

Company Announcement
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Interim financial report

1 January – 30 September 2007

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Interim financial report – in headlines

Performance for the period 1 January – 30 September 2007

- Profit before tax amounts to DKK 44m against DKK 32.8m last year, corresponding to an increase of 34%
- Net interest and fee income has gone up by DKK 1.6m, corresponding to an increase of 1.6%
- Price adjustment of securities amounts to DKK 21.4m against DKK 6.7m for the same period last year
- Staff costs and administrative expenses amount to DKK 67.2m, constituting an increase of 1.3% on the same period last year
- Impairment losses on loans and receivables, etc amount to DKK 8.4m compared with DKK 7.0m in the same period last year
- Loans are up by 21%
- Deposits have dropped by 1%
- Guarantees have increased by 7.2%
- Pre-tax profit expectations are adjusted upwardly with 8m to DKK 50-55m.

Key figures - Group

Income statement

DKK'm	Q3 2007	Q3 2006	FY 2006
Interest income - net	64.6	60.1	81.6
Fee and commission income, etc - net	33.9	36.8	48.1
Net interest and fee income	98.5	96.9	129.7
Staff costs and administrative expenses	-67.2	-66.4	-89.0
Other operating expenses - net	-0.3	2.6	1.3
Impairment losses on loans and receivables, etc	-8.4	-7.0	-8.8
Core earnings	22.6	26.1	33.2
Value adjustments	21.4	6.7	16.5
Profit before tax	44.0	32.8	49.7
Income taxes	-9.9	-8.8	-11.3
Profit for the period	34.1	24.0	38.4

Balance sheet

Loans and other receivables at amortised cost	1,798	1,485	1,528
Deposits and other payables	1,424	1,436	1,374
Guarantees, etc	1,550	1,445	1,541
Bonds and shares	354	334	315
Equity including profit	294	262	277
Total assets	2,408	2,101	2,110

Ratios

Capital adequacy ratio	10.9	10.3	11.6
Share price	241	258	287

Comments on the interim financial report for Q3 2007

Management's review

Skælskør Bank has in the first three quarters of 2007 continued the favourable development. The Bank's aggregate business volume – measured by the sum of loans, deposits and guarantees – is up by 9% and amounts to DKK 4,771m compared to DKK 4,366m at 30 September 2006.

The Bank's value adjustments remain positive at a very high level in relation to last year.

The pre-tax profit for the period amounts to DKK 44.0m compared with DKK 32.8m for the same period last year.

Based on the positive business and profit development, the profit before tax for FY 2007 is expected in the range of DKK 50–55m, compared with DKK 42-46m before.

Net interest and fee income

Net interest and fee income amounts to DKK 98.5m against DKK 96.9m for the same period of 2006.

Net interest income amounts to DKK 64.6m compared to DKK 60.1m last year.

Fee and commission income, etc has decreased from DKK 36.8m to DKK 33.9m. The decline is attributable to a cessation of fee and commission income of DKK 7.3m relating to one of the Bank's subsidiaries which was sold effective from 1 October 2006. Taking this into account, fee and commission income is up by DKK 4.4m. The increase is distributed on guarantee commission, commission from foreign business and commission income relating to investment funds.

Value adjustments

Value adjustments amount to DKK 21.4m against DKK 6.7m in 2006. The significant positive deviation is attributable to capital gains of DKK 22.1m on the Bank's portfolio of shares, a capital loss of DKK 2.4m on bonds and a capital gain of DKK 1.7m on other instruments.

Staff costs and administrative expenses

Staff costs and administrative expenses total DKK 67.2m against DKK 66.4m in 2006. Staff costs and administrative expenses are in line with budget.

Disregarding staff costs and administrative expenses in the subsidiary sold by the Bank, staff costs have gone up by DKK 6.8m whereas administrative expenses have increased by DKK 4.6m. As stated, this is a budgeted increase and reflects the current development of the Bank.

The number of staff has gone up from 99.1 to 112.2 in the period. In full-time jobs that constitutes an increase of 13%.

Several of the Bank's branches have been subject to reconstruction/refurbishment in 2007.

Impairment losses on loans and receivables, etc

The Bank's impairment losses on loans and receivables, etc amount to DKK 8.4m against DKK 7.0m in 2006. Of this, one single customer accounts for the major part of the impairment losses.

Balance sheet

Loans are up by 21% from DKK 1,485m to DKK 1,798m. Deposits have gone down by 1% from DKK 1,436m to DKK 1,424m. Guarantees have gone up by 7% from DKK 1,445m to DKK 1,550m.

The Bank's equity is up from DKK 262m to DKK 294m.

Cash flows

The credit crisis in the US has implied that the time it takes to raise a long-term loan has been extended. We have also observed a considerable price increase on long-term loans. This has as yet not had any significant impact on the day-to-day operations of Skælskør Bank.

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

Outlook for all of 2007

The outlook for all of 2007 in the annual report for 2006 was that performance would produce a result in the range of DKK 42–46m. But based on the positive business and profit development in Q1-Q3 of 2007, a profit before tax in the range of DKK 50-55m is expected for FY 2007.

Statement by Management on the interim financial report

The Supervisory and Executive Boards have today approved the interim financial report of Skælskør Bank A/S for the period 1 January – 30 September 2007.

We consider the applied accounting policies appropriate and the estimates made reasonable for the interim financial report to provide a true and fair view of the Group's financial position at 30 September 2007 as well as of the Bank's activities for the period 1 January to 30 September 2007.

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

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

Skælskør, 7 November 2007

Carsten Roth
Chief Executive Officer

Peter Melchior
Chairman of the Supervisory Board

Income statement 1 January – 30 September 2007

Group	Note	Q1–Q3 2007 DKK'000	Q1–Q3 2006 DKK'000	FY 2006 DKK'000
Interest income	1	107,810	82,624	114,021
Interest expenses	2	-43,206	-22,539	-32,424
Net interest income		64,604	60,085	81,597
Dividends from shares, etc		1,482	630	654
Fee and commission income	3	35,593	38,480	50,825
Ceded fee and commission expenses		-3,209	-2,294	-3,390
Net interest and fee income		98,470	96,901	129,686
Value adjustments	4	21,399	6,723	16,459
Other operating income		2,547	4,697	4,940
Staff costs and administrative expenses	5	-67,231	-66,400	-88,970
Depreciation, amortisation and impairment losses relating to intangible assets and property, plant and equipment		-2,806	-2,156	-3,692
Other operating expenses		0	-1	0
Impairment losses on loans and receivables, etc		-8,411	-6,987	-8,770
Profit before tax		43,968	32,777	49,653
Tax on profit for the period		-9,834	-8,735	-11,223
Profit for the period		34,134	24,042	38,430

Balance sheet at 30 September 2007

Group	Note	30 Sep 2007 DKK'000	30 Sep 2006 DKK'000	31 Dec 2006 DKK'000
Cash and demand deposits with central banks		60,368	38,871	29,586
Receivables from credit institutions and central banks		106,327	154,942	149,956
Loans and other receivables at amortised cost		1,797,591	1,484,713	1,527,899
Bonds at fair value		186,956	237,463	214,417
Shares, etc		166,840	96,715	103,302
Intangible assets		0	2,000	0
Total land and buildings		55,567	55,179	55,261
Investment property		22,203	28,649	13,171
Owner-occupied property		33,364	26,530	42,090
Other property, plant and equipment		11,795	6,260	5,467
Current tax assets		0	0	691
Deferred tax assets		1,527	1,519	1,323
Other assets		20,696	22,997	22,329
Prepayments		313	376	76
Total assets		2,407,980	2,101,035	2,110,307

Balance sheet at 30 September 2007

Group	Note	30 Sep 2007 DKK'000	30 Sep 2006 DKK'000	31 Dec 2006 DKK'000
Debt to credit institutions and central banks		485,624	252,660	321,659
Deposits and other payables		1,423,953	1,435,698	1,374,119
Current tax payable		7,186	8,400	0
Other liabilities		44,744	51,873	30,189
Deferred income		627	1,518	1,525
Total payables		1,962,134	1,750,149	1,727,492
Provisions				
Provisions for pensions and similar liabilities		1,427	1,427	1,427
Provisions for deferred tax		0	177	0
Provisions for loss on guarantees		333	1,518	1,992
Other provisions		713	1,658	2,393
Total provisions		2,473	4,780	5,812
Subordinated debt				
Subordinated debt		149,544	84,576	99,560
Total subordinated debt		149,544	84,576	99,560
Equity				
Share capital		37,000	37,000	37,000
Revaluation reserve		1,471	1,471	1,471
Retained earnings		255,358	223,059	238,972
Total equity		293,829	261,530	277,443
Total equity and liabilities		2,407,980	2,101,035	2,110,307

Notes - Group

	Q1-Q3 2007 DKK'000	Q1-Q3 2006 DKK'000	FY 2006 DKK'000
1. Interest income			
Receivables from credit institutions and central banks	3,059	2,705	4,456
Loans and other receivables	97,142	73,330	100,171
Bonds	6,374	6,896	9,517
Total derivative financial instruments	-3	-427	-427
Of these			
Foreign exchange contracts	-3	-427	-427
Other interest income	1,238	120	304
Total interest income	107,810	82,624	114,021
The Group has no income from genuine purchase and sell-back transactions.			
2. Interest expenses			
Credit institutions and central banks	9,254	4,210	6,074
Deposits and other payables	28,739	15,363	22,194
Subordinated debt	5,166	2,852	4,079
Other interest expenses	47	114	77
Total interest expenses	43,206	22,539	32,424
The Group has no expenses for genuine purchase and sell-back transactions.			
3. Fee and commission income			
Securities trading and custody accounts	13,703	13,461	19,091
Payments handling	1,728	1,769	2,350
Loan case fees	2,478	2,884	4,041
Guarantee commission	8,856	7,731	10,015
Other fee and commission income	8,828	12,635	15,328
Total fee and commission income	35,593	38,480	50,825

Notes - Group

	Q1-Q3 2007 DKK'000	Q1-Q3 2006 DKK'000	FY 2006 DKK'000
4. Value adjustments			
Bonds	-2.378	-2,161	-2,349
Shares	22,078	7,122	15,570
Investment property	0	0	418
Total currency, interest, etc	1,193	765	1,070
Derivative financial instruments	543	1,028	1,764
Other assets	-37	-31	-14
Total value adjustments	21,399	6,723	16,459
Skælskør Bank has no collective pool schemes.			
5. Staff costs and administrative expenses			
Salaries and remuneration to the Supervisory and Executive Boards as well as the Committee of Representatives			
Executive Board	1,086	1,449	2,158
- Pension, etc to the Executive Board	305	300	419
- Supervisory Board	431	423	569
- Committee of Representatives	0	0	115
Staff costs			
- Wages and salaries	31,262	30,341	40,626
- Pensions	3,848	3,544	4,702
- Social security costs	3,329	2,621	3,573
Other administrative expenses	26,970	27,722	36,808
Total staff costs and administrative expenses	67,231	66,400	88,970

Notes - Group

6. Contingent assets and liabilities			
Financing guarantees	1,087,563	1,014,679	1,092,556
Other guarantees	461,940	430,507	448,085
Total guarantees, etc	1,549,503	1,445,186	1,540,641
Other contingent liabilities			
Irrevocable credit guarantees	0	0	75,800
Other obligations	46,505	46,338	46,338
Total other liabilities	46,505	46,338	122,138