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OMX
Copenhagen Stock Exchange
Nikolaj Plads 6
DK 1007 Copenhagen K

Skjern the 21st February 2008

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Announcement of the Annual Accounts for Skjern Bank 2007

- **Continued strong progress within all business areas**
- **Total business activities increased by 25 % to DKK 8,300 million and DKK 12,400 million, including deposits**
- **Lending increased by 25 % and deposits by 38 %**
- **Basic capital increased by 40 % to DKK 686 million and solvency rate of 13.5 %**
- **Strongly increased liquidity reserves with excess solvency compared with statutory requirements of 91 % compared with 41 % as at the end of 2006**
- **Reduction in positive price adjustments and write-downs in the fourth quarter means that the result before taxes is DKK 52.6 million**
- **Organisation development, capital base and liquidity resources ensure good basis for future development**

Yours sincerely

Carsten Thygesen
Chairman of the board of directors

Per Munck
Director

Please contact Per Munck in case of questions.

5 years in summary

Amounts in 1000 DKK	2007	2006	2005	2004	2003
Profit and loss account					
Net income from interest	135.246	124.374	94.334	91.319	88.944
Dividend on shares	3.909	3.567	1.076	1.399	954
Charges and commission, net	51.541	47.790	41.026	32.274	28.155
Income from core business	190.696	175.731	136.436	124.992	118.053
Value adjustments	7.920	54.867	41.237	25.123	52.426
Other ordinary income	1.216	911	725	3.713	2.927
Staff cost and admin. expenses	129.356	115.679	91.693	80.288	73.711
Depreciation of intangible and tangible assets	153	21.106	6.150	5.059	3.398
Write-down on bad debts (net)	19.439	3.077	-6.060	12.237	25.904
Profit on equity investments in non-affiliated and affiliated companies	1.687	387	198	-6	108
Operating result	52.571	92.034	86.813	56.238	70.501
Taxes	9.320	24.627	26.312	16.543	14.138
Profit for the year	43.251	67.407	60.501	39.695	56.363
Balance as per 31st December					
summary					
Total assets	5.358.137	4.148.826	2.747.664	2.452.457	2.157.825
Loans and other receivables	3.919.134	3.149.009	2.077.200	1.718.538	1.495.211
Guarantees etc.	1.718.261	1.526.399	1.532.250	1.099.254	869.186
Bonds	253.271	234.939	102.489	104.043	85.361
Shares etc.	213.388	197.996	155.952	88.979	96.534
Deposits	2.677.096	1.942.334	1.947.678	1.783.936	1.550.352
Subordinated debt	220.000	120.000	75.000	50.000	50.000
Total equity	536.276	424.092	379.469	324.971	263.080
of which proposed dividend	5.640	4.700	9.400	4.700	2.940
Capital Base	686.180	490.953	396.909	363.761	288.499

Business back to normal in Skjern Bank

After two extremely good years of which in particular 2006 was a landmark for Skjern Bank, the bank has in 2007 reverted to a more normal situation. Thus the bank achieved a result of DKK 52.6 million before taxes compared with the record figure in 2006 of DKK 92.0 million.

As far as capital base and liquidity resources are concerned, there is, however, a reason to be satisfied that Skjern Bank has been strengthened considerably in 2007. Thus the basic capital has been increased by 40 % to DKK 686 million, corresponding to a solvency rate of 13.5 % compared with 11.2 % at the end of 2006. Also the liquidity resources of the bank have improved considerably so that the excess liquidity compared with the statutory requirements at the end of the year amounted to 91 % compared with 41 % the previous year. The instability on the international liquidity market has not prevented Skjern Bank from improving its funding situation markedly, and consequently, the bank is well prepared for future development.

Continued sound growth

Throughout 2007, Skjern Bank has had brisk activities with a growth in total business of 26 % to DKK 8,300 million calculated as the sum of lending, deposits and guarantees. Including the value of deposits – including the bank's own holding – the business activities at the end of 2007 amounted to a total of DKK 12,400 million.

The Bank continues to attract many new customers, and at the end of 2007, the bank had about 23,000 customers, corresponding to a net addition of 5 %. All branches have an increased number of customers.

The progress is still driven primarily by the growth in deposits and lending. Not least in the light of the instability on the international liquidity market during the second half of 2007, it is particularly favourable that the bank's deposits have increased by as much as 38 % to DKK 2,700 million. The growth in lending has decreased somewhat compared with the previous years, but remains high at 25 % to DKK 3,900 million. Finally, the guarantees have increased by 13 % to DKK 1,700 million.

Reasonable progress in earnings

Net interest earnings show an increase of 9 % to DKK 135.2 million. Fee and commission earnings also show an increase of 9 % to DKK 56.4 million. This increase is primarily due to continued growth in the bank's provision of mortgage credit and the activity-based earnings from lending activities. Furthermore, it is worth noting that the earnings from trade in securities and deposits were in 2007 at an unchanged, high level.

This adds up to net interest and fee earnings in 2007 of DKK 190.7 million compared with DKK 175.7 million in 2006, corresponding to an increase of 9 %.

Costs

The bank's salary and administration costs increased in 2007 by DKK 13.5 million to DKK 129.4 million. This increase is primarily due to the bank's strategic decision to strengthen its organisation within the staff functions in order to prepare for future development, and also to be able to handle the many administrative jobs which are imposed on the financial sector. Furthermore, the new branch in Hellerup was established, after which the number of employees expressed as fulltime employees in 2007 increased from 125 to 141.

Write-downs resumed

After two-three years in which the bank's write-downs have been at a quite modest level, Skjern Bank has in 2007 had a more normal year in which it has been necessary to effect write-downs of DKK 19.4 million compared with DKK 3.1 million the previous year.

Just under half of the new write-downs during the year are, as previously stated, related to a single account, whereas the remaining write-downs are divided among a number of accounts of varying size and in different lines of business.

The bank has no assets of sub-prime nature.

Handsome earnings from shares reduced in the fourth quarter

After several years of historically high positive price adjustments, 'normal conditions' have now reappeared for Skjern Bank also within this area in 2007. Thus, as a consequence of the negative financial markets it must be said that the bank's positive price adjustments for securities and financial contracts during the fourth quarter were reduced by about DKK 9 million to DKK 7.9 million – primarily as a consequence of decreases in prices for our holding of Danish shares.

Profits before tax of DKK 52.6 million

Based on the above, the total profit before taxes for 2007 can be calculated at DKK 52.6 million against DKK 92.0 million for the previous year. After taxes calculated at DKK 9.3 million, the year's net result is DKK 43.3 million compared with DKK 67.4 million in 2006.

The bank's management considers the result relatively satisfactory – not least in the light of the external negative effect from the financial markets.

In the light of the result, the Board of Directors recommends that a dividend of DKK 5 per share should be paid, or a total dividend of DKK 5.6 million, whereas the remaining part of the year's result should be allocated to the bank's equity capital.

Equity and basic capital strengthened markedly

To strengthen the bank's capital resources and ensure the bank's possibility of future development, an expansion of the share capital was implemented in March 2007, adding net proceeds of DKK 93 million. Together with the year's result, this increases the bank's equity by 26 % to DKK 536.3 million.

Furthermore, in the autumn of 2007 the bank received subordinate loan capital in the form of an injection of subordinate capital of DKK 100 million. The basic capital can now be calculated at DKK 686.2 million, corresponding to a solvency rate of 13.5 % compared with 11.2 % the year before.

The calculation of Skjern Bank's solvency requirement according to the new Basel II regulations shows that the bank has good capital resources. The total solvency requirements if all negative scenarios should occur at the same time can thus be calculated at 8.7 %. Objectively, this figure is an expression of the minimum solvency required from the bank. This means that we have a comfortable 'excess cover' which provides a good basis for continued development and considerable freedom of action.

The core capital amounts to 11.1 % (unchanged).

The profit for the year yields a return on equity of 10.9 % before tax and of 9.0 % after tax.

Strengthened liquidity resources

In 2007, Skjern Bank has increased its liquidity resources by more than DKK 500 million so that the excess cover compared with the statutory requirements at the end of 2007 amounted to 91 % compared with 41.0 % the previous year.

The strengthening of the liquidity resources has, in spite of the instability on the international liquidity market during the second half of 2007, been implemented on appropriate conditions, both regarding term and prices.

Also as far as liquidity resources are concerned, Skjern Bank is therefore well prepared.

The Skjern Bank share

Also in 2007, Skjern Bank has welcomed many new shareholders, and at the end of 2007, the bank had 12,757 shareholders.

Unfortunately, the negative security markets in 2007 have also affected the bank's shareholders, and they have seen a decrease in the share price of 22 %. However, this must be seen in the light of the fact that since 2000, the shareholders have had an average return of more than 34 % per year. Furthermore, it must be added that based on key figures at the end of 2007, the bank's share was among the most inexpensive shared within the banking sector.

The estate of Kaj Paustian, Monaco, has stated that it owns more than 5 % of the bank's equity.

New branch in Hellerup got a good start

After the summer holidays in 2007, the bank opened a new branch in Hellerup. This was done in temporary premises in Tuborg Havn, but as at 15. February 2008 the department with a staff of seven moved to permanent premises at the address Strandvejen 143 in Hellerup. The new branch is the bank's first cash-less branch.

In Aarhus Skjern Bank still intends to open a new branch in 2007 in the property of Mejlborg at Kystvejen 65.

Organisation development

In 2006, the bank decided to strengthen the organisation by upgrading the bank's staff functions. This upgrade has been implemented in 2007, which has among other things led to:

- Strengthening of the bank's top management by appointing a development manager who will as at 1. January 2009 be appointed Deputy Director.
- Strengthening of the credit department after which the bank is well prepared within the credit area.
- Establishment of a compliance function to ensure that the bank will at any time observe external statutory requirements and internal business procedures.
- Strengthening of the internal audit function.

Transactions with connected persons

In 2007, there have been no major transactions between Skjern Bank and the bank's connected persons.

No material events after 31.12.2007

No events have occurred after the end of the accounting year which may affect the result.

Expectations for 2008

The bank expects a certain dampening of the cyclical development in 2008, but among other things because of the establishment of new branches, the bank expects a continued, sensible addition of new customers and therefore increased business, even though the growth will be lower than that of recent years.

In 2008 the costs will be affected by the establishment of new branches in Hellerup and supposedly in Aarhus, and the building of a new property for the branch in Varde.

Regardless of the prospects of receding market trends, there are no current indications that the bank's write-downs on lending and credits will develop materially. For price adjustments for bonds and shares, the prospects are, however, more varied, and much will depend on whether the development in the financial markets will stabilise.

In the light of the above, Skjern Bank expects the result for 2008 before price adjustments, write-downs and taxes to be in the interval DKK 80-90 million.

Endorsement of the Annual Report by the Management

We have today presented the annual report for 2007 for Skjern Bank A/S. The annual report has been prepared in accordance with order issued by the Danish Financial Supervisory Authority on financial reports for credit institutions and stock broker companies, etc., and the rules regarding listing at OMX Den Nordiske Børs Copenhagen.

We consider the accounting practice chosen to be appropriate and the estimates made reasonable, so that the annual report gives a correct impression of the bank's assets, liabilities, financial position as at 31. December 2007 and of the result of the bank's activities in 2007.

Accounting practices

Apart from the changed rules on the calculation of capital adequacy, the accounting practice used remains unchanged compared with the annual report for 2006.

The annual report has been audited by the bank's external company accountants, the state-authorised public accountants, PriceWaterhouseCoopers and Deloitte

Financial calendar 2008

3. March	Ordinary General Meeting held in Skjern Kulturcenter
17. April	1st Quarterly Report
14. August	Interim Report for the First Half of the year
23. October	3 rd Quarterly Report

The Management of Skjern Bank A/S

Per Munck

Board of Directors of Skjern Bank A/S

Carsten Thygesen, Chairman
Jens Christian Ostensen, Deputy Chairman
Børge Lund Hansen
Holger Larsen
Lars Andresen
Metha Thomsen

Profit and loss account 1st January - 31st December

	2007 DKK 1,000	2006 DKK 1,000
Interest receivable	276.073	189.145
Interest payable	140.827	64.771
Net income from interest	135.246	124.374
Dividend on shares and other holdings	3.909	3.567
Charges and commission receivable	56.365	51.715
Charges and commission payable	4.824	3.925
Net income from interest and charges	190.696	175.731
Value adjustments	7.920	54.867
Other ordinary income	1.216	911
Staff costs and administrative expenses	129.356	115.679
Depreciation and write-downs on intangible and tangible assets	153	21.106
Write-downs on loans and outstandings accounts etc.	19.439	3.077
Profit on equity investments in non-affiliated and affiliated companies	1.687	387
Profit on ordinary activities before tax	52.571	92.034
Tax	9.320	24.627
Profit for the financial year	43.251	67.407

Proposal for distribution of profit

Profit for the financial year	43.251	67.407
Total amount available for distribution	43.251	67.407
Dividends	5.640	4.700
Transferred to statutory reserves	-1	273
Transferred to retained earnings	37.612	62.434
Total distribution of the amount available	43.251	67.407

Balance sheet as per 31st December

	2007	2006
	DKK 1,000	DKK 1,000
Assets		
Cash in hand and demand deposits with central banks	105.808	277.015
Receivables at credit institutions and central banks	736.666	175.822
Loans and receivables at amortised cost price	3.919.134	3.149.009
Bonds at fair value	253.271	234.939
Shares etc.	213.388	197.996
Equity investments in non-affiliated companies	3.273	696
Equity investments in affiliated companies	0	2.010
Land and buildings (total)	73.218	56.272
Investment properties	7.586	8.075
Domicile properties	65.632	48.197
Other tangible assets	8.139	4.175
Current tax assets	14.327	21.702
Assets temporarily acquired	239	239
Other assets	30.246	28.201
Prepayments	428	750
Total assets	5.358.137	4.148.826

Balance sheet by 31st December, continued

	2007 DKK 1,000	2006 DKK 1,000
Liabilities		
Debt		
Debt to credit institutions and central banks	1.836.943	1.581.498
Deposits and other debts	2.677.095	1.942.334
Bonds issued at amortised cost	3.445	1.797
Other liabilities	81.615	65.647
Prepayments	124	144
Total debt	4.599.222	3.591.420
Provisions		
Provisions for deferred tax	1.639	8.314
Provisions for loss on guarantees	1.000	5.000
Total provisions	2.639	13.314
Subordinated debt	220.000	120.000
Equity		
Share capital	22.560	18.800
Revaluation reserves	2.293	2.293
Other reserves	480	481
Retained earnings	510.943	402.518
Total capital funds	536.276	424.092
Total liabilities	5.358.137	4.148.826
Contingent liabilities		
Guarantees etc.		
Finance guarantees	271.334	264.845
Guarantees against losses on mortgage credit loans	513.000	483.828
Registration and conversion guarantees	731.277	620.020
Other guarantees	202.650	157.706
Total guarantees	1.718.261	1.526.399
Other contingent liabilities		
Other liabilities	17.356	14.601
Total other contingent liabilities	17.356	14.601

Notes as per 31st December

	2007	2006
	DKK 1,000	DKK 1,000
Interest receivable		
Receivables at credit institutions and central banks	17.782	7.024
Loans and other receivables	247.378	175.078
Bonds	9.929	6.600
Other derivative financial instruments, total	545	427
of which		
Currency contracts	222	353
Interest-rate contracts	323	74
Other interest income	439	16
Total interest receivable	276.073	189.145
Of which income from genuine purchase and resale transactions	0	0
Interest payable		
Credit institutions and central banks	56.802	20.469
Deposits	76.294	37.160
Bonds, issued	92	5
Subordinated debt	7.523	6.408
Other interest payable	116	729
Total interest payable	140.827	64.771
Of which income from genuine sale and repurchase transactions	0	0
Fees and commission income		
Securities trading and custody accounts	26.786	26.156
Payment services	4.875	4.717
Loan Fees	8.579	6.342
Guarantee commission	13.052	11.666
Other fees and commission	3.073	2.834
Total fees and commission receivable	56.365	51.715
Value adjustments		
Bonds	-1.880	3.720
Shares	8.173	48.944
Foreign currency	4.768	3.049
Other financial instruments	-3.141	-846
Total value adjustments	7.920	54.867

Notes, continued

	2007	2006
	DKK 1,000	DKK 1,000
Staff costs and administrative expenses		
Salaries and remuneration of board of directors managers etc.		
Board of managers	2.177	1.861
Management board	526	512
Committee of representatives	163	100
Total salaries and remunerations of board etc.	2.866	2.473
Staff costs		
Wages and salaries	56.840	50.031
Pensions	5.600	4.909
Social security costs and payroll tax	6.438	5.266
Total staff costs	68.878	60.206
Other administrative expenses	57.612	53.000
Total staff costs and administrative expenses	129.356	115.679
Number of employees		
Average number of employees during the year until now converted into full-time employees	135	121
Accumulated write-downs on loans and other debtors		
Accumulated write-downs as per beginning of the year	70.348	66.247
Write-downs during the period (net)	23.345	6.410
Reverse entry - write-downs made in previous years	-9.233	-2.309
Accumulated write-downs - end of year	84.460	70.348
Individual write-downs	82.632	65.348
Group write-downs	1.828	5.000
Accumulated write-downs - end of year	84.460	70.348
Loans etc. with suspended calculation of interest		
Total loans etc. with suspended calculation of interest	20.318	19.989
Profit on equity investments in non-affiliated and affiliated companies		
Profit on equity investments in non-affiliated companies	1.687	185
Profit on equity investments in affiliated companies	0	202
Total profit on equity investments in non-affiliated and affiliated companies	1.687	387
Retained earnings beginning-of-year	402.518	350.883
Profit for the financial year	43.252	67.134
Sale of own shares	168.004	59.370
Additions relating to sales of own equity investments	89.995	0
Purchase of own shares	190.129	65.172
Distributed dividend (net)	4.635	9.349
Taxation from posting on equity	-1.938	348
Retained earnings end-of-year	510.943	402.518

Notes, continued

	2007	2006
	DKK 1,000	DKK 1,000
Share capital		
Number of shares at DKK 20 each	1.128.000	940.000
Share capital	22.560	18.800
Own capital shares		
Number of shares (pcs)	44.242	14.060
Nominal value hereof	885	281
Own shares proportion of share capital (pct.)	3,92	1,50
Solvency		
Capital base	686.180	490.953
Total weighed items	5.090.524	4.389.842
Core capital Tier 1	11,1	11,1
Solvency ratio - Tier 2	13,5	11,2
Legal solvency requirement	8,0	8,0
Calculated solvency requirement	8,7	8,3

FINANCIAL RATIOS	2007	2006	2005	2004	2003
(figures in pct.)					
Solvency ratio	13,5	11,2	12,5	14,7	13,8
Core capital ratio	11,1	11,1	11,3	12,5	12,3
Return on equity before tax	10,9	22,9	24,7	19,1	26,8
Return on equity after tax	9,0	16,8	17,2	13,5	20,9
Earning/expense ratio in DKK	1,35	1,66	1,95	1,59	1,63
Interest rate risk	0,4	0,8	1,1	-0,1	0,5
Foreign currency position	14,8	13,2	9,4	6,4	8,2
Foreign currency risk	0,0	0,1	0,0	0,0	0,2
Loans etc. against deposits	149,5	165,5	109,8	100,0	102,2
Statutory liquidity surplus	90,7	41,0	23,0	86,2	97,1
Total large commitments	109,4	165,0	98,5	88,4	71,2
Loans and debtors at reduced interest	0,4	0,4	0,6	0,7	0,8
Accumulated impairment ratio	1,5	1,5	1,8	3,6	3,9
Impairment ratio for the year	0,3	0,1	-0,2	0,5	1,2
Increase in loans etc. for the year	24,5	51,6	20,9	13,6	10,9
Ratio between loans etc. and capital funds	7,3	7,4	5,5	5,5	5,4
(value per share 100 DKK)					
Earnings per share	205,7	358,5	321,8	206,7	255,3
Book value per share	2474	2290	2031	1604	1329
Rate on Copenhagen Stock Exchange	2950	4350	3184	2615	2100
Dividend per share	25	25	50	25	15
Market value/net income per share	14,3	12,1	9,8	12,7	8,2
Market value/book value	1,19	1,90	1,57	1,63	1,58
Number of employees by 31. December	141	125	119	108	98