maintain focus on ensuring a favourable and fruitful interaction – with the overriding aim to strengthen the position of the Bank.

Openness and transparency

Openness and transparency are vital for the Bank's future, and the Supervisory Board wants Skælskør Bank to be characterised by maximum openness.

Accordingly, the Bank's policy involves that all material information for shareholders, customers and financial markets is disclosed without delay.

The Supervisory Board highly emphasises the dialogue with both shareholders and other stakeholders. On the Bank's homepage relevant investment material is available, as well as particular sections on issues related to Corporate Governance.

The annual report is presented in accordance with International Financial Reporting Standards (IFRS). The Supervisory Board believes that the Bank sufficiently explains its relations to its stakeholders and that further reporting is not relevant at present.

The Supervisory Board's tasks and responsibilities

It is the Supervisory Board's task and responsibility to be in charge of the overall management and to perform oversight and control of the Executive Board's day-to-day management of the financial institution.

The Supervisory Board holds an annual strategy seminar where all relevant aspects are discussed and where the Board's rules of procedure and instructions for the Executive Board are reviewed. The framework of the Board's work, including the Chairman and the Vice Chairman's distribution of responsibilities, is laid down in the Supervisory Board's rules of procedure and in a memo where the responsibilities of the Chairman and the Vice Chairman are specified.

The Supervisory Board's written directions for the Executive Board are determined pursuant to instructions determining the distribution of responsibilities between the Supervisory Board and the Executive Board.

Upon elections to the Supervisory Board, a description of the candidates' background is sent together with the notice convening the general meeting. The Supervisory Board provides information about the recruitment criteria it has determined. The Board's composition is published annually in a profile. The members of the Supervisory Board are elected for a term of three years by the Annual General Meeting. In connection with the Annual General Meeting, two members retire, but may be re-elected, however no more than four times. Supervisory Board members elected by the Annual General Meeting in 2002 or earlier may continue until the first Annual General Meeting after they have reached the age of 65.

Skælskør Bank offers new Supervisory Board members a thorough introduction to their responsibilities as Board members, including the opportunity to participate in relevant courses.

Skælskør Bank has not established committees or similar bodies as the Supervisory Board finds that, because of the frequency of its meetings, all material discussions and resolutions can be made by the whole Supervisory Board. About 18 ordinary Supervisory Board meetings are held a year according to a pre-determined plan.

Statement by Management on the annual report

Page 11

The Supervisory and Executive Boards have today considered and approved the annual report of Skælskør Bank A/S for 2007.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent financial statements have been prepared in accordance with the Danish Financial Business Act. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

We consider the applied accounting policies appropriate for the annual report to give a true and fair view of the Group's and the Parent's financial position and results at 31 December 2007 and of their activities and the consolidated cash flows for the financial year 2007.

The management's review also includes a fair presentation of the development in the Group's and the Parent's activities and financial position as well as a fair description of the most material risks and elements of uncertainty that may affect the Group and the Parent.

We recommend the annual report for adoption at the Annual General Meeting.

Skælskør, 7 February 2008

Executive Board of
Skælskør Bank

Carsten Roth
Chief Executive Officer

/Marianne Hansen
Financial Officer

Skælskør, 7 February 2008

Supervisory Board of
Skælskør Bank

Peter Melchior
Chairman

Peter Nielsen
Vice-Chairman

Henning Skovlund

Christian Boye

Freddy Hansen

Per Vesterholm

Auditor's report

Independent auditor's report

To the shareholders of Skælskør Bank Aktieselskab

We have audited the annual report of Skælskør Bank Aktieselskab for the financial year 1 January to 31 December 2007, which comprises the statement by Management on the annual report, management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes of the Group as well as the Parent.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent financial statements have been prepared in accordance with the Danish Financial Business Act.

Furthermore, the annual report has been presented in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and the Danish Financial Business Act in respect of the Parent financial statements as well as additional Danish disclosure requirements for annual reports for listed financial companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's financial position at 31 December 2007 and its financial performance and its cash flows for the financial year 1 January to 31 December 2007 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial companies.

In addition, the annual report gives a true and fair view of the Parent's financial position at 31 December 2007 as well as of its financial performance for the financial year 1 January to 31 December 2007 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial companies.

Skælskør, 7 February 2008

DELOITTE

Statsautoriseret Revisionsaktieselskab

JOHN LADEKARL
State Authorised Public Accountant

JENS RINGB/EK
State Authorised Public Accountant

Accounting policies

Basis of financial statements

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Parent financial statements are presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc and Danish Accounting Standards.

Furthermore, the annual report is presented in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

The additional Danish disclosure requirements for annual reports have for the Group been laid down in the Executive Order on the application of International Financial Reporting Standards for companies subject to the Danish Financial Business Act and by the Copenhagen Stock Exchange and for the Parent, they have been laid down in the Danish Financial Business Act and by the Copenhagen Stock Exchange.

The annual report is presented in Danish kroner (DKK), which is regarded as the primary currency in relation to the Group's activities and the functional currency of the Parent.

The accounting policies for the Parent applied to recognition and measurement are in accordance with the accounting policies described for the Group except for the following:

Investments in subsidiaries are measured under the equity method, which implies that investments are measured at the pro rata share of the subsidiaries' equity value at the balance sheet date.

The accounting policies applied to the consolidated financial statements are described below.

Implementation of new and revised Standards and Interpretations

The annual report for 2007 is presented in accordance with the new and revised Standards (IFRS/IAS) and new Interpretations (IFRIC), which apply to financial years beginning on or after 1 January 2007. These Standards and Interpretations are:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation of Financial Statements (revised in 2005)
- IAS 32, Financial instruments: Presentation (revised in 2005)
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8, Scope of IFRS 2
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 10, Interim Financial Reporting and Impairment

IFRS 7 and the revised IAS 32 was implemented already in the annual report for 2006.

The implementation of the new and revised Standards and Interpretations in the annual report for 2007 has not led to changes in the accounting policies, but has solely affected the scope and the nature of the disclosures in the notes to the annual report.

Standards and Interpretations that have not yet become effective.

At the time of publication of this annual report, the following new or revised Standards and Interpretations have not yet become effective, for which reason they have not been incorporated in this annual report:

IFRS 8, Operating segments. The Standard is effective for financial years beginning on or after 1 January 2009.

Revised IAS 1, Presentation of Financial Statements. This revised Standard is effective for financial years beginning on or after 1 January 2009. The Standard has not yet been adopted by the EU.

Revised IAS 23, Borrowing Costs. This revised Standard is effective for financial years beginning on or after 1 January 2009. The Standard has not yet been adopted by the EU.

IFRIC 11, Group and Treasury Share Transactions. The Interpretation is effective for financial years beginning on or after 1 March 2007.

IFRIC 12, Service Concession Arrangements. The Interpretation is effective for financial years beginning on or after 1 January 2008. The Interpretation has not yet been adopted by the EU.

IFRIC 13, Customer Loyalty Programmes. The Interpretation is effective for financial years beginning on or after 1 August 2008. The Interpretation has not yet been adopted by the EU.

IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Interpretation is effective for financial years beginning on or after 1 January 2008. The Interpretation has not yet been adopted by the EU.

Management has assessed that the application of these new and revised Standards and Interpretations will not materially affect the annual reports for the coming financial years except for the additional disclosure requirements for business segments following from the implementation of IFRS 8.

Accounting estimates

Stating the carrying amount of certain assets and liabilities requires an assessment as to how future events will affect the value of such assets and liabilities at the balance sheet date.

Estimates, which are significant to the presentation of financial statements, are i.a. made when determining write-downs on impaired loans, the fair value of unlisted financial instruments as well as provisions.

The estimates are based on assumptions, which are considered reasonable by Management, but which are obviously uncertain. Furthermore, the Group is affected by risk and uncertainty that may result in deviations of the actual results from such estimates.

For impairment losses on loans and advances and receivables, significant estimates are related to the quantification of the risk that not all future payments are received.

For provisions for loss on guarantees, uncertainty is also attached to determining to what extent the guarantee will be effective in case of a financial breakdown of the party who requested the guarantee.

Measurement of the fair value of unlisted financial instruments is subject to significant estimates. Unlisted shares are measured at estimated fair value based on available budget and accounting figures of the relevant company.

For provisions for pensions, etc, the determination of the future rate of staff turnover, discount rate and the rate of wage increases is subject to significant estimates.

Consolidated financial statements

The consolidated financial statements include the Parent, Skælskør Bank, and enterprises in which Skælskør Bank has a controlling interest in financial and operating decisions.

Control exists when Skælskør Bank directly or indirectly holds more than 50% of the voting rights in a company or in any other way has a controlling influence on decisions about management or operations, and the main portion of returns and risks in the company at the same time goes to the Group.

Enterprises in which the Group holds between 20% and 50% of the voting rights or in any other way exercises significant, but not controlling influence are regarded as associates.

The consolidated financial statements combine the financial statements of the Parent and the individual subsidiaries, which have all been prepared applying group accounting policies, and intra-group income and expenses, shareholdings, intra-group accounts and dividends as well as realised and unrealised profits on transactions between the consolidated enterprises have been eliminated.

Foreign currency translation

Foreign currency transactions are translated into the functional currency applying the exchange rate at the transaction date. Gains and losses arising between the exchange rate on the transaction date and the date of settlement are recognised in the income statement.

On the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rate. Currency adjustments of monetary assets and liabilities arising between the exchange rate at the transaction date and the rate at the balance sheet date are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are subsequently restated at fair value, are translated using the exchange rate on the specific date. Currency adjustments are recognised as a component of the change in the fair value of assets/liabilities.

Other non-monetary items denominated in foreign currency remain at the recorded rate on the transaction date.

Intra-group transactions

Intra-group services are settled on market conditions or on a cost recovery basis. Current accounts carry interest at arm's length. Intra-group trades in securities and other assets are settled at market prices.

Recognition and measurement

Income is recognised in the income statement when earned, including recognition of value adjustments of financial assets and liabilities. Expenses incurred to earn revenue for the year are recognised in profit or loss.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group, and the value of the assets can be measured reliably. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Financial assets and liabilities are recorded on the date of settlement. At the time of recognition, financial assets are designated to the following four categories:

- trading portfolio, measured at fair value
- loans and advances, measured at amortised cost
- held-to-maturity investments
- financial assets recognised at fair value with value adjustments taken to profit or loss.

At the time of recognition, financial liabilities are designated to the following four categories:

- trading portfolio, measured at fair value
- financial liabilities recognised at fair value with value adjustments taken to profit or loss.
- other financial liabilities, measured at amortised cost.

Otherwise, assets and liabilities are recognised and measured as described below for each financial statement item.

Income statement

Interest

Interest income and interest expenses concerning interest-bearing financial instruments, which are measured at amortised cost, are recognised in the income statement according to the effective interest method based on cost of the financial instrument. Interest includes amortisation of fees, which are part of the effective return on the financial instrument, including front-end fees as well as amortisation of possible further differences between cost and rate of repayment.

Interest income and interest expenses also include interest on financial instruments at fair value, except for interest concerning assets and deposits in pools, which are recognised under Translation/market value adjustments.

Recognition of interest on loans and advances, which have been written down for impairment, is based on the impaired value.

Dividends on shares, etc

Dividends of shares, etc comprise dividends and similar income from investments.

Fees and commission income

Fees and commission income comprise income from services for the customer's account, while ceded fees and commission expenses include expenses concerning administration fees, etc.

Translation/market value adjustments

These adjustments include value adjustments of assets and liabilities measured at fair value. Furthermore, translation adjustments are included in this financial statement item.

Staff costs and administrative expenses

Staff costs and administrative expenses include fees to the Executive Board and the Supervisory Board as well as staff costs and other administrative expenses.

The Group has entered into defined contribution plans for the majority of its employees.

In the defined contribution plans, fixed contributions are paid by the Group to an independent pension fund, etc. The Group has no obligation to pay any further contributions. Payments are included in the income statement over the vesting period.

Bonus is expensed as earned. Bonus is paid in the form of shares in Skælskør Bank. The shares are tied up for a period of 7 years.

Share-based remuneration

The Executive Board and the employees are comprised by the same share-based payments in the form of a general employee share scheme. In accordance with IFRS 2 (Share-Based Payments), the scheme is based in equity with specified conditions. Share-based payments are recognised as staff costs in the income statement. The expenses are measured at fair value at the grant date and are recognised in the income statement and in equity over the vesting period, respectively.

Impairment losses on loans and receivables, etc.

Impairment losses on loans and advances and receivables, etc comprise write-downs for impairment on items involving a credit risk as well as provisions for guarantees. Furthermore, value adjustments of assets temporarily taken over in connection with the settlement of commitments are recognised in this financial statement item.

Group-based impairment losses

For loans and advances and receivables not written down individually, a group-based assessment is made to determine whether objective evidence of impairment exists for the group. The group-based assessment is performed on groups of loans, advances and receivables with similar characteristics as regards credit risk. The Bank operates with 11 groups containing one group of public authorities, one group of private customers and nine groups of corporate customers, as the corporate customers are broken down by sector groups.

The group-based assessment is made by applying a segmentation model developed by the association Lokale Pengeinstitutter, which is responsible for current maintenance and development. The segmentation model determines the correlation of the individual groups between realised losses and a number of significant explanatory macroeconomic variables through a linear regression analysis.

The explanatory macroeconomic variables include unemployment, real property prices, interest rate, number of bankruptcies/compulsory sales, etc.

The macroeconomic segmentation model has been set up on the basis of loss data for the entire banking sector.

The Bank adjusts the model estimates to the credit risk of the Bank's own loans and advances portfolio. An estimate is produced for each group of loans and advances and receivables that reflects the percentage impairment related to a given group of loans and advances and receivables at the balance sheet date. When comparing with the individual loan's and advance's original risk of loss and its loss of risk in the beginning of the current financial period, the individual loan's and advance's contribution to the group-based impairment loss. The impairment loss is calculated as the difference between the carrying amount and the discounted value of the expected future payments.

Income from investments in associates and subsidiaries

The profit/loss from investments in associates and subsidiaries comprise the share of the profit of the subsidiaries after tax.

Taxation

Tax for the year, which consists of the year's taxable income, deferred tax adjustments and adjustment of prior years' taxes, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The current tax payable and receivable is recognised in the balance sheet as tax calculated on this year's taxable income, adjusted for prior years' taxable income and prepaid tax.

Deferred tax is calculated on the basis of the current tax rate of temporary differences between carry amounts and tax-based values. Deferred tax assets are recognised at their estimated realisable value.

Skælskør Bank is jointly taxed with the Danish subsidiaries. The current income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses), and interest is charged among enterprises. The jointly taxed companies are subject to the tax prepayment scheme.

Other income

Other income includes gains/losses on sale of property, plant and equipment and intangible assets as well as rental income.

Balance sheet

Cash holdings and demand deposits with central banks as well as receivables from credit institutions and central banks. Cash holdings and demand deposits with central banks and receivables from credit institutions and central banks are measured both on initial recognition and subsequently at fair value. All receivables from credit institutions and central banks, including receivables in connection with genuine purchase and sell-back transactions, are recognised under the item Receivables with credit institutions and central banks.

Loans and advances and receivables

Loans and advances as well as receivables, including mortgage deeds, are measured at fair value on initial recognition with addition of transaction costs less fees received and commissions relating to the establishment.

Subsequently, loans and advances and receivables are measured at amortised cost less write-downs for bad and doubtful debts.

Write-downs for impairment are determined on the basis of an individual assessment of significant commitments, for which an objective indication of impairment exists. Individually assessed loans and advances, which have not been written down, as well as other loans are divided into groups with uniform distinctive features relating to credit risks and are subsequently evaluated on a portfolio basis. The expected future payments are estimated based on historic loss experience adjusted for current conditions.

Impairment losses are calculated as the difference between amortised cost and the discounted value of the expected cash flows including the realisable value of any collateral security. Any subsequent rise in the discounted value of the expected cash flows is accompanied by a partial or complete reversal of the write-down conducted. The original effective interest is used to determine the discounted value of fixed-interest loans, and for floating-rate loans the current effective interest is used.

Write-downs on loans and advances for impairment are recognised in an allowance account, which is offset under loans and advances. Changes in the allowance account are recognised in the income statement under Impairment losses on loans and advances and receivables. If events subsequently occur, showing that the impairment is not of any permanent nature, the write-down for impairment is reversed via Impairment losses on loans and advances and receivables.

Loans and advances which are deemed uncollectible are written off. The write-off is deducted from the allowance account. Loans and advances are written off when the usual dunning procedures have been performed and the loss may be estimated based on an individual assessment.

Bonds and shares, etc

On initial recognition, bonds and shares are measured at fair value, excl transaction expenses, and subsequently at fair value with market value adjustment through profit and loss. Listed shares and bonds are measured at the listed closing price at the balance sheet date. A valuation model based on generally accepted methods and current market data is applied to bonds for which no current closing price exists.

Unlisted shares and other investments are measured at fair value. To determine the fair value all available information concerning trade, etc, or alternatively calculations of net present value have been used. If the calculation of a reliable fair value is not deemed possible, measurement takes place at cost less any write-downs for impairment.

Securities which are not part of the Group's trading portfolio, but the risk of which is managed through fair value measurements are measured in the income statement, including changes in value according to IAS 39 (Fair Value Option).

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Investment property

On acquisition, investment property is recognised at cost and is subsequently measured at fair value.

The fair value is calculated using current market data based on a return model. The fair value of the individual piece of investment property is reassessed annually on the basis of the current rental market and interest level.

Owner-occupied property

Owner-occupied property is property which the Group itself uses for administration, branches or other service operations. Owner-occupied property is measured at revalued amount corresponding to the fair value at the time of revaluation less subsequent accumulated depreciation. On revaluation, the fair value is determined according to the same principle as investment property. The systematic depreciation of owner-occupied property is based on the carrying amount over the estimated useful life, which does not exceed 50 years for buildings. Special installations in buildings are depreciated over their estimated useful lives, which do not exceed 20 years, using the straight-line method. When determining depreciation, the expected scrap value is considered. Revaluations of owner-occupied property are recognised in a special reserve under the equity Revaluation reserves, and depreciation and impairment losses are recognised in the income statement under Depreciation and impairment losses of intangible assets and property, plant and equipment.

Other property, plant and equipment

Other property, plant and equipment comprise operating equipment and furniture, which are recognised at cost less depreciation and impairment losses as well as the expected residual value. Assets are depreciated over their estimated useful lives, which are usually up to 5 years, using the straight-line method.

Leasehold improvements are recognised under other property, plant and equipment at acquisition price and are depreciated over the term of the lease, but no more than 10 years.

Other assets

Other assets include other assets, which are not covered by other asset items. The item includes positive fair value of derivative financial instruments as well as income not falling due for payment until after the end of the financial year, including receivable interest and dividends.

Derivative financial instruments and unsettled spot transactions.

Securities and forward exchange transactions, interest and currency swaps as well as unsettled spot transactions, etc are recognised and measured at fair value on initial recognition. The closing exchange rate and the bid price/offer price at the time of the valuation of listed financial instruments are used to determine the fair value, while a valuation model based on generally accepted methods and current market data is applied to unlisted financial instruments.

Payables to credit institutions and central banks as well as deposits and other payables

Payables to credit institutions and central banks as well as deposits and other payables is measured at fair value on initial recognition and subsequently at amortised cost.

Other liabilities

Other liabilities includes other liabilities, which are not covered by other liability items. The item includes negative fair value of derivative financial instruments as well as expenses not falling due for payment until after the end of the financial year, including interest payable.

Dividends

Proposed dividends are recognised as a liability at the time of the adoption at the Annual General Meeting.

Dividends proposed to be distributed for the year are disclosed as a separate item under equity until the date of adoption.

Own shares

Own shares are not recognised as shares in the balance sheet. Upon acquisition or sale of own shares, the purchase price or selling price is recognised directly in equity.

Provisions

Liabilities, which are uncertain in terms of amount and/or time of settlement, are recognised under provisions when it is probable that the liability will lead to a consumption on the Bank's financial resources, and the liability can be measured reliably.

In the case that it is less probable that a matter will lead to a liability and when the amount of the liability cannot be estimated reliably, the matter is disclosed as a contingent liability, unless it is very improbable that the liability will lead to a consumption on the Bank's financial resource.

Provisions for pensions and similar liabilities include holiday pay obligations and obligations to pay anniversary bonuses, etc to employees, regardless of whether the future benefit is conditional upon the employee being employed at the time of payment. The value of the future benefits is measured as the present value of the benefits that must be expected to be paid based on a best estimate .

Provisions for loss on guarantees are measured at the best estimate of the expenses that are necessary to meet the current obligation at the balance sheet date. However, as a minimum, the provision will be recognised at the received premium or commission, amortised systematically over the risk period, that has been received to accept the guarantee.

Subordinate debt

On initial recognition, subordinate debt is measured at fair value , equal to the consideration received, less incurred directly attributable expenses. Subsequently, subordinate debt is measured at amortised cost applying the effective interest method.

Segment information

Business segments are the Group's primary segmentation.

The Group covers only the Danish market, therefore, no geographical segmentation has taken place.

The segmental disclosures are in compliance with the Group's internal reporting and reflect a risk spread by relevant business area.

Transactions between the segments are settled at arm's length.

Segment activities and liabilities are operating activities and liabilities applied directly in the operation of the segment and arising from the operation of the segment, and which are directly attributable to the segment.

The Parent's shared costs, other income statement items, other assets, other liabilities as well as eliminations concerning the Group are included under the segment Eliminations.

Cash flow statement

The cash flow statement presents the Group's cash flows for the year from operating, investing and financing activities. The cash flow statement is presented under the indirect method on the basis of profit for the year before tax.

Cash flows from operating activities include the items of the income statement adjusted for non-cash operating items. Realised gains and losses from divestment of property, plant and equipment are presented under cash flows from investing activities.

Cash flows from investing activities comprise acquisition and sale of subsidiaries as well as net investments in assets that are not related to the operating activity, including realised gains and losses from the sale of these assets.

Cash flows from financing activities comprise funding from shareholders as well as funding from short-term and long-term borrowing.

Liquidity comprises cash and receivables from credit institutions and central banks with a term to maturity of up to three months.

Financial highlights

Financial highlights have been prepared in accordance with the requirements of the Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies to this effect.

Capital adequacy ratio	=	$\frac{\text{Capital base} \times 100}{\text{Risk-weighted assets}}$
Core capital ratio	=	$\frac{\text{Core capital} \times 100}{\text{Risk-weighted assets}}$
Return of equity before tax	=	$\frac{\text{Profit before tax} \times 100}{\text{Equity (average)}}$
Return on equity after tax	=	$\frac{\text{Profit for the year} \times 100}{\text{Equity (average)}}$
Operating income over operating expenses	=	$\frac{\text{Income}}{\text{Costs (excluding tax)}}$
Interest rate risk	=	$\frac{\text{Interest risk} \times 100}{\text{Core capital net of deductions}}$
Currency position	=	$\frac{\text{Exchange rate indicator 1} \times 100}{\text{Core capital net of deductions}}$
Currency risk	=	$\frac{\text{Exchange rate indicator 2} \times 100}{\text{Core capital net of deductions}}$
Loans in ratio to deposits	=	$\frac{\text{Loans} + \text{impairment losses}}{\text{Deposits}}$
Loans in ratio to equity	=	$\frac{\text{Loans and advances}}{\text{Equity}}$
Loan growth for the year	=	$\frac{(\text{Loans year-end} - \text{Loans beginning of year}) \times 100}{\text{Loans and advances, beginning of year}}$
Excess liquidity in relation to statutory requirements of liquidity	=	$\frac{\text{Excess liquidity after compliance of S. 152 (2) of FBA}}{10\% - \text{statutory requirements}}$
The sum of large commitments	=	$\frac{\text{Sum of large commitments}}{\text{Capital base}}$
Share of receivables with a reduced interest rate	=	$\frac{\text{Claims written down (nominal)}}{\text{Loans and advances} + \text{impairment losses}}$
Impairment ratio for the year	=	$\frac{\text{Impairment for the year on loans} \times 100}{\text{Loans and advances} + \text{guarantees} + \text{impairment losses}}$

Income statement

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
1	Interest income	150,031	114,021	150,327	114,244
2	Interest expenses	-63,024	-32,424	-63,196	-32,759
	NET INTEREST INCOME	87,007	81,597	87,131	81,485
	Dividends on shares, etc	1,510	654	1,510	654
3	Fees and commission income	46,314	50,825	46,350	45,402
	Ceded fees and commission expenses	-4,634	-3,390	-4,139	-4,104
	NET INTEREST AND FEE INCOME	130,197	129,686	130,852	123,437
4	Translation/market value adjustments	25,706	16,459	21,959	15,614
5	Other operating income	3,127	4,940	373	123
6	Staff costs and administrative expenses	-93,167	-88,970	-93,510	-78,240
7	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	-3,016	-3,692	-3,976	-3,268
8	Impairment losses on loans, advances and receivables, etc,	-12,965	-8,770	-12,965	-8,770
9	Profit/loss from investments in group enterprises and associates after tax	-2,256	-	4,329	954
	Profit before tax	47,626	49,653	47,062	49,850
10	Income taxes	-10,333	-11,223	-9,729	-11,420
	PROFIT FOR THE YEAR	37,293	38,430	37,333	38,430
	Profit and dividends per share				
	Earnings per share for the year	20.9	21.2		
	Diluted earnings per share	20.9	21.2		
	Proposed dividends per share	4.0	4.0		
	Proposed distribution of profit				
	Transfer to reserve for net revaluation under the equity method			3,564	0
	Proposed dividends			7,400	7,400
	Retained earnings			26,369	31,030
	Total amount distributed			37,333	38,430

Balance sheet

At 31 December 2007

Note	DKK '000	Skælskør Bank A/S Group	Skælskør Bank A/S Group	Skælskør Bank A/S Parent	Skælskør Bank A/S Parent
		■ 2007	2006	■ 2007	2006
ASSETS					
	Cash and demand deposits with central banks	125,535	29,586	125,535	29,586
11	Receivables from credit institutions and central banks	64,227	149,956	64,227	149,956
12	Loans, advances and other receivables at amortised cost	1,865,243	1,527,899	1,883,356	1,533,296
13	Bonds at fair value	244,831	214,417	244,831	214,417
14	Shares, etc	140,047	103,302	130,195	97,448
15	Investments in associates	5,146	0	0	0
16	Investments in group enterprises	-	-	38,564	34,235
	Total land and buildings	62,922	55,261	27,782	31,744
17	Investment property	25,121	13,171	0	5,401
18	Owner-occupied property	37,801	42,090	27,782	26,343
19	Other property, plant and equipment	12,530	5,467	12,530	5,467
	Current tax assets	1,946	691	2,561	1,271
10	Deferred tax assets	3,261	1,323	3,269	1,325
20	Other assets	23,188	22,329	20,000	18,384
	Prepayments	378	76	378	75
	TOTAL ASSETS	2,549,254	2,110,307	2,553,228	2,117,204
EQUITY AND LIABILITIES					
Payables					
21	Payables to credit institutions and central banks	536,745	321,659	536,745	321,659
22	Deposits and other payables	1,474,450	1,374,119	1,478,876	1,382,111
23	Other liabilities	34,495	30,189	34,001	29,291
	Deferred income	1,215	1,525	1,217	1,328
	Total payables	2,046,905	1,727,492	2,050,839	1,734,389
24	Provisions				
	Provisions for pensions and similar liabilities	1,427	1,427	1,427	1,427
	Provisions for loss on guarantees	161	1,992	161	1,992
	Other provisions	1,205	2,393	1,205	2,393
	Total provisions	2,793	5,812	2,793	5,812
25	Subordinate debt				
	Subordinate debt	199,566	99,560	199,566	99,560
	Total subordinate debt	199,566	99,560	199,566	99,560
Equity					
	Share capital	37,000	37,000	37,000	37,000
	Revaluation reserve	3,826	1,471	3,826	1,471
	Statutory reserves	0	0	3,826	0
	Retained earnings	259,164	238,972	255,640	238,972
	Total equity	299,990	277,443	300,030	277,443
	Proposed dividends thereof	7,400	7,400	7,400	7,400
	TOTAL EQUITY AND LIABILITIES	2,549,254	2,110,307	2,553,228	2,117,204

Statement of changes in equity

■ Group

Page 21

DKK '000	Share capital	Revaluation-reserve *)	Retained earnings	Proposed dividends	Total
Equity at 1 January 2006	38,000	1,471	205,129	5,700	250,300
Dividends paid				-5,700	-5,700
Dividends on own shares			228		228
Disposals on acquisition of own shares			-34,117		-34,117
Additions on sale of own shares			27,498		27,498
Tax on gains/losses realised from sale of own shares			-319		-319
Capital injection/reduction	-1,000		1,000		0
Employee shares			1,123		1,123
Profit for the year			31,030	7,400	38,430
Equity at 31 December 2006	37,000	1,471	231,572	7,400	277,443
Equity at 1 January 2007	37,000	1,471	231,572	7,400	277,443
Dividends paid				-7,400	-7,400
Dividends on own shares			181		181
Disposals on acquisition of own shares			-34,456		-34,456
Additions on sale of own shares			24,236		24,236
Tax on gains/losses realised from sale of own shares			-302		-302
Employee shares			745		745
Revaluation of property		2,250			2,250
Reduction of income tax rates		105	-105		0
Profit for the year			29,893	7,400	37,293
Equity at 31 December 2007	37,000	3,826	251,764	7,400	299,990

*) The revaluation reserve of DKK 3,826k is related to the revaluation of the property, Algade 18, 4230 Skælskør.

Statement of changes in equity

■ Parent

DKK '000	Share capital	Revaluation reserve *)	Statutory reserves**)	Retained earnings	Proposed dividends	Total
Equity at 1 January 2006	38,000	1,471		205,129	5,700	250,300
Dividends paid					-5,700	-5,700
Dividends on own shares				228		228
Disposals on acquisition of own shares				-34,117		-34,117
Additions on sale of own shares				27,498		27,498
Tax on gains/losses realised from sale of own shares				-319		-319
Capital injection/reduction	-1,000			1,000		0
Employee shares				1,123		1,123
Profit for the year				31,030	7,400	38,430
Equity at 31 December 2006	37,000	1,471		231,572	7,400	277,443
Equity at 1 January 2007	37,000	1,471		231,572	7,400	277,443
Dividends paid					-7,400	-7,400
Dividends on own shares				181		181
Disposals on acquisition of own shares				-34,456		-34,456
Additions on sale of own shares				24,236		24,236
Tax on gains/losses realised from sale of own shares				-302		-302
Employee shares				745		745
Revaluation of property		2,250				2,250
Reduction of income tax rates		105		-105		0
Profit for the year			3,564	26,369	7,400	37,333
Equity at 31 December 2007	37,000	3,826	3,564	248,240	7,400	300,030

*) The revaluation reserve of DKK 3,826k is related to the revaluation of the property Algade 18, 4230 Skælskør.

***) Statutory reserves related to net revaluation of investments in group enterprises.

Capital position

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
Share capital					
The share capital which has been paid in full is distributed on 1,850,000 shares in denominations of DKK 20. No shares carry special rights.					
Shares outstanding					
	Issued shares, beginning of year	37,000	38,000	37,000	38,000
	Repurchase programme	0	-1,000	0	-1,000
	Issued shares at year-end	37,000	37,000	37,000	37,000
	The Group's portfolio of own shares	1,713	943	1,713	943
	Shares outstanding at year-end	35,287	36,057	35,287	36,057
Own shares					
The portfolio of own shares amounts to 85,670 shares in denominations of DKK 20. at 31 December 2007.					
	Number of own shares at beginning of year	47,131	73,458	47,131	73,458
	Purchase	126,856	124,848	126,856	124,848
	Sale	88,317	151,175	88,317	151,175
	Number of own shares at year-end	85,670	47,131	85,670	47,131
	Nominal value of own shares at beginning of year (DKK'000)	943	1,469	943	1,469
	Purchase	2,536	2,498	2,536	2,498
	Sale	1,766	3,024	1,766	3,024
	Nominal value of own shares at year-end (DKK'000)	1,713	943	1,713	943
	Own shares' portion of the share capital at beginning of year (%)	2.4	3.9	2.4	3.9
	Purchase	6.9	6.7	6.9	6.7
	Sale	4.7	8.2	4.7	8.2
	Own shares' portion of the share capital at year-end (%)	4.6	2.4	4.6	2.4
Earnings per share					
	Profit for the year	37,293	38,430	37,333	38,430
	Average number of outstanding shares (1,000 shares)	1,784	1,815	1,784	1,815
	Earnings used to calculate current and diluted earnings per share	37,293	38,430	37,333	38,430
	Current and diluted earnings per share	20.9	21.2	20.9	21.2

Own shares are purchased and sold as part of Skælskør Bank's general business.

Capital position

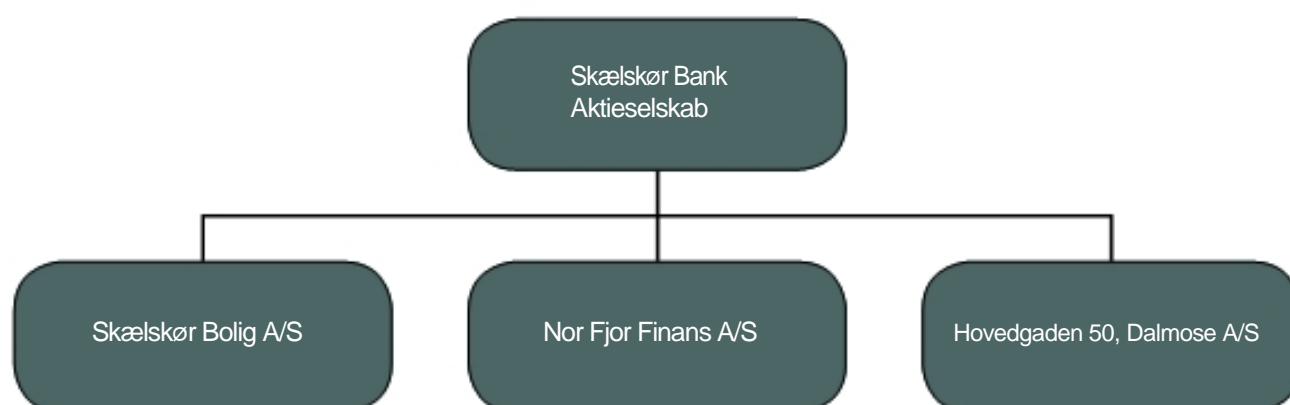
Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
	Capital adequacy ratio	12.6	11.6	12.5	11.6
	Core capital ratio	7.3	8.6	7.3	8.6
	Capital composition				
	Core capital	296,164	275,972	296,204	275,972
	Deductions	-13,269	-8,723	-13,277	-8,725
	Core capital net of deductions	282,895	267,249	282,927	267,247
	Included subordinate debt	199,566	99,560	199,566	99,560
	Revaluation reserve	3,826	1,471	3,826	1,471
	Capital base before deductions	486,287	368,280	486,319	368,278
	Deductions	-2,607	-9,755	-2,607	-9,756
	Capital base net of deductions	483,680	358,525	483,712	358,522
	Weighted items				
	Weighted assets and off-balance sheet items	3,578,810	2,885,184	3,582,161	2,891,499
	Weighted items with a market risk	274,504	188,038	274,504	188,038
	Total weighted items	3,853,314	3,073,222	3,856,665	3,079,537

Pursuant to the Financial Business Act, the capital requirement shall constitute at least 8% of the risk-weighted items and EUR 5m. Skælskør Bank's individual capital adequacy requirement has been calculated to be 8%.

Cash flow statement

Note	DKK '000	Skælskør Bank A/S Group	Skælskør Bank A/S Group	Skælskør Bank A/S Parent	Skælskør Bank A/S Parent
		■ 2007	2006	■ 2007	2006
	Profit for the year before tax	47,626	49,653	47,062	49,653
	Impairment losses on loans and advances	12,965	8,770	12,965	8,770
	Paid, non-recognised fees	5,918	5,468	5,918	5,468
	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	3,016	3,692	3,976	3,268
	Gains/losses on sale of intangible assets and property, plant and equipment	-3,329	-5,577	-391	-123
	Value adjustment, investment properties	0	-418	0	-810
	Unrealised price adjustments of securities	-14,103	-7,088	-10,356	-5,868
	Unrealised price adjustments of investments	2,256	0	-4,329	-757
	Non-paid interest	6,658	2,672	6,658	2,672
	Other non-paid operating items	139	448	139	448
	Income taxes paid, net	-14,252	-13,746	-13,688	-13,746
	Changes in loans and advances	-356,227	-305,852	-368,943	-293,961
	Changes in deposits	100,331	183,908	96,765	176,091
	Changes in credit institutions, net	216,660	152,983	216,660	152,983
	Changes in other assets and equity and liabilities	-70,848	22,856	-71,003	27,455
	Cash flows from operating activities	-63,190	97,769	-78,567	111,543
	Acquisition, etc of intangible assets	0	-700	0	0
	Sale of intangible assets	0	2,000	0	0
	Acquisition, etc of property, plant and equipment	-25,406	-20,131	-10,653	-2,870
	Sale of property, plant and equipment	13,985	31,022	6,957	1,131
	Fixed asset investments	-7,652	-520	0	0
	Fixed asset divestments	0	364	0	0
	Cash flows from investing activities	-19,073	12,035	-3,696	-1,739
	Dividends paid	-7,400	-5,700	-7,400	-5,700
	Subordinate debt	100,000	15,000	100,000	15,000
	Acquisition/sale of own shares and related dividends	-10,377	-4,585	-10,377	-4,585
	Cash flows from financing activities	82,223	4,715	82,223	4,715
	INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-40	114,519	-40	114,519
	Cash and cash equivalents at beginning of year	179,224	64,705	179,224	64,705
	Cash and cash equivalents at year-end	179,184	179,224	179,184	179,224
	Cash and cash equivalents				
	Cash				
	Cash and demand deposits with central banks	125,535	29,586	125,535	29,586
	Securities which mature in less than three months	628	12,462	628	12,462
	Receivables from credit institutions which mature in less than three months	53,021	137,176	53,021	137,176
	Cash and cash equivalents at year-end	179,184	179,224	179,184	179,224

Group chart and group companies



DKK '000	Activity	Balance sheet total	Equity	Net income	Profit/Loss after tax
Wholly-owned subsidiaries					
Skælskør Bolig A/S	No activity in 2007	1,354	1,317	12	-2,400
Nor Fjor Finans A/S	Purchase, sale and administration of securities and real estate	43,112	22,874	3,411	5,530
Hovedgaden 50, Dalmose A/S	Renting of property	14,483	14,375	332	1,199

All group enterprises are domiciled in Skælskør,

Associates in the Group:

H & N Invest A/S, Copenhagen Share of ownership: 50%	Purchase and sale of debt instruments	16,809	10,293	1,876	294
plen10 as, Sorø Share of ownership: 49%	Estate agent activity				*)

Accounting figures for plen10as have not been included as they are not available at the time of the Bank's presentation of the financial statements.

Notes

Notes with reference

1. Interest income
2. Interest expenses
3. Fees and commission income
4. Translation/market value adjustments
5. Other operating income
6. Staff costs and administrative expenses
7. Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment
8. Impairment losses on loans, advances and receivables, etc.
9. Profit/loss from investments in subsidiaries and associates before tax
10. Income taxes
11. Receivables from credit institutions and central banks
12. Loans, advances and other receivables at amortised cost
13. Bonds at fair value
14. Shares
15. Investments in associates
16. Investments in group enterprises
17. Investment property
18. Owner-occupied property
19. Other property, plant and equipment
20. Other assets
21. Payables to credit institutions and central banks
22. Deposits and other payables
23. Other liabilities
24. Provisions
25. Subordinate debt

Notes without reference

26. Contingent liabilities and provision of security
27. Related parties
28. Credit risk
29. Market risk
30. Derivative financial instruments
31. Fair value of financial assets and liabilities
32. Classification and return on financial assets and liabilities
33. Ownership
34. Collateral
35. Business segments
36. Parent financial highlights

Note	DKK '000	Skælskør	Skælskør	Skælskør	Skælskør
		Bank A/S Group	Bank A/S Group	Bank A/S Parent	Bank A/S Parent
		■ 2007	2006	■ 2007	2006
1	Interest income				
	Receivables from credit institutions and central banks	5,298	4,456	5,298	4,456
	Loans, advances and other receivables	134,243	100,171	134,539	100,394
	Bonds	9,010	9,517	9,010	9,517
	Total derivative financial instruments	241	-427	241	-427
	Thereof				
	Interest rate contracts	144	0	144	0
	Currency contracts	97	-427	97	-427
	Other interest income	1,239	304	1,239	304
	Total interest income	150,031	114,021	150,327	114,244

The Group has no income for genuine purchase and sell-back transactions.

2	Interest expenses				
	Credit institutions and central banks	14,767	6,074	14,767	6,074
	Deposits and other payables	40,185	22,194	40,357	22,529
	Subordinate debt	7,632	4,079	7,632	4,079
	Other interest expenses	440	77	440	77
	Total interest expenses	63,024	32,424	63,196	32,759

The Group has no expenses to genuine purchase and sell-back transactions,

3	Fees and commission income				
	Securities trading and custody accounts	17,600	19,091	17,600	19,091
	Payment management	2,495	2,350	2,495	2,350
	Arrangement fees	3,411	4,041	3,411	4,041
	Guarantee commission	11,151	10,015	11,151	10,015
	Other fees and commissions	11,657	15,328	11,693	9,905
	Total fees and commission income	46,314	50,825	46,350	45,402

4	Translation/market value adjustments				
	Bonds	-2,776	-2,349	-2,776	-2,349
	Shares	26,824	15,570	22,877	14,350
	Investment property	0	418	0	810
	Total currency, interest, etc	1,537	1,070	1,537	1,070
	Derivative financial instruments	316	1,764	316	1,764
	Other assets	-195	-14	5	-31
	Total translation/market value adjustments	25,706	16,459	21,959	15,614

Skælskør Bank has no collective pool schemes.

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
5	Other operating income				
	Operating expenses, property	-720	-1,426	-144	-231
	Rental income from real property	518	739	126	182
	Profit from sale of land and property	3,190	5,602	252	18
	Profit from sale of operating equipment	139	18	139	148
	Other income	0	7	0	6
	Total other operating income	3,127	4,940	373	123

Page 29

6	Staff costs and administrative expenses				
	Salaries and remuneration to the Supervisory and Executive Boards as well as Committee of Shareholders				
	Salaries to the Executive Board	1,602	1,431	1,602	1,431
	Pension, etc to the Executive Board	428	346	428	346
	Supervisory Board	595	569	595	569
	Committee of Shareholders	125	115	125	115
	Total	2,750	2,461	2,750	2,461
	Staff costs				
	Wages and salaries	43,246	41,353	43,274	36,144
	Pensions	5,187	4,775	5,178	4,388
	Social security costs	4,513	3,573	4,513	3,547
	Total	52,946	49,701	52,965	44,079
	Other administrative expenses				
	IT expenses	11,357	11,266	11,349	10,547
	Marketing expenses	5,385	7,148	5,387	4,454
	Costs, premises	4,292	4,296	4,713	3,977
	Telephone and postage	1,775	1,774	1,775	1,550
	Training	1,813	1,494	1,813	1,468
	Other administrative expenses	12,849	10,830	12,758	9,704
	Total	37,471	36,808	37,795	31,700
	Total staff and administrative expenses	93,167	88,970	93,510	78,240
	Average number of employees converted into full-time employees	109.8	113.0	109.6	96.8

Employee share scheme

Skælskør Bank has established a bonus scheme for its employees. This scheme offers the opportunity to earn a bonus, paid in shares. All employees not under notice in the vesting period and at the time of payment participate in the scheme. In 2007, the Bank's bonus scheme expenses amounted to DKK 745k (2006: DKK1,560k.). Those expenses are included in the income statement under staff costs and administrative expenses.

In 2007, 5,061 shares were issued at the price of 300 concerning bonus in 2006.

Audit fees

Total fees for the auditors appointed by the general meeting who perform the statutory audit	907	532	846	350
of this, non-audit services	73	88	73	88

The CEO's bonus, retirement, time of retirement and notice of termination

The CEO's employment contract contains a bonus agreement. If the Bank's pre-tax profit is increasing by DKK 10m, whereby the first target is DKK 50m, the CEO is entitled to a non-recurring amount of DKK 225k. The bonus is not subject to holiday and retirement payments. The pension contribution amounts to 30% of his gross salary. The CEO participates in the Bank's employee share scheme on equal terms as other employees. Further, the CEO is not awarded other forms of share incentive schemes.

The CEO's employment will terminate without further notice by any party by the end of the month in which the CEO turns 70. If the Bank dismisses the CEO, he is entitled to a severance payment of 21 months' salary. If the dismissal takes place subsequent to a merger, the severance payment is increased by 36 months in the first three years after the merger.

Note	DKK '000	Skælskør	Skælskør	Skælskør	Skælskør
		Bank A/S Group	Bank A/S Group	Bank A/S Parent	Bank A/S Parent
		■ 2007	2006	■ 2007	2006
7	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment				
	Intangible assets	0	100	0	0
	Property, plant and equipment				
	Owner-occupied property, depreciation	684	808	644	780
	Owner-occupied property, reversed impairments	-1,000	0	0	0
	Operating equipment, depreciation	3,332	2,784	3,332	2,488
	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	<u>3,016</u>	<u>3,692</u>	<u>3,976</u>	<u>3,268</u>
	Write-downs for impairment on intangible assets in 2006 relate to goodwill on purchase of the estate agency Weinreich.				
8	Impairment losses on loans, advances and receivables, etc.				
	Individual impairment losses				
	Impairment losses, etc	17,684	12,921	17,684	12,921
	Reversal of write-downs performed in prior financial years	-3,426	-3,473	-3,426	-3,473
	Other movements	-577	-217	-577	-217
	Total individual impairment losses	<u>13,681</u>	<u>9,231</u>	<u>13,681</u>	<u>9,231</u>
	Group-based impairment losses				
	Impairment losses	504	0	504	0
	Reversal of write-downs performed in prior financial years	-310	-461	-310	-461
	Other movements	-910	0	-910	0
	Total group-based impairment losses	<u>-716</u>	<u>-461</u>	<u>-716</u>	<u>-461</u>
	Total impairment losses on loans, advances and receivables, etc	<u>12,965</u>	<u>8,770</u>	<u>12,965</u>	<u>8,770</u>
9	Profit/loss from investments in group enterprises and associates after tax				
	Nor Fjor Finans AS	-	-	5,530	4,111
	Hovedgaden 50, Dalmose A/S	-	-	1,199	-163
	Skælskør Bolig A/S	-	-	-2,400	-2,994
	Total profit/loss from investments in group enterprises after tax	<u>-</u>	<u>-</u>	<u>4,329</u>	<u>954</u>
	H & N Invest	146	0	-	-
	plen10 as	-2,402	0	-	-
	Total profit/loss from investments in associates after tax	<u>-2.256</u>	<u>0</u>	<u>-</u>	<u>-</u>
	Total profit/loss from investments in associates and group enterprises after tax	<u>-2,256</u>	<u>0</u>	<u>4,329</u>	<u>954</u>

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
10	Income taxes				
	Tax calculated on income for the year	-9,649	-11,859	-9,034	-11,279
	Reduction of income tax rate to 25%	-498	0	-498	0
	Change in deferred tax	-136	331	-131	191
	Adjustment of previous years' calculated tax	-50	305	-66	-332
	Total income taxes	-10,333	-11,223	-9,729	-11,420
	Effective tax rate				
	Income tax rate in Denmark	25.0%	28.0%	25.0%	28.0%
	Reduction of income tax rate to 25%	1.0%	0.0%	1.1%	0.0%
	Adjustment concerning previous years	0.1%	-0.6%	0.1%	-0.7%
	Non-taxable income and non-deductible expenses etc.	-4.7%	-4.1%	-5.8%	-5.3%
	Adjustment of change in deferred tax	0.3%	-0.7%	0.3%	-0.4%
	Effective tax rate	21.7%	22.6%	20.7%	21.6%
	Deferred tax				
	Deferred tax, beginning of year	-1,323	-992	-1,325	-1,134
	Reduction of income tax rate from 28% to 25%	499	0	498	0
	Adjusted deferred tax at the beginning of the year	-3,323	0	-3,323	0
	Change in deferred tax for the year	136	-331	131	-191
	Deferred tax of entries directly attributable to equity	750	0	750	0
	Deferred tax at year-end, net	-3,261	-1,323	-3,269	-1,325
	Deferred tax is incumbent on the following balance sheet items				
	Intangible assets	-26	-38	-26	-38
	Property, plant and equipment	1,247	538	1,240	536
	Loans and advances	-1,626	-1,623	-1,626	-1,623
	Employee obligations	-400	-200	-400	-200
	Other	-2,456	0	-2,457	0
	Deferred tax at year-end, net	-3,261	-1,323	-3,269	-1,325
11	Receivables from credit institutions and central banks				
	Receivables on notice from central banks	0	99,854	0	99,854
	Receivables from credit institutions	64,227	50,102	64,227	50,102
	Total receivables from credit institutions and central banks	64,227	149,956	64,227	149,956
	Broken down by term to maturity				
	Demand deposits	20,346	14,641	20,346	14,641
	Up to 3 months	32,675	122,535	32,675	122,535
	More than 3 months and up to 1 year	1,667	1,573	1,667	1,573
	More than 1 year and up to 5 years	7,858	7,367	7,858	7,367
	More than 5 years	1,681	3,840	1,681	3,840
	Total	64,227	149,956	64,227	149,956

Note	DKK '000	Skælskør	Skælskør	Skælskør	Skælskør
		Bank A/S Group	Bank A/S Group	Bank A/S Parent	Bank A/S Parent
		■ 2007	2006	■ 2007	2006
12	Loans, advances and other receivables at amortised cost				
	Loans and advances with access to variable utilisation	1,103,068	801,655	1,122,338	808,225
	Other loans and advances	762,175	726,244	761,018	725,071
	Total	1,865,243	1,527,899	1,883,356	1,533,296
	Total loans and advances by term to maturity				
	At call	377,651	261,575	396,920	268,145
	Up to 3 months	282,156	228,450	282,154	228,448
	More than 3 months and up to 1 year	549,915	391,044	549,908	391,037
	More than 1 year and up to 5 years	418,150	481,460	418,106	481,416
	More than 5 years	237,371	165,370	236,268	164,250
	Total	1,865,243	1,527,899	1,883,356	1,533,296
	Value of loans and advances with an objective indication of impairment				
	Loans, advances and receivables before impairment losses, individual	40,250	57,907	40,250	57,907
	impairment losses, individual	-31,798	-22,916	-31,798	-22,916
	Loans, advances and receivables after impairment losses, individual	8,452	34,991	8,452	34,991
	Loans, advances and receivables before group-based impairment losses	1,857,514	1,494,347	1,875,628	1,499,744
	Group-based write-down for impairment losses	-723	-1,439	-723	-1,439
	Loans, advances and receivables after group-based impairment losses	1,856,791	1,492,908	1,874,905	1,498,305
	This note only includes loans, advances and receivables, which net of impairment losses have been recognised in the balance sheet by a carrying amount higher than zero.				
13	Bonds at fair value				
	Mortgage bonds	229,051	177,981	229,051	177,981
	Other bonds	15,780	36,436	15,780	36,436
	Total bonds at fair value	244,831	214,417	244,831	214,417
	Bonds called	628	12,462	628	12,462
14	Shares				
	Shares listed at the Copenhagen Stock Exchange	48,628	23,494	48,628	23,494
	Shares listed at other stock exchanges	3	4	3	4
	Unlisted shares stated at fair value	82,339	71,583	72,487	65,729
	Other investments	9,077	8,221	9,077	8,221
	Total shares	140,047	103,302	130,195	97,448

Note	DKK '000	Skælskør Bank A/S Group	Skælskør Bank A/S Group	Skælskør Bank A/S Parent	Skælskør Bank A/S Parent
		■ 2007	2006	■ 2007	2006
15	Investments in associates				
	Carrying amount at year-end	0	0	0	0
	Acquisition price at beginning of year	0	0	0	0
	Additions	7,402	0	0	0
	Disposals	0	0	0	0
	Acquisition price at year-end	<u>7,402</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Revaluations and impairment losses, beginning of year	0		0	0
	Profit/loss	<u>-2,256</u>		<u>0</u>	<u>0</u>
	Revaluations and impairment losses at year-end	<u>-2,256</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Carrying amount at year-end	<u>5,146</u>	<u>0</u>	<u>0</u>	<u>0</u>
16	Investments in group enterprises				
	Carrying amount at beginning of year	0	0	34,235	32,282
	Acquisition price at beginning of year	0	0	35,000	35,000
	Acquisition price at year-end	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>35,000</u>
	Revaluations and impairment losses at beginning of year	0		-765	-1,719
	Profit/loss	<u>0</u>		<u>4,329</u>	<u>954</u>
	Revaluations and impairment losses at year-end	<u>0</u>	<u>0</u>	<u>3,564</u>	<u>-765</u>
	Carrying amount at year-end	<u>0</u>	<u>0</u>	<u>38,564</u>	<u>34,235</u>
17	Investment property				
	Fair value at beginning of year	13,171	26,661	5,401	4,528
	Addition during the year	21,440	9,041	0	63
	Disposals during the year	-9,490	-22,949	-5,401	0
	Annual adjustment to fair value	0	418	0	810
	Fair value at year-end	<u>25,121</u>	<u>13,171</u>	<u>0</u>	<u>5,401</u>
	Value according to the latest public land assessment	15,240	11,121	0	0

Page 33

The fair value of investment property is calculated based on the property's normalised operating budget and based on an individually fixed yield rate and is reduced by matters of a time-limited nature.

The operating budget includes a conservatively estimated market rent for any unleased space and adjustment for concluded rental agreements deviating considerably from the standard terms. Expenses for repairs and maintenance are calculated based on the state, year of construction, choice of materials, etc of the property. The yield rate is determined based on the location, application possibilities, state of maintenance of the individual property as well as term and quality of the rental agreements, etc.

Rental income from investment property in 2007 amounted to DKK 143k (2006: DKK 281k). Direct costs from investment property generating rental income amounted to DKK 57k (2006: DKK 54k) and to DKK 0 (2006: DKK 0k) for investment property not generating rental income (2006: DKK 0k).

External experts have not been involved in the measurement of investment property.

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
18	Owner-occupied property				
	Revalued amount at beginning of year	42,090	34,449	26,343	26,851
	Additions during the year	1,473	9,343	110	1,166
	Disposals during the year	-9,114	-894	-1,063	-894
	Amortisation and depreciation	-684	-808	-644	-780
	Reversed depreciation	36	0	36	0
	Reversed impairment losses	1,000	0	0	0
	Changes in value recognised in the Bank's equity before tax	3,000	0	3,000	0
	Revalued amount at year-end	<u>37,801</u>	<u>42,090</u>	<u>27,782</u>	<u>26,343</u>
	Value according to the latest public land assessment	32,319	25,837	24,050	16,738
	Date of assessment:	1/1 2006	1/1 2005	1/1 2006	1/1 2005
	External experts have not been involved in the measurement of owner-occupied property,				
	Revaluation of domicile property after deduction of deferred tax as a reserve tied up to equity,				
	Value of owner-occupied property measured at cost less depreciation.	23,354	23,392	20,097	20,114
19	Other property, plant and equipment				
	Total cost at beginning of year	22,262	22,723	22,262	21,149
	Additions during the year	10,543	1,747	10,543	1,641
	Disposals during the year	-688	-2,208	-688	-528
	Total cost at year-end	<u>32,117</u>	<u>22,262</u>	<u>32,117</u>	<u>22,262</u>
	Depreciation and impairment losses at beginning of year	16,795	15,480	16,795	14,754
	Depreciation for the year	3,332	2,784	3,332	2,488
	Reversed depreciation and impairment losses	-540	-1,469	-540	-447
	Depreciation and impairment losses at year-end	<u>19,587</u>	<u>16,795</u>	<u>19,587</u>	<u>16,795</u>
	Carrying amount at year-end	<u>12,530</u>	<u>5,467</u>	<u>12,530</u>	<u>5,467</u>
20	Other assets				
	Interest and commission receivables	11,849	10,985	11,849	10,985
	Other assets	11,339	11,344	8,151	7,399
	Total other assets	<u>23,188</u>	<u>22,329</u>	<u>20,000</u>	<u>18,384</u>
21	Payables to credit institutions and central banks				
	Payables to credit institutions	536,745	321,659	536,745	321,659
	Total payables to credit institutions and central banks	<u>536,745</u>	<u>321,659</u>	<u>536,745</u>	<u>321,659</u>
	Broken down by term to maturity				
	At call	125,266	121,659	125,266	121,659
	Deposits at notice:				
	Up to 3 months	261,479	0	261,479	0
	More than 3 months and up to 1 year	50,000	50,000	50,000	50,000
	More than 1 year and up to 5 years	100,000	150,000	100,000	150,000
	Total	<u>536,745</u>	<u>321,659</u>	<u>536,745</u>	<u>321,659</u>

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
22	Deposits and other payables				
	At call	1,101,096	1,067,445	1,105,522	1,075,437
	Deposits at notice	33,055	73,853	33,055	73,853
	Time deposits	183,199	90,091	183,200	90,091
	Special types of deposits	157,100	142,730	157,099	142,730
	Total deposits and other payables	1,474,450	1,374,119	1,478,876	1,382,111
	Broken down by term to maturity				
	At call	1,101,096	1,067,445	1,105,522	1,075,437
	Deposits at notice:				
	Up to 3 months	240,396	186,191	240,396	186,191
	More than 3 months and up to 1 year	16,712	17,439	16,712	17,439
	More than 1 year and up to 5 years	47,806	46,842	47,806	46,842
	More than 5 years	68,440	56,202	68,440	56,202
	Total	1,474,450	1,374,119	1,478,876	1,382,111
23	Other liabilities				
	Transactions undergoing clearing/settlement	19,260	17,096	19,260	17,096
	Holiday pay obligations to employees	6,028	5,521	6,021	5,435
	Interest and commission payable	6,115	2,672	6,115	2,672
	Other liabilities	3,092	4,900	2,605	4,088
	Total other liabilities	34,495	30,189	34,001	29,291
24	Provisions				
	Provisions at beginning of year	5,812	4,218	5,812	4,218
	Provisions for the year	26	2,461	26	2,461
	Reversed provisions for the year	0	-467	0	-467
	Provisions used during the year	-3,045	-400	-3,045	-400
	Total provisions at year-end	2,793	5,812	2,793	5,812
	Changes in provisions attributable to changed discount rate or reduced maturity period amount to	0	0	0	0
	Provision for pensions and similar liabilities				
	Provisions for pensions and similar liabilities at year-end	1,427	1,427	1,427	1,427
	Total provisions for pensions and similar liabilities at year-end	1,427	1,427	1,427	1,427
	Provisions for loss on guarantee debtors				
	Provisions for loss on guarantee debtors at beginning of year	1,992	2,083	1,992	2,083
	Employed during the year	-1,857	309	-1,857	309
	Provisions made during the year	26	-400	26	-400
	Total provisions for loss on guarantee debtors at year-end	161	1,992	161	1,992
	Expected payment in accordance with the guarantee at year-end 2008				
	Other provisions for liabilities				
	Other provisions for liabilities, beginning of the year	2,393	708	2,393	708
	Employed during the year	-1,188	1,685	-1,188	1,685
	Total other provisions for liabilities at year-end	1,205	2,393	1,205	2,393

Other provisions primarily include provisions for employee obligations and provisions for the overdraft facility. The liabilities are expected to be paid from mid-2008 and thereafter.

The provisions have been calculated in accordance with Management's best estimate over the volume of the liabilities. Uncertainty in the calculation of the size of the liabilities is primarily due to probability and date of payment.

Note	DKK '000	Skælskør Bank A/S Group	Skælskør Bank A/S Group	Skælskør Bank A/S Parent	Skælskør Bank A/S Parent
		■ 2007	2006	■ 2007	2006
25	Subordinate debt				
	Loan in EUR	74,566	74,560	74,566	74,560
	The capital base of EUR 10m was established on 31 October 2005 and matures for full repayment on 30 October 2015 with an option of early repayment after 5 years. The loan has been fully recognised as supplementary capital. The loan carries a floating interest rate of 6 months' EURIBOR plus 1.35 p.a. in the period up to 30 October 2010. The loan subsequently carries a floating interest rate of 6 months' EURIBOR plus 2.85 p.a.				
	Loan in DKK	25,000	25,000	25,000	25,000
	The capital base of EUR 25m was established on 16 November 2006 and matures for full repayment on 15 November 2014 with an option of early repayment after 5 years. The loan has been fully recognised as supplementary capital, The loan carries a floating interest rate of 6 months' DKK-CIBOR plus 1.25 p.a. in the period up to 15 November 2011. The loan subsequently carries a floating interest rate of 6 months' DKK-CIBOR plus 2.75 p.a.				
	Loan in DKK	50,000	0	50,000	0
	The capital base of DKK 50m was established on 1 May 2007 and matures for full repayment on 1 May 2015 with an option of early repayment after 5 years. The loan has been fully recognised as supplementary capital, The loan carries a floating interest rate of DKK-CIBOR plus 1.5 p.a. in the period up to 1 May 2012. The loan subsequently carries a floating interest rate of 6 months' DKK-CIBOR plus 2.65 p.a.				
	Loan in DKK	50,000	0	50,000	0
	The capital base of DKK 50m was established on 3 December 2007 and matures for full repayment on 3 December 2015 with an option of early repayment after 5 years. The loan has been fully recognised as supplementary capital. The loan carries a floating interest rate of DKK-CIBOR plus 1.20 p.a. in the period up to 3 December 2012. The loan subsequently carries a floating interest rate of 6 months' DKK-CIBOR plus 2.70 p.a.				
	Total subordinate debt	<u>199,566</u>	<u>99,560</u>	<u>199,566</u>	<u>99,560</u>
	No expenses have been paid to raise subordinate debt				
	Subordinate debt included in statement of capital base	<u>199,566</u>	<u>99,560</u>	<u>199,566</u>	<u>99,560</u>

26 Contingent assets and liabilities

Contingent assets

In connection with agreement on sale of shares in Totalkredit, it was agreed that if the market share of loans provided through the selling banks deviates by +/- 2% from 23.75% on 1 April 2010, the banks will receive/pay DKK 33.57 per share per % in 2012 as an adjustment of the selling price. Skælskør Bank has in total sold 28,566 shares in Totalkredit. When recognising the sale of shares in Totalkredit, no such re-adjustment of the selling price has been assumed. According to the Management's assessment, a positive re-adjustment of the selling sum that must be disclosed as contingent asset may be expected, as the criteria for being recognised as receivables are not yet expected to be met. For each percent of market shares exceeding 25.75%, Skælskør Bank will receive DKK 959k, which, discounted at 31 December 2007 and bearing a rate of 8%, amounts to DKK 653k. Further information on the possible financial effect is not included, as discussions concerning the method of assessment with the buyer are still going on.

Note	DKK '000	Skælskør Bank A/S Group	Skælskør Bank A/S Group Parent	Skælskør Bank A/S Parent	Skælskør Bank A/S
		2007	2006	2007	2006
	Contingent liabilities				
	Guarantees, etc				
	Financing guarantees	1,165,294	1,092,556	1,165,294	1,092,556
	Other guarantees	472,862	448,085	472,862	448,085
	Total guarantees, etc	<u>1,638,156</u>	<u>1,540,641</u>	<u>1,638,156</u>	<u>1,540,641</u>
	Other liabilities				
	Irrevocable credit guarantees	11,063	75,800	11,063	75,800
	Other obligations	1,505	1,338	1,505	1,338
	Total other liabilities	<u>12,568</u>	<u>77,138</u>	<u>12,568</u>	<u>77,138</u>

Page 37

Irrevocable credit guarantees consist of authorised, non-effected credits and loans.

Other liabilities consist of guarantee in relation to DLR and liability in accordance with section 81(4) of the Danish Securities Trading Act.

Skælskør Bank is jointly and severally liable with the other jointly taxed and jointly registered group enterprises for the total tax liability of these enterprises for income years up to and including 2004. From 2005 the Bank is only jointly and severally liable for the indirect tax liability.

Rental commitments

Skælskør Bank has rental commitments for the following leases:

- Lease no. 1, which may be terminated no earlier than at 1 April 2015. The annual lease amounts to DKK 545k.
- Lease no. 2, which may be terminated no earlier than at 1 October 2015. The annual lease amounts to DKK 406k.
- Lease no. 3, which may be terminated no earlier than at 1 November 2014. The annual lease amounts to DKK 100k.
- Lease no. 4, which may be terminated no earlier than at 1 April 2012. The annual lease amounts to DKK 265k.
- Lease no. 5, which may be terminated no earlier than at 31 December 2015. The annual lease amounts to DKK 333k.
- Lease no. 6, which may be terminated at six month notice. The annual lease amounts to DKK 362k.
- Lease no. 7, which may be terminated at six month notice. The annual lease amounts to DKK 344k.

27 Related parties

The Group's related parties include the Bank's Executive and Supervisory Boards and their family members.

Related parties also include the group enterprises Nor Fjor Finans A/S, Skælskør Bolig A/S and Hovedgaden 50, Dalmose A/S as well as the associates plen 10 as and H & N Invest A/S. In addition, related parties include the enterprises Dansk ErhvervsFinansiering A/S as well as the course provider Hjalet A/S, where the Bank's CEO is chairman of the Supervisory Board.

Skælskør Bank has had the following transactions with related parties in the financial year:

Name	Nature and scope of transactions
The Executive Board and the Supervisory Board, as well as their family members	Salaries and remuneration, etc commitments
Nor Fjor Finans A/S, Skælskør	Administration, current account
Skælskør Bolig A/S, Skælskør	Administration, current account
Hovedgaden 50, Dalmose A/S, Skælskør	Administration, current account
plen10 as, Sorø	Real Estate agency
H & N Invest A/S, Copenhagen	Purchase and sale of debt instruments
Dansk ErhvervsFinansiering A/S, Køge	Lease enterprise
Hjalet A/S, Vordingborg	Administration, current account, course provider

DKK '000	Skælskør Bank A/S Group	Skælskør Bank A/S Group
	2007	2006
The amount of loans, mortgages or guarantees as well as related collateral security established for the below members of Management.		
Loans, advances and guarantees to the Management		
Executive Board	497	500
Supervisory Board	21,525	11,149
	<u>22,022</u>	<u>11,649</u>
Received collateral		
Executive Board	6	0
Supervisory Board	18,636	9,805
	<u>18,642</u>	<u>9,805</u>
Management's deposits		
Executive Board	1,813	857
Supervisory Board	3,368	2,974
	<u>5,181</u>	<u>3,831</u>

In 2007, the interest rates to the Executive and the Supervisory Boards have been in the range of 3.50% and 10.25% on loans and advances and between 0.625% and 4.5% on deposits.

Salaries, remuneration and pension to the Bank's Executive and Supervisory Boards are stated in note 6, outlining staff costs and administrative expenses.

Transactions with subsidiaries and associates

Administration	38	150
Valuation engagements	0	874
The Bank's deposits to subsidiaries	4,426	7,993
The Bank's deposits to associates	3,177	27
The Bank's loans to subsidiaries	19,270	6,570
The Bank's loans to associates	15,764	346

In 2007, the interest rates to the Executive and Supervisory Boards have been in the range of 3.00% and 10.50% on loans, advances and between 1.615% and 4.00% on deposits. All related party transactions have been conducted on an arm's length basis.

28 Credit risk

Total credit risk broken down by balance sheet items and off-balance sheet items

Cash and demand deposits with central banks	125,535	29,586
Receivables from credit institutions and central banks	64,227	149,956
Loans and other receivables at amortised cost	1,865,243	1,527,899
Bonds at fair value	244,831	214,417
Shares, etc	140,057	103,302
Derivative financial instruments	3,835	4,375
	<u>2,443,728</u>	<u>2,029,535</u>
Off-balance sheet items		
Guarantees	1,638,156	1,540,641
Credit guarantees	11,063	75,800
	<u>1,649,219</u>	<u>1,616,441</u>

Credit policy

Corporate customers: Corporate commitments may typically be cancelled without notice.

Private customers: A notice of three months typically applies for the Bank. However, fixed-rate loans are un-cancellable for the Bank for the full term of the loan. However in case of breach, the Bank shall be entitled to set aside the above. Financial information is usually required for new loans as well as changes to existing loans.

In Skælskør Bank, credit intermediation and credit granting comprise integrated parts of the overall enterprise. Generally, loans, advances and credits are granted on the basis of the customer's documented ability to pay, for which reason the risk of non-payment as a consequence of unforeseen reasons must be hedged. Security requirements are therefore tightened in line with the size and settlement time of the commitment, and in the case of large loans with considerable unsecured elements, the risk of default is hedged. Granting of credit facilities to going concerns is based on an analysis and assessment of financial statements, budgets, management of the enterprise and profitability of the commitments. When granting credits to new customers/enterprises, the decision to do so will need to be based on other elements. Granting is based on an analysis and assessment of the project's basic concept, profitability, cash flow and analysis of the entrepreneur's ability to implement and manage the project.

DKK '000

Skælskør
Bank A/S
Group

Skælskør
Bank A/S
Group

■ 2007 2006

Security is usually granted through mortgage on property, movables and/or claims. In addition, security can be provided by way of the enterprise's shares, letter of subordination and guarantee.

	2007	2007	2006	2006
Grouping by sector and industry	DKK '000	%	DKK '000	%
Public authorities	5,897	0.3	18,755	1.2
Industry				
Agriculture, hunting and forestry	207,363	11.0	161,282	10.6
Fishery	4,365	0.2	2,736	0.2
Manufacturing, raw material extraction, etc	64,378	3.4	60,551	4.0
Building and construction	276,697	14.7	250,632	16.4
Trade, restaurants and hotels	168,182	8.9	161,126	10.5
Transport, post and telephone	39,322	2.1	32,154	2.1
Credit and financing	27,507	1.5	25,665	1.7
Property management and trading, business services	305,739	17.2	211,419	13.8
Other industries	175,353	9.3	125,841	8.2
Private	590,440	31.4	477,738	31.3
	<u>1,865,243</u>	<u>100.0</u>	<u>1,527,899</u>	<u>100.0</u>

Page 39

Concentration risk

The commitment with one customer or group of inter-connected customers must after deduction of particularly secure requirements not exceed 25% of the base capital in accordance with section 145 of the Danish Financial Business Act. The sum of the commitments, which after deduction of particularly secure requirements, constitute 10% or more of the base capital must, moreover, in aggregate not exceed 800% of the base capital. The Group has not in 2005 or 2007 had commitments that exceed these limits.

The Group's credit portfolio is generally concentrated in four areas: loans to agriculture, loans to building and construction, loans to financing of real property and loans to private customers. These concentrations are a result of the Group's business strategy.

Value of collateral security

Cash, deposits	68,065	121,308
Liquid securities	503,426	400,945
Real property, private/corporate	1,006,789	888,839
Movables, cars	137,250	134,307
Other collateral security	1,857,628	1,623,094
	<u>3,573,158</u>	<u>3,168,493</u>

The value of collateral security has been calculated based on the following principles:

Cash and liquid securities:

80-100% of an official market price of negotiable securities with a rating not lower than BBB-/Baa3.

Private homes:

80% dependent on source for valuation, age, location, size and marketability.

Commercial property:

60-80% dependent on source for valuation, age, location, size and marketability at fair value, an independent assessment not older than three years or, alternatively, the public land assessment.

Movables:

60-90% of the purchase price or independent assessment based on historic experience depending on the type of the item. The value is currently reduced by 15-20% a year based on historical experience.

Guarantees:

Are not added to the loan value, but the improved rating of the guarantor's strength profile is transferred to the debtor to the extent that the guarantor's capital position can support the commitment.

	Individual impairment losses	Group-based impairment losses	Individual impairment losses	Group-based impairment losses
	2007	2007	2006	2006
Impairment losses at beginning of year	22,916	1,439	15,357	1,900
Impairment losses, etc during the year	17,658	504	12,146	0
Reversals of prior years' impairment losses	-2,532	-310	-3,006	-461
Written off	-6,244	0	-1,581	0
Other adjustments	0	-910	0	0
	<u>31,798</u>	<u>723</u>	<u>22,916</u>	<u>1,439</u>

1.000 kr.

Interest income on loans written off for impairment amount to DKK 1,676k. (2006: DKK 802k.)

The carrying amount of loans and advances, which would be impaired if they had not been renegotiated, amount to DKK 2,940k (2006: DKK 19,320k).

Reasons for individual write-downs for impairment	Impairment 2007	Exposure before impairment 2007	Impairment 2006	Exposure before impairment 2006
Bankruptcy	5,706	6,926	3,181	4,774
Suspension of payments	940	1,006	0	589
Debt restructuring commenced/granted	802	863	482	518
Negotiations for a composition commenced/granted	3,110	3,570	6,304	9,174
Commitment terminated	2,481	3,911	2,885	2,885
Other reasons	18,759	23,974	10,064	39,967
	<u>31,798</u>	<u>40,250</u>	<u>22,916</u>	<u>57,907</u>

Value of collateral security for loans and advances, which are individually impaired and written down, amounts to DKK 5,040k (2006: DKK 7,233k).

Value of realised collateral security

Guarantee	35	386
Liquid securities	2,585	0
Real property, private	1,583	1,608
Real property, corporate	0	2,180
Movables, cars	589	27
Other collateral security	6,603	38
	<u>11,395</u>	<u>4,239</u>

Terms for enforcing collateral by application of mortgage

Forced realisation of the charge will be necessary if the Bank cannot persuade the debtor or the provider of security to enter into a voluntary agreement on realisation. Before the initiation of the forced realisation of the charge the debtor and/or the provider of security are given notification hereof, typically eight days in advance if an apparent risk exists that the charge will be impaired.

In case of loans, advances and credits based on securities, individual limits for further collateral security or forced sale by court order are agreed.

Arrears on loans and advances

The carrying amount of loans and advances in arrears amounted to DKK 23.3m at year-end (2006: DKK 19.6m).

The Bank's IT systems do not enable an age-specific division of loans and advances in arrears and cannot provide information on collateral security for loans and advances in arrears.

Note	DKK '000	Skælskør Bank A/S Group ■ 2007	Skælskør Bank A/S Group 2006	Skælskør Bank A/S Parent ■ 2007	Skælskør Bank A/S Parent 2006
29	Market risk				
	Currency risk				
	Total assets in foreign currencies	30,184	23,899	30,184	23,899
	Total liabilities denominated in foreign currencies	174,214	81,860	174,214	81,860
	Exchange rate indicator 1	116,197	24,525	116,197	24,525
	Exchange rate indicator 1 as a percentage of the core capital net of deductions	41.1	9.2	41.1	9.2
	Exchange rate indicator 2	168	64	168	64
	Exchange rate indicator 2 as a percentage of the core capital net of deductions	0.1	0.0	0.1	0.0

Exchange rate indicator 1 is calculated as the sum of the highest numerical value of assets (long position) or net debt. Indicator 1 reflects a target for the aggregate currency risk.

Exchange rate indicator 2 is based on a statistical method where the historical data have been compiled by the Danish authorities and reflect the total loss risk.

DKK '000

	Nominal value 2007	Net market value 2007	Nominal value 2006	Net market value 2006
Currency exposure				
Currency distribution by main currency, net				
Currency				
USD	995	443	995	443
GBP	532	368	532	368
SEK	174	156	174	156
NOK	5,012	1,238	5,012	1,238
CHF	-1,672	2,064	-1,672	2,064
CAD	108	15	108	15
JPY	47	1	47	1
EUR	-114,525	-24,524	114,525	-24,524
Other currencies	2,697	22	2,697	22

Page 41

30 Derivative financial instruments

Derivative financial instruments are exclusively used to hedge the Bank's risks. Foreign exchange contracts and interest rate contracts are used to hedge the Bank's currency risks and interest value risks. As the hedging cannot be fully matched, the Bank has an own risk which, however, is very modest.

By term to maturity:

Up to and including 3 months:

Currency contracts

Forwards/futures, acquisition	25,410	-261	8,860	-224
Forwards/futures, sale	25,410	285	8,860	231
Swaps	57,000	0	0	0

Interest rate contracts

Forwards/futures, acquisition	24,796	-23	7,024	-20
Forwards/futures, sale	24,796	45	7,024	29
Swaps	20,000	100	0	0

More than 3 months and up to and including 1 year

Currency contracts

Forwards/futures, acquisition	2,030	-113	0	0
Forwards/futures, sale	2,030	116	0	0

More than 1 year and up to and including 5 years

Interest rate contracts

Swaps	25,000	523	45,000	417
-------	--------	-----	--------	-----

Currency contracts

Currency swaps	119,769	1,581	292,576	1,479
----------------	---------	-------	---------	-------

Derivative financial instruments by type:

Currency contracts

Forwards/futures, acquisition	27,440	-374	8,860	-224
Forwards/futures, sale	27,440	401	8,860	231
Swaps	176,769	1,581	292,576	1,479

Interest rate contracts

Forwards/futures, acquisition	24,796	-23	7,024	-20
Forwards/futures, sale	24,796	45	7,024	29
Swaps	45,000	623	45,000	417

Total net market value

		<u>2,253</u>		<u>1,912</u>
--	--	--------------	--	--------------

	Positive market value ■ 2007	Negative market value ■ 2007	Positive market value 2006	Negative market value 2006
Market value of derivative financial instruments:				
Currency contracts				
Forwards/futures, acquisition	27	401	0	224
Forwards/futures, sale	421	20	231	0
Swaps	1,581	0	3,693	2,214
Average market value	4,515	2,508	4,761	3,097
Interest rate contracts				
Forwards/futures, acquisition	21	45	4	24
Forwards/futures, sale	56	12	29	0
Swaps	623	0	417	0
Average market value	1,015	293	1,193	131
Total market value	2,729	478	4,374	2,462
Total net market value	2,253		1,912	

The market value is solely based on unguaranteed contracts.
There are no pending spot transactions,

Note	DKK '000	Recognised value ■ 2007	Fair value ■ 2007	Recognised value 2006	Fair value 2006
31	Fair value of financial assets and liabilities				
	Financial assets				
	Cash and demand deposits with central banks	125,535	125,535	29,586	29,586
	Receivables from credit institutions and central banks	64,227	64,227	149,956	149,956
	Loans and other receivables at amortised cost	1,865,243	1,874,569	1,527,899	1,533,367
	Bonds at fair value	244,831	244,831	214,417	214,417
	Shares, etc	140,047	140,047	103,302	103,302
		2,439,883	2,449,209	2,025,160	2,030,628
	Financial liabilities				
	Payables to credit institutions and central banks	536,745	536,745	321,659	321,659
	Deposits and other payables	1,474,450	1,474,450	1,374,119	1,374,119
	Subordinate debt	199,566	199,566	99,560	99,560
		2,210,761	2,210,761	1,795,338	1,795,338

The table shows the fair value of financial assets and liabilities compared with recognised values.

Bonds and shares, etc, have been measured at fair value in the financial statements, implying that recognised values correspond to fair values.

Cash and deposits are relatively short, and recognised values at amortised cost are assumed to equal fair values.

Loans and advances are recognised at amortised cost. The difference to fair values is assumed to equal the interest rate-independent price adjustment, which is calculated by comparing current market rates with the market rates applying when the loans were established. Changes in the credit quality are not considered as these are assumed to be included in write-downs for impairment on loans and advances for both recognised values and fair values.

Subordinate debt is measured at amortised cost. The difference to fair values is assumed to equal the interest rate-independent market value adjustment, which is calculated by comparing current market rates with the market rates applying when the issue was made. Changes in fair values attributable to changes in the Bank's own credit rating are not considered.

Balances with credit institutions are recognised at amortised cost. The difference to fair values is assumed to be the interest-rate independent market value adjustment, which is calculated by comparing current market rates with the market rate when the balances were established. Changes in the credit quality of receivables from credit institutions are not considered as these are assumed to be included in write-downs for impairment on loans and receivables.

Changes in fair values of payables to credit institutions attributable to changes in the Bank's own credit rating are not considered.

Note	DKK '000	Loans at amortised cost	Trading portfolio	Assets at fair value in the income statement	2006 Total
32	Classification and return on financial assets and liabilities, cont.				
	Financial assets				
	Cash and demand deposits				
	with central banks	29,586	0	0	29,586
	Receivables from credit institutions and central banks	149,956	0	0	149,956
	Loans, advances and other receivables at amortised cost	1,527,899	0	0	1,527,899
	Bonds at fair value	0	214,417	0	214,417
	Shares, etc	0	21,618	81,684	103,302
	Derivative financial instruments	0	3,958	417	4,375
		1,707,441	239,993	82,101	2,029,535
	Financial liabilities				
	Payables to credit institutions and central banks	321,659	0	0	321,659
	Deposits and other payables	1,374,119	0	0	1,374,119
	Subordinate debt	99,560	0	0	99,560
	Derivative financial instruments	0	2,462	0	2,462
		1,795,338	2,462	0	1,797,800
	Return on financial instruments				
	Interest income	104,925	9,096	0	114,021
	Interest expenses	-32,424	0	0	-32,424
	Net interest income	72,501	9,096	0	81,597
	Dividends on shares, etc	0	256	398	654
	Fees and commission income	29,384	21,441	0	50,825
	Ceded fees and commission expenses	-2,118	-1,272	0	-3,390
	Net interest and fee income	99,767	29,521	398	129,686
	Market value adjustments	0	16,431	0	16,431
	Write-down for impairment on loans, advances and receivables, etc.	-8,770	0	0	-8,770
	Profit before expenses	90,997	45,952	398	137,347

33 Ownership

No shareholder holds more than 5% of the Company's share capital at 31 December 2007.

34 Collateral

Skælskør Bank has deposited bonds with Danmarks Nationalbank and the Danish Securities Centre in connection with clearing and settlement, etc in the total amount of DKK 0k (2006: DKK 0k).

Note	DKK '000	Branches	Finance/ abroad	Staff functions/ other	eliminations	Total
------	----------	----------	--------------------	---------------------------	--------------	-------

35 Business segments

The Group's primary segments are the business areas, in accordance with which the organisation, the internal financial management and reporting have been planned. The business areas are divided into branches, finance/abroad and staff functions/other which consists of the Executive Board, Credit Office, Service/Administration Department, Finance and HR Department.

Business segments 2007

Interest income	120,002	27,825	2,500	-296	150,031
Interest expenses	-39,617	-22,442	-1,137	172	-63,024
Net interest income	80,385	5,383	1,363	0	87,007
Dividends on shares, etc	0	1,510	0	0	1,510
Net fee income	38,602	1,483	2,125	-530	41,680
Net interest and fee income	118,987	8,376	3,488	-654	130,197
Translation/market value adjustments	4,692	17,062	203	3,749	25,706
Other operating income	-60	0	433	2,754	3,127
Total income	123,619	25,438	4,124	5,849	159,030
Operating expenses	-77,170	-11,561	-8,753	-5,284	-102,768
Impairment losses on loans, advances and receivables	-12,871	0	-94	0	-12,965
Income from investments in associates and group enterprises	0	0	4,329	0	4,329
Profit before tax	33,578	13,877	-394	565	47,626
Loans and advances	1,829,024	1,548	52,947	-18,276	1,865,243
Deposits	1,462,789	0	16,093	-4,432	1,474,450
Guarantees	1,619,197	0	18,961	-2	1,638,156
Total assets	2,328,633	677,447	422,263	-879,089	2,549,254
Total liabilities	2,328,633	677,447	155,882	-912,698	2,249,264
Total intra-group income	-22,359	-3,505	25,861	-3	0
Fixed asset investments	9,074	0	1,467	2	10,543
Non-cash operating items	4,692	17,064	203	0	21,959
Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets	2,670	17	1,289	-960	3,016
Number of employees (average)	63.2	13.2	33.2	0	109.6

Business segments 2006

Interest income	98,734	13,819	1,691	-223	114,021
Interest expenses	-22,549	-10,222	12	335	-32,424
Net interest income	76,185	3,597	1,703	112	81,597
Dividends on shares, etc	0	654	0	0	654
Net fee income	35,626	3,734	2,038	6,037	47,435
Net interest and fee income	111,811	7,985	3,741	6,149	129,686
Translation/market value adjustments	2,969	11,734	811	945	16,459
Other operating income	-75	0	198	4,817	4,940
Total income	114,705	19,719	4,750	11,911	151,085
Operating expenses	-62,043	-8,699	-10,767	-11,910	-93,419
Impairment losses on loans, advances and receivables	-8,903	0	133	0	-8,770
Income from investments in associates and group enterprises	0	0	757	0	757
Profit before tax	43,759	11,020	-5,127	1	49,653
Loans and advances	1,485,173	2,963	45,160	-5,397	1,527,899
Deposits	1,341,501	2,579	38,031	-7,992	1,374,119
Guarantees	1,464,303	0	39,608	36,729	1,540,640
Total assets	1,510,057	478,862	128,285	-6,897	2,110,307
Total liabilities	1,510,057	478,862	94,542	-250,597	1,832,864
Total intra-group income	-16,783	-2,467	19,250	0	0
Fixed asset investments	1,481	100	166	0	1,747
Non-cash operating items	2,968	11,835	811	0	15,614
Depreciation, amortisation and write-downs for impairment on property, plant and equipment and intangible assets and intangible assets	2,019	31	1,218	424	3,692
Number of employees (average)	69,0	6,8	21,0	16,1	112,9

36 Parent financial highlights

Income statement

Net interest income	87,131	81,485	69,637	66,226	59,879
Net fee and commission income	43,721	41,952	36,064	27,724	23,249
Net interest and fee income	130,852	123,437	105,701	93,950	83,128
Staff costs and administrative expenses	-93,510	-78,240	-66,976	-61,982	-56,106
Other net operating expenses	-3,603	-3,145	-3,414	575	-1,260
Impairment losses on loans, advances and receivables	-12,965	-8,770	-285	-9,415	-20,477
Profit from actual bank activities	20,774	33,282	35,026	23,128	5,285
Translation/market value adjustments	21,959	15,614	-1,836	10,150	27,957
Income from investments in associates and group enterprises	4,329	954	757	8	-1,746
Profit before tax	47,062	49,850	33,947	33,286	31,496
Net income tax	-9,729	-11,420	-8,417	-8,295	-4,391
Profit for the year	37,333	38,430	25,530	24,991	27,105

BALANCE SHEET

Bonds and shares	375,026	311,865	374,708	327,108	371,169
Total assets	2,553,228	2,117,204	1,786,759	1,398,744	1,317,192
Equity	300,030	277,443	250,300	241,222	219,432

Business volume

Loans and advances	1,883,356	1,533,296	1,253,573	910,186	732,704
Deposits	1,478,876	1,382,111	1,206,020	1,049,168	976,349
Guarantees	1,638,156	1,540,641	1,159,453	868,451	687,705

Ratios in %

Capital adequacy ratio	12.5	11.6	12.8	13.4	14.7
Core capital ratio	7.3	8.6	9.8	13.7	15.1
Return of equity before tax	16.3	18.8	13.8	14.5	16.4
Return on equity after tax	12.9	14.6	10.4	10.9	14.1
Operating income over operating expenses	1.43	1.55	1.48	1.46	1.40
Interest rate risk	1.1	1.7	2.4	1.7	2.2
Currency position	41.1	9.2	10.7	9.6	10.9
Currency risk	0.1	0.0	0.0	0.0	0.0
Loans and advances in ratio to deposits	129.5	112.7	105.4	89.8	79.9
Loans and advances in ratio to equity	6.3	5.5	5.0	3.8	3.3
Growth in loans and advances for the year	22.8	22.3	37.7	24.2	10.1
Excess liquidity in relation to statutory requirements of liquidity	35.0	13.1	38.2	75.1	154.7
The sum of large commitments	148.6	100.4	63.8	69.2	37.0
Share of receivables with a reduced interest rate	0.4	0.4	0.6	1.2	1.5
Impairment ratio for the year	0.4	0.3	0.0	0.5	1.4
Earnings per share for the year	20.9	21.2	13.7	12.9	15.7
Equity value per share	168	153	134	125	127
Dividends per share	4	4	3	1	3
Price/earnings per share	11.8	13.6	17.3	13.0	8.1
Price/book value per share	1.5	1.9	1.8	1.3	1.0
Price at year-end	246	287	237	168	127
Number of employees (average)	110	97	87	79	74

The Bank changed its accounting policies in 2005. Financial highlights for 2003 have not been restated to reflect the new accounting policies. Financial highlights for 2004 have not been restated to reflect the new accounting policies for financial assets and liabilities.

Bank Management

COMMITTEE OF SHAREHOLDERS

Skælskør

Peter Melchior, Estate Owner, Skælskør - Chairman
 Peter Nielsen, CEO, Skælskør – Vice-Chairman
 Per D. Andersen, CEO, Skælskør
 Per Elmegaard Andersen, Garden Centre Owner, Agersø
 Anders Christensen, Ship Broker, Stigsnæs
 Freddy Hansen, Head of Business Client Relations, Skælskør
 Jørgen Kok, School Vice-Principal, Skælskør
 John Bo Larsen, School Principal, Skælskør
 John Folmer Rasmussen, Course Coordinator Skælskør
 Jens Ruby, Consultant, Skælskør
 Henriette Hunsballe, Physiotherapist, Skælskør
 Methe Børnsvig, Accounting consultant, Rude

Dalmose

Thomas Baun Christensen, Master Cabinet Maker, Dalmose
 Nils Peter Enkegaard, School Principal, Næstved
 Erik Krog-Meyer, Executive Officer, Fuglebjerg
 Erik Larsen, Farm Owner, Sdr. Bjerge

Business centre

Per Vesterholm, Head of Business Centre, Korsør

Slagelse

Niels Micheelsen, Executive Officer, Slagelse
 Flemming Nielsen, Certified Electrician, Slagelse
 Søren Bo Hansen, Executive Officer, Slagelse

Korsør

Christian Boye, Executive Officer, Korsør
 Henrik Bach Jensen, Plumbing and Heating Constructor, Korsør
 Aase Johansen, Business Consultant, Korsør
 Bjarne Graabæk Mikkelsen, Employment Service Consultant, Korsør

Sorø

Claus Berner Nielsen, Undertaker, Ringsted
 Claus Rosenfeldt, Executive Officer, Sorø
 Thomas Waagø, Optician, Sorø
 Henning Skovlund, Chief Financial Officer, Store Valby

Kalundborg

Henning Vølund, Executive Officer, Kalundborg
 Machine dealer Peter Offer Larsen, Kalundborg
 Susanne Schiøtz Hansen, Executive Officer, Kalundborg

Supervisory Board

Chairman
Peter Melchior, Estate Owner, Skælskør
 Elected for the Supervisory Board on 4 March 2000
 Re-elected twice
 Chairman of the Supervisory Board of Nor Fjor Finans A/S, Skælskør
 Chairman of the Supervisory Board of Hovedgaden 50, Dalmose A/S, Skælskør, Executive Officer and member of the Supervisory Board of:
 Gerdrup-Lyngbygård Landbrug ApS
 1.9.1998 ApS
 Supervisory Board member of:
 ApS Habro Komplementar-18
 K/S Habro-Redhill
 Vice-Chairman

Peter Nielsen, Executive Officer, Skælskør

Elected for the Supervisory Board on 28 February 1998
 Re-elected three times
 Vice-Chairman of the Supervisory Board of Nor Fjor Finans A/S, Skælskør
 Vice-Chairman of the Supervisory Board of Skælskør Bolig A/S, Skælskør
 Vice-Chairman of the Supervisory Board of i Hovedgaden 50, Dalmose A/S, Skælskør, Executive Officer of SPN Holding ApS, Skælskør
 EO and Supervisory Board member of:
 Skælskør Anlægsgartnere A/S, Skælskør
 Skag Holding A/S, Skælskør
 Skag Invest A/S, Skælskør
 Skælskør Ejendomme A/S, Skælskør
 Chairman of the Supervisory Board of Skælskør Brolæggere A/S, Skælskør
 Member of the Supervisory Board of C&P Inspektion A/S, Korsør

Christian Boye, Executive Officer, Korsør

Elected for the Supervisory Board on 5 March 2005
 EO i Imerco Korsør ApS
 EO of C.B. Invest ApS

Henning Skovlund, Chief Financial Officer, Store Valby

Elected for the Supervisory Board on 10 March 2007
 Vice-chairman of the Supervisory Board of Enkotec A/S
 Vice-chairman of the Supervisory Board of Glunz & Jensen, Ringsted
 Supervisory Board Member of Investeringsforeningen Mermaid
 Nordic Member of the Investor Board of LD Equity I
 Supervisory Board Member of Bikubefoundation New York, Inc.

Elected by the employees:

Freddy Hansen, Head of Corporate Customer Relations, Skælskør

Elected for the Supervisory Board on 2 January 2005

Per Vesterholm, Head of Business Centre, Korsør

Elected for the Supervisory Board on 2 January 2005

EXECUTIVE BOARD

Carsten Roth, Chief Executive Officer, Skælskør

Supervisory Board Member and Executive Officer of Nor Fjor Finans A/S, Skælskør
 Supervisory Board Member and Executive Officer of Hovedgaden 50, Dalmose A/S, Skælskør
 Supervisory Board Member of Skælskør Bolig A/S, Skælskør
 Supervisory Board Member of Forvaltningsinstituttet, Copenhagen
 Chairman of the Supervisory Board of Hjalet A/S, Vordingborg
 Supervisory Board Member of Dansk ErhvervsFinansiering A/S, Køge

We cooperate with...

Totalkredit

Totalkredit grants mortgage loans for private owner-occupied homes through a wide network of more than 105 banks throughout Denmark.

DLR Kredit

As co-owner of DLR Kredit A/S, we provide mortgage loans for agricultural establishments, garden centres, private rental properties, co-operative dwellings and business properties, etc.

Lokale Pengeinstitutter

Lokale Pengeinstitutter is an association of 125 local banks, savings banks and cooperative savings banks in Denmark, the Faroe Islands and Greenland. The association provides solutions to shared industry challenges and renders advisory services.

Privatsikring

We cooperate with the insurance company Privatsikring, which is an independent insurance company.

Finanssektorens Uddannelsescenter

We own Finanssektorens Uddannelsescenter together with 124 other local banks. This is where ongoing training of the Bank's employees takes place.

Plen10 as

Together with Vagner Petersen we own plen 10 as, Western Zealand's biggest estate agency aside from the four nationwide agencies. Plen10 as sells single-family houses, summer cottages, small offices and business properties and is an important and attractive co-operation partner for investors, construction enterprises and building contractors.

BankInvest

Denmark's third largest asset manager of investment and expert associations is owned by Skælskør Bank together with 46 other local and regional banks.

Garanti Invest

Garanti Invest A/S is one of Denmark's leading developers of capital guarantee notes and is owned by more than 50 local Danish banks. Since 1998, the Garanti Invest banks have offered 40 capital guarantee notes with a total subscription amount of approx DKK 5bn. All capital guarantee notes have been issued by financial institutions – large Danish credit institutions and international banks – with high credit rating.

Egns-Invest

Egns-Invest is an investment fund that has existed since 1984. It was established by Regionalsparekasserne, a cooperation between six savings banks. Egns-Invest has a total of 24 investment departments broken down by 12 share departments, four mixed departments and eight bond departments. Today, Egns-Invest manages funds exceeding DKK 6 bn.

Dexia Invest

Dexia Invest is an investment fund with four different departments for bonds and shares. Dexia Invest is established by Dexia Bank Denmark A/S which is wholly owned by the Belgian finance group Dexia which today ranks among Europe's 20 largest finance groups with a balance sheet total of EUR 567b in 2006.

Valueinvest

The investment fund ValueInvest Danmark was established on 16 April 1998 as a Danish member-owned investment fund.

ValueInvest Danmark invests exclusively in companies that are listed on internationally acknowledged stock exchanges. The investment fund ValueInvest Danmark has three share departments which are all listed on the Copenhagen Stock Exchange.

Forvaltningsinstituttet for Lokale Pengeinstitutter

Forvaltningsinstituttet for Lokale Pengeinstitutter functions as a trust department for more than 100 banks and are supervised by the Danish Financial Supervisory Authority and the Ministry of Justice, Department of Private Law. In connection with the closing down of the Public Guardian's Office, Forvaltningsinstituttet (the trust corporation) has been approved to manage trust funds of both under aged persons and persons of legal age. Forvaltningsinstituttet for Lokale Pengeinstitutter also manages capital belonging to foundations.

BEC

BEC (Bankernes EDB Central) develops and supplies IT products to the Bank. BEC is operated in cooperation with 27 banks.

BM Samarbejdet

BM (Bankernes Markedsførings-samarbejde), which provides joint product development and marketing to its members, is run by Skælskør Bank together with 23 local banks.

Dansk ErhvervsFinansiering A/S,

Dansk ErhvervsFinansiering is a financing company primarily engaged in lease financing.

Dansk ErhvervsFinansiering is owned by a number of local banks. The company is a competitive alternative to the other players on the market. The company functions as a joint production community for the participating banks.

Sparinvest

Sparinvest Sparinvest is an independent provider of long-term and stable investment products in Denmark as well as the rest of Europe. Sparinvest manages and renders advisory services for over DKK 109bn and holds a wide client portfolio comprising banks, institutional investors and other significant players from Denmark and abroad.

PFA

PFA is the leading provider of pension schemes in Denmark. The company offers products within pensions, insurance in connection with illness and death as well as health insurance. Over 1 million Danes hold one or more products with PFA.

■ Heads of Division of Skælskør Bank

Administrative Manager

Robert Ahlm Grønlund

Head of Division Branch Service

Vivi Skytte Pedersen

Executive Secretary

Bente Elmsted

Finance Manager

Birthe Pedersen

Marketing Manager

Jane Dahl

**Sales and
Communications Manager**

Thomas Holst

**Assistant Manager/
Credit Manager**

Peter Larsen

Financial Officer

Marianne Hansen

■ Branches

Dalmose

Hovedgaden 50

4261 Dalmose

Erik Vincents, Branch Manager

Holbæk

Kalundborgvej 6 B

4300 Holbæk

Henrik Thougard , Branch Manager

Kalundborg

Bredgade 39

4400 Kalundborg

Tyge Kisum, Branch Manager

Korsør

Havnearkaderne 9

4220 Korsør

Lars-Erik Madsen, Branch Manager

Skælskør

Algade 18

4230 Skælskør

Pia Kimer, Branch Manager

Slagelse

Nytorv 10

4200 Slagelse

Karsten Gammelgaard, Branch Manager

Sorø

Holberg Arkaden 15

4180 Sorø

Søren Rohde Hauschildt, Branch Manager

Erhvervscenter

Nytorv 10, 1. sal

4200 Slagelse

Per Vesterholm , Business Centre Manager

■ Webbank

www.sbbank.dk

